

# Corporate Developments

Caring for the health and wellbeing of our staff is more important than ever. We foster a positive and supportive workplace culture to help make our workforce more productive and engaged. To ensure our regulatory effectiveness, we use our resources prudently and regularly upgrade our systems and technology infrastructure to keep in step with market developments.

## People

We are committed to making the SFC an employer of choice. For the eighth consecutive year, the Employees Retraining Board (ERB) recognised our efforts to promote staff learning and development with an “ERB Manpower Developer” award.

## Professional development

Our Chief Executive Officer (CEO) communicates important organisational matters and regulatory developments and addresses questions from staff at regular CEO sharing sessions, which were conducted virtually this year due to the pandemic. We also arrange internal Commission Connection sessions to update our staff on new policy initiatives.

We strive to provide staff with career development opportunities and we continued to fine tune our merit-based human resources policies to better align our people and culture with the SFC’s regulatory objectives.

Recognising the benefits of broader professional exposure, we offer short-term internal secondments for staff through a cross-divisional exchange programme. External secondment opportunities are also offered including with the Financial Services and the Treasury Bureau, the Financial Services Development Council and the China Securities Regulatory Commission (CSRC). This year, two CSRC counterparts were seconded to us under the SFC-CSRC memorandum of understanding.

Locally, we held joint training workshops with participants from the Hong Kong Police Force, Immigration Department and Hong Kong Monetary Authority. We also invited local and overseas regulators and industry professionals to share their views with us on a wide range of topics including financial products, trading strategies and the latest developments in overseas markets.

During the year, our employees spent an average of 18.8 hours on structured learning courses, which included workshops, seminars and training programmes.

A total of 55 summer, winter and full-year interns were placed across our various divisions this year.

### Engaged workforce

We strive to cultivate a supportive culture and a positive working environment as our core values.

To raise staff awareness of the importance of mental health and holistic wellbeing, we organised webinars and provided reference materials to help them navigate the new normal both at work and at home (see sidebar on page 100).

To keep our operations sufficiently resourced at all times while safeguarding the health and wellbeing of our staff, we temporarily introduced a split-team arrangement for staff to work remotely on a rotating basis during the pandemic. This arrangement was based on employee feedback and operational needs.



Internal sharing session

The SFC Women’s Network helps to advance women’s professional development and leadership. We were the first statutory body in Hong Kong to set up a women’s group for staff.

### Training

	2020/21	2019/20	2018/19
Percentage of employees who participated in internal training <sup>^</sup>	94%	93%	99%
Average hours of internal training per employee <sup>^</sup>	18.8	24.3	30.6

<sup>^</sup> Including lectures, workshops, seminars, webinars and e-learning.

### Employee statistics

	As at 31.3.2021		As at 31.3.2020		As at 31.3.2019	
	Actual	Budget	Actual	Budget	Actual	Budget
Professional	743	805	736	805	727	779
Support	190	183	185	183	183	186
<b>Total</b>	<b>933</b>	<b>988</b>	<b>921</b>	<b>988</b>	<b>910</b>	<b>965</b>

	As at 31.3.2021	As at 31.3.2020	As at 31.3.2019
Male	315	312	303
Female	618	609	607
Average years of service	9.3	8.8	8.3
Female staff at Senior Manager grade or above	60%	60%	60%

## Corporate Developments

### Quality workplace

In July 2020, we relocated our office from Central to Quarry Bay, significantly reducing our rental expenses. The new office provides an open layout which allows us to make more efficient use of space and provide a greener working environment (see sidebar below).

Our recommended work practices and other measures help staff maintain social distancing in the workplace in conformity with the Government's anti-pandemic measures. Face masks are provided to staff in the office and the workplace is disinfected frequently.

### A new home for the SFC

We relocated our office from Central to Quarry Bay in July 2020. The move brings all of our operations under one roof and provides facilities to meet our projected future operational needs.

An open and flexible office layout accommodates more seating capacity, allowing us to use space efficiently and furnish more rooms for meetings, interviews and team projects. State-of-the-art conference rooms and multi-function rooms are equipped with the latest audio-visual systems and greater network capacity to host web conferences and webinars.



Height-adjustable desks have been installed at all workstations to safeguard the health of staff and improve productivity. An air quality treatment system helps ensure a healthy working environment and wellness rooms afford privacy for relaxation and lactation.

To be environmentally-friendly, the office layout allows more sunlight into the open area. Sensors automatically turn off lights or dim them when sufficient daylight is available or no one is in the room. Bins for recycling paper, plastic, metal and glass are conveniently placed around the office.

To reduce wastage, some furniture and fixtures from our old office were sold to staff, with the proceeds donated to our Commission Volunteers Group<sup>a</sup>, or donated to charities to be reused.

