

# Intermediaries

## Licence applications

In the quarter, we received 1,924 licence applications<sup>1</sup>, down 9.6% from the last quarter and up 7.7% year-on-year. The number of corporate applications rose 50.8% from the last quarter to 98, up 18.1% year-on-year.

As at 31 December 2017, the number of licensees and registrants totalled 44,169, up 3.5% from last year, and the number of licensed corporations grew 10.3% to 2,660. Both were record highs.

## Senior management accountability

On 17 October, we announced the full implementation of the Manager-In-Charge (MIC) regime<sup>2</sup> following a six-month transition period, during which about 10,000 individuals<sup>3</sup> were appointed by licensed corporations as MICs responsible for managing important functions. The announcement also reminded registered institutions to submit relevant management information and organisational charts<sup>4</sup> to both the Hong Kong Monetary Authority (HKMA) and the SFC by 16 April 2018.

## Cybersecurity

On 27 October, we issued conclusions to a consultation on proposals to reduce and mitigate hacking risks associated with internet trading, along with related guidelines and a circular to licensed intermediaries. One key control, two-factor authentication for clients to login to their internet trading accounts, will take effect on 27 April 2018, with all other requirements taking effect on 27 July 2018.

## Point-of-sale transparency

On 16 November, we published consultation conclusions to enhance asset management regulation and point-of-sale transparency, including the disclosure of non-quantifiable monetary benefits (eg, trailer fees). We also commenced a two-month consultation on proposed requirements for the disclosure of monetary and non-monetary benefits to discretionary account clients.

## OTC derivatives and conduct risks

On 20 December, we launched a two-month consultation on proposals to refine the over-the-counter (OTC) derivatives regime and to require licensed corporations to properly manage financial exposures to connected persons. The proposals refine the scope of certain regulated activities to provide more clarity on the OTC derivatives licensing regime in response to market comments. The consultation also includes proposals related to risk mitigation, client clearing, record keeping and other conduct requirements for OTC derivatives transactions, as well as licensing fees, insurance, competence and training requirements under the new regime.

## Intermediary monitoring

During the quarter, we conducted 71 risk-based on-site inspections of licensed corporations to review their compliance with regulatory requirements.

<sup>1</sup> The figure does not include applications for provisional licences. See the table on licensing applications on page 6 for details.

<sup>2</sup> Under the MIC regime, licensed corporations and corporate licence applicants are required to submit up-to-date management structure information and organisational charts to the SFC.

<sup>3</sup> Around 40% are not licensed persons as they do not conduct regulated activities and are primarily responsible for managing operations and control functions.

<sup>4</sup> See the HKMA's 16 October 2017 circular.

# Intermediaries

## Promoting compliance

We published the first issue of the *SFC Compliance Bulletin: Intermediaries* in December to highlight the importance of managing conflicts of interest in selling practices and asset management and provide an overview of industry demographics.

## Risk management

On 10 October, we issued a circular to licensed corporations providing securities margin financing to remind them to vigilantly monitor risks and adopt prudent margin lending and risk management policies in light of volatility in small-cap stocks and some licensed corporations' excessive exposure to securities collateral which was highly concentrated and illiquid.

On 18 December, we issued a circular to provide licensed corporations with additional guidance and examples of good practices for establishing and maintaining prudential risk management practices for client money, liquidity and the concentration risks of funding sources from affiliated entities.

## Conflicts of interest

Together with the HKMA, we issued a joint circular on 24 November to share observations and good practices noted in our joint thematic review of potential conflicts of interest arising from the sale of in-house products by intermediaries within the same financial group. The circular also reminded intermediaries about the regulators' expected standards of conduct regarding conflicts of interest.

## Cryptocurrencies

We issued a circular on 11 December to remind intermediaries about the legal and regulatory requirements for providing financial services in relation to Bitcoin futures contracts and other cryptocurrency-related products. This followed the launch by futures and commodities exchanges in the United States of Bitcoin futures contracts which can be traded by Hong Kong investors through an intermediary. The circular also cautioned investors of the substantial risks associated with cryptocurrency-related products, including high price volatility and illiquidity.

