

Highlights

Key figures for 2020-21

8,748

requests for trading and account records

204

cases initiated for investigation

179

individuals and corporations subject to ongoing civil proceedings

\$2.81 billion

in fines on licensees

5,575

new licence applications

As of 31 March 2021

47,178

licensees and registrants

including

3,159 licensed corporations

304

on-site inspections of intermediaries

132

press releases

65

circulars to the industry

77

Fintech-related enquiries

6,384

complaints against intermediaries and market activities

As of 31 March 2021

2,812

authorised collective investment schemes

including

835 Hong Kong-domiciled funds

257

listing applications received

469

takeovers-related transactions and applications

Highlights

Regulatory enhancements	
Competency framework	Proposed enhancements to the competency framework, including updating the entry requirements for corporations and individuals as well as the ongoing competency standards for individual practitioners.
Digital licensing process	Previewed new licensing functions on WINGS ¹ , our online platform for electronic forms and submissions, in preparation for the implementation of a fully digital licensing process later this year.
Equity and debt capital raisings	Launched a consultation on proposed conduct requirements for capital market transactions, including the standards of conduct expected of firms in bookbuilding, pricing, allocation and placing activities.
Investor identification	Consulted the public on the introduction of a trading-level investor identification regime for the Hong Kong securities market and an over-the-counter (OTC) securities transactions reporting regime for shares listed on the Stock Exchange of Hong Kong Limited (SEHK) to enhance our market surveillance.
Anti-money laundering	Began a consultation on proposed amendments to align our anti-money laundering and counter-financing of terrorism guidelines with international standards.
OTC derivatives regime	Concluded a consultation on refinements to the scope of regulated activities and competency requirements under the OTC derivatives licensing regime.
Open-ended fund companies	Removed all investment restrictions for private open-ended fund companies (OFC) and allowed eligible licensed or registered securities brokers to act as custodians for private OFCs.
	Concluded a consultation on customer due diligence requirements which will enhance the anti-money laundering and counter-financing of terrorism measures in respect of OFCs.
REITs Code	Amendments to the Code on Real Estate Investment Trusts (REITs) to provide Hong Kong REITs with more flexibility in making investments took effect in December 2020.
Pooled retirement funds	Proposed updates to the Code on Pooled Retirement Funds to strengthen investor protection by enhancing the requirements for fund operations and clarifying the obligations of key operators.

¹ Web-based INteGrated Service.

Market development	
Paperless securities market	Concluded a joint consultation with Hong Kong Exchanges and Clearing Limited (HKEX) and the Federation of Share Registrars Limited on the operational model for an uncertificated, or paperless, securities market in Hong Kong to make securities-related transactions more efficient and cost-effective.
Mutual recognition of funds	Entered into a mutual recognition of funds arrangement with the Securities and Exchange Commission of Thailand which allows eligible Hong Kong and Thai public funds to be distributed in the other market through a streamlined process.
Mainland-Hong Kong ETF cross-listing	Together with the China Securities Regulatory Commission (CSRC), approved four ETFs under a scheme which facilitates the cross-listing of ETFs between the Hong Kong and Mainland markets.
Swap-based L&I products	Authorised the first batch of swap-based leveraged and inverse (L&I) products tracking Mainland equity indices and the first gold futures leveraged product to provide investors with more short-term trading and hedging tools.
Grant scheme for OFCs and REITs	Began administering a three-year grant scheme to subsidise the formation of OFCs and listing of REITs in Hong Kong.
MSCI index derivatives	Approved 40 MSCI index futures and options contracts proposed by HKEX to expand its derivatives product line.
Greater Bay Area Wealth Management Connect	Entered into a memorandum of understanding (MoU) for information exchange and enforcement cooperation on the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area. ²
Virtual asset trading platforms	Granted the first licence to a virtual asset trading platform in Hong Kong, which will only serve professional investors.
Industry guidance	Published frequently asked questions to provide additional guidance on the implications of our licensing regime for both single and multi-family offices.
Annual licensing fee waiver	Waived the annual licensing fees for all intermediaries and licensed individuals for the 2021-22 financial year, saving them an estimated \$230 million in total.

² With the People's Bank of China, China Banking and Insurance Regulatory Commission, CSRC, State Administration of Foreign Exchange, Hong Kong Monetary Authority and the Monetary Authority of Macao.

Highlights

Supervision	
Listing applications	Received 257 listing applications, including from nine WVR ³ and 22 pre-profit biotech companies, and directly sought information from or expressed concerns with 27 listing applicants.
Takeovers matters	Supervised 469 takeovers-related transactions and applications.
Corporate conduct	As part of our front-loaded approach to preventing corporate misconduct, we issued section 179 directions to gather additional information in 61 cases and issued letters to listed issuers detailing our concerns in six cases.
Inspections	Conducted 304 on-site inspections of intermediaries and noted 1,350 incidents of breaches of our rules.
Cybersecurity	Summarised the key findings and observations of our cybersecurity thematic review and provided guidance on our expected standards in a report and circular.
Leveraged foreign exchange trading	Set out good practices and our expected regulatory standards in a report on licensed corporations' leveraged foreign exchange trading activities.

Enforcement	
Surveillance	Made 8,748 requests for trading and account records from intermediaries as a result of surveillance of untoward price and turnover movements.
Investigations and prosecutions	Commenced 204 investigations and laid 29 criminal charges against nine persons and one corporation and secured convictions against seven persons and two corporations.
Notable disciplinary actions	Reprimanded and fined Goldman Sachs (Asia) L.L.C. US\$350 million (HK\$2.71 billion) for serious regulatory failures over 1Malaysia Development Berhad's bond offerings. Reprimanded and fined Guotai Junan Securities (Hong Kong) Limited \$25.2 million for multiple internal control failures and regulatory breaches.
Online investment scams	Conducted a joint operation with the Hong Kong Police Force against an active and sophisticated syndicate suspected of operating ramp and dump schemes.
Restriction notices	Issued restriction notices to 38 brokers prohibiting them from dealing with or processing assets, held in client accounts, related to suspected market manipulation and corporate misconduct.

³ Weighted voting rights.

Green and sustainable finance	
Steering Group	Initiated the establishment of the Green and Sustainable Finance Cross-Agency Steering Group with the Hong Kong Monetary Authority (HKMA) to coordinate the management of climate and environmental risks to the financial sector.
Management of climate-related risks	Consulted on proposed conduct requirements for fund managers to take climate-related risks into consideration when managing collective investment schemes.
International	Joined the European Commission's International Platform on Sustainable Finance which encourages private capital to make environmentally sustainable investments.

Regulatory cooperation	
Hong Kong	Entered into separate MoUs with the Competition Commission, Insurance Authority and Financial Reporting Council to enhance cooperation.
Mainland	Held the seventh and eighth high-level meetings with the CSRC to discuss cross-boundary regulatory cooperation and market development initiatives.
International	Mr Ashley Alder, our Chief Executive Officer, was reappointed as Chairman of the Board of the International Organization of Securities Commissions. Signed an MoU with the Monetary Authority of Singapore to deepen our cooperation in the oversight of central counterparties which provide clearing services in both markets.

Stakeholders	
Compliance Forum	Discussed the latest regulatory developments with financial industry participants at the SFC Compliance Forum 2020.
Social media	Introduced our official Facebook page featuring updates on topics of interest to the general public.
Website	Redesigned our website to provide improved navigation, functionality and access to information.