<sup>a</sup> The Commission Volunteering Group, one of the SFC's corporate social responsibility working groups, organises volunteering opportunities for staff.

## Communications

We communicate with the industry and the public through multiple channels<sup>1</sup>, including senior executives' speaking engagements, consultations, industry briefings, circulars, publications, annual and quarterly reports and press releases. We address public complaints and enquiries about Hong Kong's securities and futures markets.

Our corporate website ([www.sfc.hk](http://www.sfc.hk)), which provides up-to-date information about the SFC, was redesigned during the year to provide a better user experience.

We formulate and execute media strategies to enhance public understanding of our work by proactively engaging the media and explaining our policies, initiatives and regulatory actions. During the year, we set up a new communications team to pursue a more proactive external communication strategy. In addition, we introduced an official SFC Facebook page featuring updates on topics of interest to the general public.

### Dual awards for public service

Two of our staff members were recognised in the 2020 Ombudsman's Awards for Officers of Public Organisations for their outstanding work in handling public complaints.

Karen Tang, Senior Manager of Intermediaries Supervision, received the award for her efforts to drive procedural changes which help us assess complaints against licensed corporations more consistently and efficiently. Tang joined the SFC in 2003 with a background as a professional accountant and auditor.

Maintaining a positive attitude and staying impartial are critical to ensure that both complainants and firms are treated fairly, Tang says. In the past, some complaints provided information which led her to uncover fraud, and helping the victims of those schemes has been especially rewarding.



Karen Tang, Senior Manager, Intermediaries Supervision

The other winner, Raymond Kwok, Manager of Complaints Team, Corporate Affairs, is very pleased to receive the award as recognition for his professionalism and dedication to serving the public. Handling complaints in the first instance on a daily basis, the most important thing for Kwok is to stay calm and professional.

Kwok is a chartered financial analyst and financial risk manager who worked for an asset management company before joining the SFC eight years ago. This background is an advantage in his work, he says, but he makes sure to use simple and direct language and avoid technical terms when explaining market operations to less informed members of the public.



Raymond Kwok, Manager, Complaints, Corporate Affairs

<sup>1</sup> See Stakeholders on pages 82-85.

## Corporate Developments

### Legal support

Our Legal Services Division handles criminal cases and manages civil litigation and Market Misconduct Tribunal (MMT) cases initiated by the SFC. It also defends judicial reviews and other cases brought against the SFC.

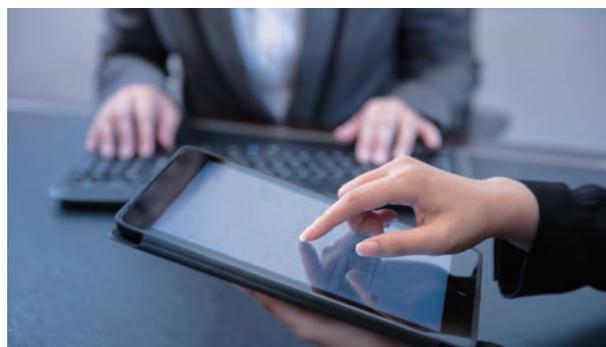
The division supports our day-to-day work by providing advice and guidance on legislative drafting and regulatory matters such as licensing issues, supervision of risky brokers, front-loaded regulation of listing matters, takeovers activities, investor compensation and enforcement investigations, as well as on administrative affairs including employment, data privacy and procurement contracts.

### Technology

Our information technology strategy focuses on digitalisation, information sharing and risk-detection capabilities.

To prepare for the introduction of a fully-digitalised licensing process, we previewed new electronic functions on our online submission platform, WINGS<sup>2</sup>, including electronic signatures, web-based licensing forms with auto-fill and skip logic features and pre-set validation rules. These functions provide greater convenience for the industry and allow us to better integrate our front-loaded, risk-based approach into our licensing work. In addition, the scope of digital submissions accepted on the platform was broadened to cover more non-licensing matters.

We deployed artificial intelligence technology in new areas to allow us to detect risks more efficiently. We also launched a project to detect conflicts of interest by extracting and analysing information from initial public offering prospectuses about the roles of companies and individuals. Our market surveillance system was enhanced to detect more types of risks as well as to identify abnormal trading movements and other potential issues, including during the pre-opening session.



Internally, we expanded our remote access capacity to enable all staff to work from home if necessary during the pandemic. We also relocated our computing centre to a secured off-site location to provide more reliable around-the-clock service and flexible remote working arrangements. Our document management and search system was enhanced to boost productivity and efficiency.