## Corporate transaction valuations

On 13 December, we issued frequently asked questions on the application of our 15 May 2017 circular to financial advisers on valuations in corporate transactions.

## Anti-money laundering

In November and December, we met with 10 industry associations, including the Hong Kong Investment Funds Association, Alternative Investment Management Association, Asia Securities Industry and Financial Markets Association and seven major broker associations, to brief them on proposed amendments to the Guideline on Anti-Money Laundering and Counter-Terrorist Financing<sup>5</sup>.

We issued seven circulars during the quarter to promote compliance with anti-money laundering and counter-terrorist financing requirements. In addition, we gave a presentation at an industry association training seminar in October and hosted three seminars in November and December for more than 900 staff of licensed corporations.

<sup>5</sup> These amendments arise from proposed changes to the provisions of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance relating to financial institutions in the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Bill 2017.

## Intermediaries

### Licenses and registrants

	As at 31.12.2017	As at 31.3.2017	Change (%)	As at 31.12.2016	YoY change (%)
Licensed corporations	2,660	2,484	7.1	2,411	10.3
Registered institutions	119	121	-1.7	121	-1.7
Licensed individuals	41,390	40,267	2.8	40,133	3.1
<b>Total</b>	<b>44,169</b>	<b>42,872</b>	<b>3.0</b>	<b>42,665</b>	<b>3.5</b>

### Licensing applications

	Quarter ended 31.12.2017	Nine months ended 31.12.2017	Nine months ended 31.12.2016	YoY change (%)
Applications to conduct new regulated activity	5,526	16,992	16,491	3
Applications for SFC licences <sup>#</sup>	1,924	5,750	5,880	-2.2

<sup>#</sup> Figures do not include applications for provisional licences. During the quarter, we received 942 provisional licence applications compared with 804 in the same quarter last year.

### Intermediary inspection

	Quarter ended 31.12.2017	Quarter ended 30.9.2017	Change (%)	Quarter ended 31.12.2016	YoY change (%)
Risk-based on-site inspections conducted	71	80	-11.3	89	-20.2

# Investment products

## Authorisations

As of 31 December, there were 2,789 SFC-authorised collective investment schemes (CIS) on offer to the public. During the quarter, we authorised 36 CIS, all of which were unit trusts and mutual funds. We also authorised 18 unlisted structured investment products for public offering.

## Renminbi products

As of 31 December, there were 59 renminbi-denominated SFC-authorised unlisted funds and 29 exchange-traded funds (ETFs) investing onshore in the Mainland securities markets<sup>1</sup>, with total assets under management of RMB40.8 billion.

## Mutual recognition of funds (MRF)

### Mainland China

Under the Mainland-Hong Kong MRF scheme, as of 31 December, we had authorised a total of 50 Mainland funds (including two umbrella funds), and the China Securities Regulatory Commission had approved ten Hong Kong funds.

### Switzerland

As of 31 December, four SFC-authorised funds were approved by the Swiss Financial Market Supervisory Authority for distribution to retail investors in Switzerland under the Switzerland-Hong Kong MRF arrangement.

## Asset management regulation

On 16 November, we published consultation conclusions on proposed enhancements to asset management regulation and point-of-sale transparency. These enhancements ensure our regulations are properly benchmarked to evolving international standards and strengthen Hong Kong's position as a major asset management centre. We also launched a further consultation on disclosure requirements applicable to discretionary accounts.

## Code on Unit Trusts and Mutual Funds

To update the regulatory regime for SFC-authorised funds and address risks posed by financial innovation and fast-moving market developments, we launched a three-month consultation on proposed amendments to the Code on Unit Trusts and Mutual Funds on 18 December.

