

Highlights

Regulatory enhancements

- **Asset management:** We concluded a consultation on proposals to enhance asset management regulation and point-of-sale transparency whilst commencing a further consultation on disclosure requirements for discretionary accounts.
- **Cybersecurity:** We issued consultation conclusions on hacking risks associated with internet trading along with a set of guidelines and a circular on good practices for risk management and cybersecurity.
- **OTC derivatives and conduct risks:** We launched a public consultation on proposals to refine the over-the-counter (OTC) derivatives regime and strengthen the management of financial and conduct risks.
- **Funds:** To update the regulatory regime for SFC-authorized funds and address emerging risks, we launched a consultation on proposed amendments to the Code on Unit Trusts and Mutual Funds.

Listings and takeovers

- **GEM review:** Following the SFC's approval, Hong Kong Exchanges and Clearing Limited published conclusions to a consultation on GEM and changes to the Listing Rules.
- **Listing applications:** We reviewed 40 new listing applications, up 5.3% year-on-year.
- **Takeovers matters:** We publicly censured one individual for breach of the Takeovers Code.

Intermediaries

- **Licensees and registrants:** As at 31 December 2017, the number of licensees and registrants reached 44,169, up 3.5% year-on-year, and the number of licensed corporations increased 10.3% to 2,660. Both were record highs.
- **Senior management accountability:** The Manager-In-Charge (MIC) regime was fully implemented following a six-month transition period, when about 10,000 individuals were appointed by licensed corporations as MICs responsible for managing important functions.
- **Inspections:** We conducted 71 risk-based on-site inspections of licensed corporations to review their compliance with regulatory requirements.
- **Promoting Compliance:** We published 18 circulars to update and remind industry participants of various regulatory matters.

Market surveillance

- **Investor identification:** We reached an agreement with the China Securities Regulatory Commission (CSRC) on the implementation of investor identification for Northbound trading under Stock Connect.
- **Requests to intermediaries:** We made 1,644 requests for trading and account records from intermediaries following our surveillance of untoward price and turnover movements.

Enforcement

- **Systemic failures in product sales:** The Securities and Futures Appeal Tribunal upheld our disciplinary action against HSBC Private Bank (Suisse) SA which was fined a record \$400 million.
- **Guidance note on cooperation:** We issued an updated guidance note to highlight the benefits of cooperation in our investigation and enforcement proceedings.
- **Disciplinary actions:** We disciplined two corporations and five licensed representatives for internal control failures, unauthorised trading in clients' accounts or conducting transactions without written client authorisation.

Regulatory collaboration

- **Futures markets:** We entered into a memorandum of understanding with the CSRC to facilitate regulatory and enforcement cooperation in the Mainland and Hong Kong futures markets.
- **EU-Asia Pacific Forum:** We hosted the second EU-Asia Pacific Forum where cross-border regulatory issues were discussed.

Stakeholder communication

- **Fintech Day:** We co-organised a full-day programme with the Hong Kong Monetary Authority to discuss regulatory issues related to financial technology.
- **Industry publication:** The inaugural issue of the *SFC Compliance Bulletin: Intermediaries* highlighted the importance of managing conflicts of interest in selling practices and asset management.