

Regulatory engagement

We actively participate in global policymaking through our involvement in international standard-setting bodies and we collaborate closely with local, Mainland and overseas authorities on regulatory and market development initiatives.

International

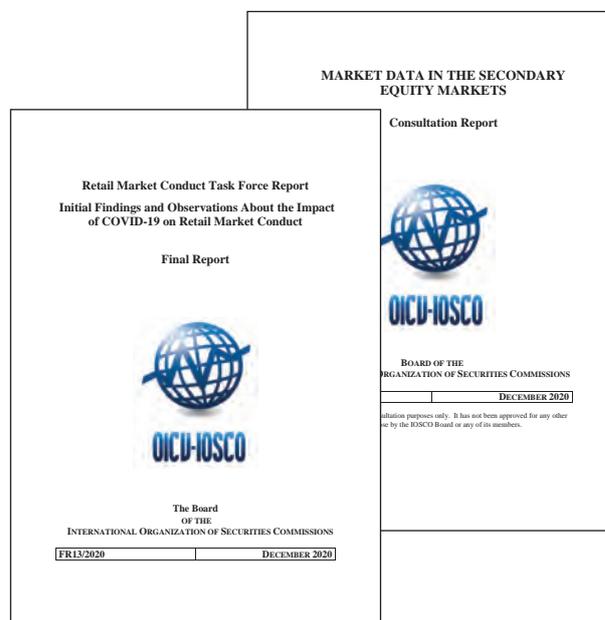
IOSCO

Our Chief Executive Officer (CEO) Mr Ashley Alder was reappointed as Chair of the Board of the International Organization of Securities Commissions¹ (IOSCO) in June 2020. During the COVID-19 pandemic, Mr Alder chaired regular calls and virtual meetings with the IOSCO Board to identify and address issues arising from the crisis and to share information about regulatory developments in capital markets.

We work closely with the IOSCO Secretariat and members to develop policy initiatives, facilitate collaboration between IOSCO and the Financial Stability Board (FSB), and promote interaction amongst members from emerging and developed economies. At the February 2021 Board meeting, IOSCO agreed to new priorities including financial stability and the systemic risks of non-bank financial intermediation activities as well as misconduct, fraud and the impact of COVID-19 on operational risks.

We participate in the IOSCO Financial Stability Engagement Group and its Steering Group to coordinate IOSCO's role in addressing financial stability risks with the FSB and providing technical analyses on issues arising from the pandemic.

Mr Alder co-chairs the CPMI²-IOSCO Steering Group, which coordinates regulatory policy work for the oversight and supervision of financial market infrastructures, and we also participate in its Policy Standing Group and Implementation Monitoring Standing Group.



The SFC actively contributes to IOSCO publications

In March 2021, Mr Alder took part in the EU-Asia-Pacific Forum on Financial Regulation. Senior representatives from the European Commission (EC), European Securities and Markets Authority and Asia-Pacific regulators exchanged views on sustainable finance and cross-border regulatory developments.

We participate in all eight IOSCO policy committees as well as the Committee on Emerging Risks, Assessment Committee and the Asia-Pacific Regional Committee (APRC).

- The SFC leads the APRC's working group on sustainable finance which aims to drive more consistent regulation in areas related to environmental, social and governance such as climate-related disclosures. Other APRC initiatives include enhancing regional supervisory cooperation and addressing cross-border regulation and market

¹ IOSCO is responsible for developing, implementing and promoting adherence to internationally recognised standards for securities regulation.

² The Committee on Payments and Market Infrastructures.

fragmentation. Our Chairman Mr Tim Lui and Ms Julia Leung, our Deputy CEO and Executive Director of Intermediaries, participated in an APRC meeting in November 2020.

- Ms Julia Leung serves as Vice-Chair of the IOSCO Sustainable Finance Task Force and co-leads a workstream on sustainability-related disclosures for asset management.
- We are a member of the Retail Market Conduct Task Force which published an interim report in December 2020 on its preliminary findings and suggested measures which IOSCO members can take in response to the challenges presented by the COVID-19 epidemic. We also participate in the Follow-Up Group to deepen regulatory and supervisory cooperation, the Fintech Network, the Cyber Task Force and the Data Analytics Group.
- We are also a member of the Committee on Regulation of Secondary Markets, which published a consultation report in December 2020 on access to market data.
- Ms Christina Choi, Executive Director of Investment Products, serves as Vice-Chair of the Committee on Investment Management. We lead the committee's exchange-traded fund (ETF) workgroup and co-lead a joint workgroup which explores conduct-related issues in the leveraged loans and collateralised loan obligations markets. Within the committee's Financial Stability Engagement Group, we are a member of the core expert group examining the liquidity of open-ended funds.
- We act as Vice-Chair of the Committee on Enforcement and the Exchange of Information which helps strengthen global securities law enforcement cooperation.