The proposals strengthen requirements for key operators, provide greater flexibility and enhanced safeguards for funds' investment activities and introduce new fund types, including active ETFs. The consultation will close on 19 March 2018.

## Expansion of online submissions

During the quarter, we announced that information under section 110(1) of the Securities and Futures Ordinance (SFO)<sup>2</sup> may be submitted electronically via the SFC Online Portal from 24 November onwards.

<sup>1</sup> These unlisted funds and ETFs primarily invest in the Mainland securities markets through the Renminbi Qualified Foreign Institutional Investor quota, Stock Connect, Bond Connect and the China Interbank Bond Market.

<sup>2</sup> Under section 110(1) of the SFO, an authorised financial institution, a bank incorporated outside of Hong Kong and other specified persons are required to submit certain prescribed information to the SFC within 10 business days (or such longer period as is prescribed by rules made under section 397 of the SFO) after the issue of any advertisement, invitation or document referred to in section 103(3)(e), (f) or (g) of the SFO relating to the issue of certificates of deposit or other specified instruments.

## Investment products

### Authorised CIS<sup>a</sup>

	As at 31.12.2017	As at 31.3.2017	Change (%)	As at 31.12.2016	YoY change (%)
Unit trusts and mutual funds	2,205	2,203	0.1	2,196	0.4
Investment-linked assurance schemes	299	300	-0.3	300	-0.3
Pooled retirement funds	34	34	0	34	0
Mandatory provident fund (MPF) schemes	31	35	-11.4	35	-11.4
MPF pooled investment funds	194	182	6.6	188	3.2
Others	26 <sup>b</sup>	26	0	26	0
<b>Total</b>	<b>2,789</b>	<b>2,780</b>	<b>0.3</b>	<b>2,779</b>	<b>0.4</b>

<sup>a</sup> Excluding unlisted structured investment products.

<sup>b</sup> Comprising 15 paper gold schemes and 11 real estate investment trusts.

### Unlisted structured investment products

	Quarter ended 31.12.2017	Nine months ended 31.12.2017	Nine months ended 31.12.2016	YoY change (%)
Unlisted structured investment products <sup>a</sup>	18	105	83	26.5
Authorisations granted under section 105 of the SFO <sup>b</sup>	11	68	62	9.7

<sup>a</sup> On a "one product per key facts statement" basis, the number of unlisted structured investment products authorised during the period, most of which were equity-linked investments and deposits.

<sup>b</sup> Offering documents and advertisements for unlisted structured investment products offered to the Hong Kong public.

# Listings and takeovers

## GEM review and New Board proposal

On 15 December, following approval by the SFC, Hong Kong Exchanges and Clearing Limited published conclusions to a consultation on the review of GEM and changes to GEM and Main Board Listing Rules. The changes, which took effect on 15 February 2018, include removing the streamlined process for GEM transfers to the Main Board; introducing a mandatory public offering requirement of at least 10% of the total offer size for all GEM initial public offerings (IPOs); increasing the minimum cash flow requirement for GEM applicants from \$20 million to \$30 million, and increasing the minimum market capitalisation of Main Board applicants at the time of listing from \$200 million to \$500 million.

On the same day, The Stock Exchange of Hong Kong Limited (SEHK) announced conclusions to the New Board Concept Paper published in June 2017. In response to market feedback, SEHK proposed that the existing listing regime should be expanded by introducing two new chapters to the Main Board Listing Rules to allow the listing of companies from emerging and innovative sectors, including biotechnology companies which are pre-profit or pre-revenue and companies with weighted voting rights structures.

## IPO applications

We reviewed 40 new listing applications during the quarter, up 5.3% from 38 in the same quarter last year. The number of listing applications in the nine months from April to December was 236, up 22.3% compared to the same period in 2016.

During the quarter, we issued one “letter of mindedness to object” directly to a listing applicant<sup>1</sup>. Four listing applications were returned<sup>2</sup> and an eight-week moratorium<sup>3</sup> imposed because the respective application proofs were not substantially complete.

## Corporate conduct

We conduct a daily review of corporate announcements under the statutory corporate conduct and inside information disclosure provisions. In six cases during the quarter, we felt it appropriate to issue section 179<sup>4</sup> directions to gather additional information. The underlying concerns were varied and included whether a corporate action had been conducted in a manner which is oppressive or unfairly prejudicial to shareholders.

## Takeovers matters

In December, we publicly censured Zhang Qiang for acquiring shares in Feishang Non-metal Materials Technology Limited within six months after the close of an offer at above the offer price in contravention of the Takeovers Code<sup>5</sup>.

## Listings applications and takeovers activities

	Quarter ended 31.12.2017	Nine months ended 31.12.2017	Nine months ended 31.12.2016	YoY change (%)
Listings applications	40	236	193	22.3
Takeovers and share buy-back transactions	99	339	356	-4.8

<sup>1</sup> The SFC may object to a listing of securities based on one or more of the grounds set out in section 6(2) of the Securities and Futures (Stock Market Listing) Rules. A letter of mindedness to object sets out the SFC’s substantive concerns along with detailed reasons.

<sup>2</sup> One of the return decisions was subsequently overturned by the Listing Committee.

<sup>3</sup> The applicant can only submit a new listing application with a new application proof more than eight weeks after the return.

<sup>4</sup> Section 179 of the Securities and Futures Ordinance gives the SFC the power to compel the production of records and documents from persons related to a listed company.

<sup>5</sup> The Code on Takeovers and Mergers.

# Market infrastructure and trading

## Investor identification

We worked with the China Securities Regulatory Commission (CSRC) and Hong Kong Exchanges and Clearing Limited (HKEX) on the implementation of investor identification for Northbound trading under Stock Connect to facilitate market surveillance. On 30 November, HKEX issued an information paper, *Investor ID Model for Northbound Trading Under Stock Connect*, which provided market participants with the operational details of the regime in preparation for its launch in the third quarter of 2018. A similar regime for Southbound trading will be introduced as soon as possible after the regime for Northbound trading is implemented.

## Futures markets cooperation

On 29 December, the SFC and the CSRC jointly announced that they entered into a Memorandum of Understanding<sup>1</sup> which facilitates regulatory and enforcement cooperation in the Mainland and Hong Kong futures markets and enhances supervisory assistance and information exchange on cross-boundary derivatives, futures exchanges and brokers and other matters.

## Automated trading services

	As at 31.12.2017	As at 31.03.2017	Change (%)	As at 31.12.2016	YoY change (%)
Under Part III	52	49	6.1	49	6.1
Under Part V	24	24	0	24	0

## Extension of after-hours trading session

In September, the SFC approved HKEX's proposal to extend trading of the Hang Seng Index and Hang Seng China Enterprises Index futures contracts (including mini contracts) during the after-hours trading session from 11:45 pm to 1:00 am the next day. The extended trading hours became effective on 6 November.

## Iron ore futures contract

In September, the SFC approved the launch of a cash-settled, index-linked iron ore futures contract proposed by HKEX. Trading commenced on 13 November.

## Automated trading services

As of 31 December, the number of automated trading services (ATS)<sup>2</sup> authorisations under Part III of the Securities and Futures Ordinance (SFO) was 52, while 24 corporations, including 16 dark pool operators, were licensed under Part V of the SFO to provide ATS.

<sup>1</sup> Memorandum of Understanding on Supervisory and Enforcement Cooperation on Matters concerning Futures.

<sup>2</sup> Under the SFO, two regimes regulate ATS providers. Typically, those that offer facilities similar to those of a traditional exchange or a clearing house are authorised under Part III of the SFO. Intermediaries which provide dealing services with ATS as an added facility are licensed under Part V of the SFO.