- We participate in IOSCO's cross-committee outsourcing project which in May 2020 consulted on proposed updates to the Principles for Outsourcing in light of the increased risks associated with recent developments in markets and technology.

FSB

In his role as IOSCO Board Chair, Mr Alder participated in FSB meetings during the year, including those of the Steering Committee, Plenary, Standing Committee on Supervisory and Regulatory Cooperation and Steering Committee Group on Non-bank Financial Intermediation to discuss financial stability and the implications of COVID-19 for asset management and sustainable finance.

We participate in the FSB Standing Committee on Standards Implementation, which oversees peer reviews and also evaluates reforms and monitors their implementation. We are a member of the FSB Regional Consultative Group for Asia. Its current policy focus is on the implications of the pandemic, the progress of benchmark transitions, financial stability and vulnerabilities affecting the region.

We are also a member of the FSB Cross-Border Crisis Management Group for Financial Market Infrastructures, which monitors and promotes the implementation of resolution regimes.

Mr Alder moderated an industry discussion on the impact of COVID-19 on the global financial system at the FSB Stakeholder Outreach Meeting in September 2020.

Regulatory engagement



The SFC-CSRC high-level meeting was held virtually in December 2020

Mainland China

To strengthen Hong Kong's unique position as the international financial centre connecting the Mainland and global financial markets, we proactively advance mutual cooperation initiatives with Mainland authorities and hold regular discussions with the China Securities Regulatory Commission (CSRC) to enhance cross-boundary regulatory and enforcement cooperation.

At the seventh and eighth biannual SFC-CSRC high-level meetings held virtually in June and December 2020, we discussed the potential risks arising from the pandemic and our regulatory responses, ways to reinforce Hong Kong's status as an international financial centre, cross-boundary market development and regulatory cooperation initiatives.

We maintain close, regular working-level communication with the CSRC through virtual conferences to exchange views on regulatory arrangements. These include the financial reporting of A+H share companies and the supervision of financial institutions. We explored ways to enhance Mainland-

Hong Kong mutual market access schemes, including expanding the number of eligible stocks under Stock Connect³, streamlining ETF cross-listing and enhancing the Mutual Recognition of Funds scheme. In addition, we engaged with Mainland exchanges and clearing houses to discuss their operations in Hong Kong and the further opening-up of the Mainland capital market.

We support the HKSAR⁴ Government in strengthening cooperative relationships with Mainland authorities to develop Hong Kong's financial services industry and gain greater access to the Mainland markets. To deepen financial integration within the Guangdong-Hong Kong-Macao Greater Bay Area, we are working closely with the Hong Kong Monetary Authority (HKMA) and other authorities to prepare for the launch of the Cross-boundary Wealth Management Connect Pilot Scheme. In January 2021, we entered into a memorandum of understanding (MoU) on the scheme with the People's Bank of China, China Banking and Insurance Regulatory Commission, CSRC, State Administration of Foreign Exchange, HKMA and the Monetary Authority of Macao.

Other engagement

To keep abreast of regulatory developments, we held virtual meetings and calls to discuss emerging regulatory developments with overseas regulators and other authorities, including the EC, Australian Securities and Investments Commission, New Zealand Financial Markets Authority, the Monetary Authority of Singapore (MAS), the US Securities and Exchange Commission and Commodity Futures Trading Commission, Autorité des marchés financiers of France, the UK Financial Conduct Authority and Japan's Financial Services Agency.

³ These include stocks listed on the Shanghai Stock Exchange STAR Market and Hong Kong-listed pre-revenue biotech stocks.

⁴ Hong Kong Special Administrative Region.

Regulatory engagement



(From left) Chairman Mr Tim Lui and CEO Mr Ashley Alder at an MoU signing ceremony with the Financial Reporting Council

We hosted the 12th Bilateral Regulatory Meeting between us and the Taiwan Financial Supervisory Commission in November 2020 to exchange views on regulators' use of technology, COVID-19 challenges and regulatory responses.

In November 2020, we signed an MoU with the MAS to deepen our cooperation in the oversight of central counterparties which provide clearing services in both Hong Kong and Singapore.

Locally, we entered into an MoU with the Competition Commission in April 2020 to enhance cooperation and the exchange of information. Following the introduction of a direct regulatory regime for insurance intermediaries, we signed an MoU with the Insurance Authority in September 2020 which covers information sharing, case referrals and joint inspections and investigations.

In February 2021, we concluded a new MoU with the Financial Reporting Council to strengthen the regulation of capital markets and foster closer cooperation in case referrals, joint investigations and information exchange.

Requests for regulatory cooperation

| | 2020/21 | | 2019/20 | | 2018/19 | |
|---|----------|------|----------|------|----------|------|
| | Received | Made | Received | Made | Received | Made |
| Enforcement-related requests for assistance | 110 | 108 | 103 | 95 | 113 | 99 |
| Licensing-related requests for assistance | 128 | 3 | 143 | 18 | 121 | 597 |