# Enforcement

## Securities and Futures Appeal Tribunal (SFAT)

The SFAT upheld our disciplinary action against HSBC Private Bank (Suisse) SA which was fined a record sum of \$400 million. The SFAT affirmed our findings that there were material systemic failures in the bank's sale and marketing of Lehman Brothers-related investment products.

## Court proceedings

The Court of First Instance (CFI) dismissed a judicial review lodged by Tang Hanbo against our search warrant obtained for an ongoing investigation into suspected breaches of the Takeovers Code and suspected offences under the Securities and Futures Ordinance (SFO), and our subsequent transmission of some materials to the China Securities Regulatory Commission.

The Court of Appeal (CA) upheld the decision of the CFI which ruled in our favour in an insider dealing and fraud case brought against two solicitors, Betty Young Bik Fung and Eric Lee Kwok Wa, and Lee's two sisters. The CA ruled that the Hong Kong courts had jurisdiction to hear this case because a substantial measure of activities constituting the contravention took place in Hong Kong, and that the application of section 300 of the SFO<sup>1</sup> would not be limited to a case in which the counterparties in the securities transaction were the victims of the fraud. The significance of this ruling is that the SFC can now take action against insider dealings of securities listed outside Hong Kong, so long as a substantial measure of the constituting fraudulent acts are perpetrated in Hong Kong.

The CFI allowed our appeal against the Eastern Magistrates' Court's acquittal of Wong Hung and ordered that the case, of illegal short selling in the shares of five listed companies, be remitted to the Magistrates' Court for a re-trial by a different magistrate.

## Disciplinary actions

We disciplined two corporations and five licensed representatives during the quarter.

### Internal control failures

- FXCM Asia Limited<sup>2</sup> was reprimanded and fined \$2 million for regulatory breaches and internal control failures relating to under-segregation of client monies.
- Standard Chartered Securities (Hong Kong) Limited was reprimanded and fined \$2.6 million for internal control failures relating to short-selling orders.

### Unauthorised trading

- Danny Fung Kwong Shing, a former account executive at Fulbright Securities Limited, was banned from re-entering the industry for life and fined over \$542,000 and Yeung Leung Yuen Marvin, a former relationship manager of Citibank (Hong Kong) Limited, was banned for three years, both for conducting unauthorised transactions in clients' accounts.

### Breach of Code of Conduct<sup>3</sup>

- Ng Chau, a former account executive at Get Nice Securities Limited, was banned from re-entering the industry for six months for conducting transactions in a client's accounts without written authorisation.
- Abbie Yip Ka Ying, a former trader at BNP Paribas in Hong Kong, was banned for 18 months for her attempts to conceal a trade execution error.
- Xu Tao, a former investment consultant at China International Capital Corporation Hong Kong Securities Limited, was banned for four months for using his mobile phone and instant messaging to accept order instructions.

<sup>1</sup> Section 300 of the SFO prohibits the use of fraudulent or deceptive schemes in transactions involving securities listed in Hong Kong or overseas.

<sup>2</sup> Now known as Rakuten Securities Hong Kong Limited.

<sup>3</sup> Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.



# Enforcement

## Updated Guidance Note on Cooperation with the SFC

We issued an updated guidance note<sup>4</sup> and a set of frequently-asked questions to highlight the benefits of cooperation in our investigation and enforcement proceedings<sup>5</sup>. The new measures are designed to encourage cooperative conduct to achieve timely and desirable enforcement outcomes.

## Market surveillance

We made 1,644 requests for trading and account records from intermediaries in the quarter. In addition, we posted eight high shareholding concentration announcements on our website to remind investors to exercise caution when trading shares in companies where a small number of shareholders hold a high concentration of shares.

## Enforcement activities

	Quarter ended 31.12.2017	Nine months ended 31.12.2017	Nine months ended 31.12.2016	YoY change (%)
S179 <sup>a</sup> inquiries commenced	5	20	18	11.1
S181 <sup>b</sup> inquiries commenced (number of letters sent)	51 (1,644)	199 (6,561)	207 (6,488)	1.1
S182 <sup>c</sup> directions issued	55	203	313	-35.1
Investigations started	62	215	317	-32.2
Investigations completed	62	174	457	-61.9
Individuals/corporations charged in criminal proceedings	1	11	4	175
Criminal charges laid	2	44	15	193.3
Notices of Proposed Disciplinary Action <sup>d</sup> issued	6	22	42	-47.6
Notices of decision <sup>e</sup> issued	7	19	39	-51.3
Individuals/corporations subject to ongoing civil proceedings <sup>f</sup>	110	110	109	0.9
Compliance advice letters issued	53	215	409	-47.4
Cases with search warrants executed	4	19	24	-20.8

<sup>a</sup> Section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

<sup>b</sup> Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including information identifying the ultimate clients, the particulars and instructions relating to the transactions.

<sup>c</sup> Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

<sup>d</sup> A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

<sup>e</sup> A notice that sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

<sup>f</sup> As of the last day of the period.

<sup>4</sup> The updated guidance note replaces the previous version issued in March 2006.

<sup>5</sup> These include disciplinary proceedings under Part IX of the SFO, civil court proceedings initiated by the SFC under sections 213 or 214 of the SFO and Market Misconduct Tribunal proceedings initiated by the SFC under Parts XIII or XIVA of the SFO. The guidance note does not apply to criminal cases as the Department of Justice has unfettered discretion over criminal prosecutions.

# Global regulatory engagement

## IOSCO

We are actively involved in international policy making. Mr Ashley Alder, our Chief Executive Officer (CEO), chairs the Board of the International Organization of Securities Commissions (IOSCO) and we participate in all eight of its policy committees. We work closely with the IOSCO Secretariat to enhance the relevance of IOSCO's work to the Board and to the wider membership, to coordinate the policy work of IOSCO and the Financial Stability Board (FSB) and to promote interaction between members from emerging and developed economies.

Mr Alder chaired the IOSCO Board meeting in October which discussed European Union (EU) data privacy regulations, central counterparty risks, derivatives reforms and cyber resilience. The IOSCO Board also issued a statement to IOSCO members on the risks related to initial coin offerings.

We hosted the second EU-Asia Pacific Forum which was co-chaired by Mr Alder on 1 December in Hong Kong. Regulators representing the EU and IOSCO Asia-Pacific Regional Committee discussed cross-border regulatory issues arising out of EU regulations which have an impact on Hong Kong and the region, developments in sustainable finance, financial technologies (Fintech) and the cross-border implications of asset management and funds passporting.

## Financial Stability Board

Mr Alder attended the FSB Plenary meeting in October which considered its 2018 work plan and discussed matters which may have an impact on financial stability, including cybersecurity, misconduct risks and market-based finance.

Mr Keith Lui, Executive Director, Supervision of Markets, attended the December meeting of the FSB Regional Consultative Group for Asia, which considered Fintech, macro-prudential policies and financial market integrity. We remained active in the FSB Standing Committee on Standards Implementation which considered the effects of reforms and discussed future thematic peer reviews.

We continued to work with the Hong Kong Monetary Authority, the Insurance Authority and the Government on the FSB peer review of Hong Kong and the FSB's annual monitoring exercise on shadow banking.

## Mainland China

In November, together with Mr Paul Chan, Financial Secretary, and Mr James Lau, Secretary for Financial Services and the Treasury, we met with Mr Liu Shiyu, Chairman of China Securities Regulatory Commission (CSRC), in Beijing to discuss the development of Hong Kong's financial market and regulatory cooperation with the Mainland. We also received a high-level CSRC delegation to discuss ongoing cooperation between the two regulators.

During the quarter, we signed a Memorandum of Understanding (MoU) with the CSRC to enhance supervisory and enforcement cooperation in the futures markets. We also worked closely with the CSRC on the H-share full circulation pilot scheme.

We organised a case study training exercise with the CSRC in Xiamen in December. Investigators from both regulators shared their experiences in investigating fraudulent offerings, market manipulation and breaches of disclosure rules.

We also organised training programmes for senior executives from Mainland authorities to enhance their understanding of our regulatory work. During the quarter, we met with the People's Bank of China, State Administration of Foreign Exchange and China Foreign Exchange Trading System to discuss Mainland monetary policy and two-way capital flows.

In October, we participated in the 9th Meeting of the Expert Group on Guangdong-Hong Kong Financial Cooperation. In November, we attended the Beijing-Hong Kong Economic Cooperation Symposium and delivered a speech stressing the importance of cross-boundary regulatory cooperation between the Mainland and Hong Kong as well as opportunities presented by the Belt and Road initiative.

# Global regulatory engagement

## Other regulatory engagement

During the quarter, we participated in various international meetings including the Policy Standing Group and the Implementation Monitoring Standing Group established by the Committee on Payments and Market Infrastructures and IOSCO. We held meetings to discuss regulatory issues and market developments with overseas regulators, institutions and government representatives, including the US Securities and Exchange Commission, US Commodity Futures Trading Commission, European Commission, European Securities and Markets Authority, France Autorité des Marchés Financiers (AMF) and the International Monetary Fund. We also met with the Hong Kong Financial Reporting Council to discuss corporate governance and audit-related standards.

At the 9th MoU meeting with the Taiwan Financial Supervisory Commission in November, we discussed topics including anti-money laundering and Fintech regulation.

We maintained close contact with local and overseas regulatory counterparts to keep abreast of developments in emerging regulatory and financial technologies.

We also responded to various requests for technical assistance and training from overseas regulators and other authorities.

## Stakeholder communication

We engage with a broad range of stakeholders in a proactive manner to provide timely regulatory updates and to help them better understand our work.

In December, we launched a public consultation on amendments to the Code on Unit Trusts and Mutual Funds. We also published a consultation paper on refinements to the over-the-counter derivatives regime and conduct requirements to address risks posed by financial exposures to group affiliates.

We concluded a consultation in October on proposals to reduce and mitigate hacking risks associated with internet trading and published new guidelines on the subject. In November, we released consultation conclusions on asset management regulation and point-of-sale transparency, together with a further consultation on disclosure requirements applicable to discretionary accounts.

On 25 October, our senior executives spoke at a full-day programme we organised with the Hong Kong Monetary Authority to discuss regulatory issues related to the development of financial technology (Fintech). The programme was part of Hong Kong Fintech Week sponsored by InvestHK.

Additionally, our senior executives spoke at 17 local and international conferences during the quarter to share our regulatory approach in several areas. We also supported six industry events.

In December, we published the first edition of the *SFC Compliance Bulletin: Intermediaries* using case studies identified in our recent on-site inspections and off-site monitoring to remind intermediaries and market practitioners of the importance of managing conflicts of interest in selling practices and asset management. The December issue of the *Takeovers Bulletin* discussed a recent public censure and provided an update on our takeovers work.

We issued 18 circulars informing industry participants about a wide range of matters, including securities margin financing, anti-money laundering, managing conflicts of interest in financial groups, establishing liquidity risk management practices to safeguard client assets and regulated activities involving cryptocurrency-related investment products and derivatives.

### Publications and other communications

	Quarter ended 31.12.2017	Nine months ended 31.12.2017	Nine months ended 31.12.2016
Press releases	36	111	98
Consultation papers	3	8	4
Consultation conclusions	2	6	1
Industry-related publications	2	11	9
Codes and guidelines <sup>1</sup>	2	8	2
Circulars to industry	18	61	55
Corporate website average daily page views <sup>2</sup>	63,992	67,825	57,455
General enquiries	1,784	5,354	4,671

<sup>1</sup> Includes updates to previous versions.

<sup>2</sup> The average number of web pages browsed per day during the reporting period.