### Finance

As a publicly-funded organisation, we follow a disciplined approach to drawing up our budget. We appoint external investment managers to manage our reserves according to investment guidelines approved by the Financial Secretary. An independent external firm conducts an internal audit to assess the effectiveness of our controls and identify the key risks of our business processes each year<sup>3</sup>. This year, we also engaged an independent external firm to review our governance framework and procurement and expense management processes in more detail.

### Funding

We are operationally independent of the Government and are funded mainly by transaction levies and fees from market participants. The current levy rate is 0.0027% for securities transactions, which is significantly lower than the initial rate of 0.0125% in 1989. We have not revised our fees and charges since 1994. We have offered full waivers for annual licensing fees seven times since 2009<sup>4</sup> and a 50% discount was provided for 2019-2020. A full waiver was granted for 2020-2021 and extended for another year beginning 1 April 2021.

<sup>2</sup> Web-based INteGrated Service.

<sup>3</sup> See Corporate Governance on pages 13-33.

<sup>4</sup> The previous waivers covered 2009-10, 2012-14, 2014-16, 2016-18, 2018-19 and 2020-21.

**Income**

Total income for the year was \$3,008 million, up 89% from \$1,591 million last year. Owing to the higher securities market turnover in the current year, our levy income increased 59% from last year to \$2,276 million. Our income from fees and charges increased 11% from \$163 million to \$181 million. Our investment income increased as a result of the performance of our pooled fund investments.

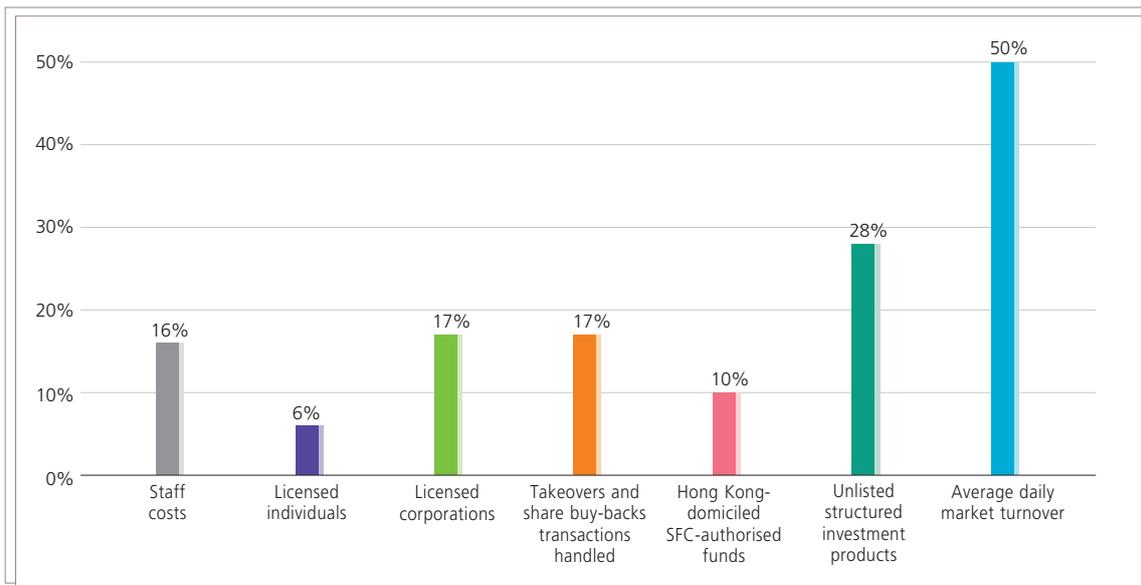
**Expenditure**

The costs of our operations totalled \$2,029 million, \$268 million below our original budget of \$2,297 million.

Over the past three years, our staff costs increased 16% while our regulatory work increased in both volume and complexity. The ratio of average expenses to income for the past three years was 92%. In the same period, the average increases in expenses and income were 5% and 22%, respectively.

Owing to the increase in income, we recorded a surplus of \$979 million for the year, compared to a deficit of \$375 million last year. As of 31 March 2021, our reserves stood at \$7.6 billion, of which \$3.1 billion was set aside for possible future acquisition of office premises.

**Three-year change in staff costs and market statistics (2017/18-2020/21)**



**Finance**

(\$ million)	2020/21	2019/20	2018/19
Income	3,008	1,591	1,759
Expenses including depreciation	2,029	1,966	1,854
Surplus/(Deficit)	979	(375)	(95)

## Corporate Developments

### Income breakdown

	2020/21	2019/20	2018/19
Levies	75.7%	90%	84.3%
Fees and charges	6%	10.2%	7.2%
Net investment income and others <sup>^</sup>	18.3%	-0.2%	8.5%

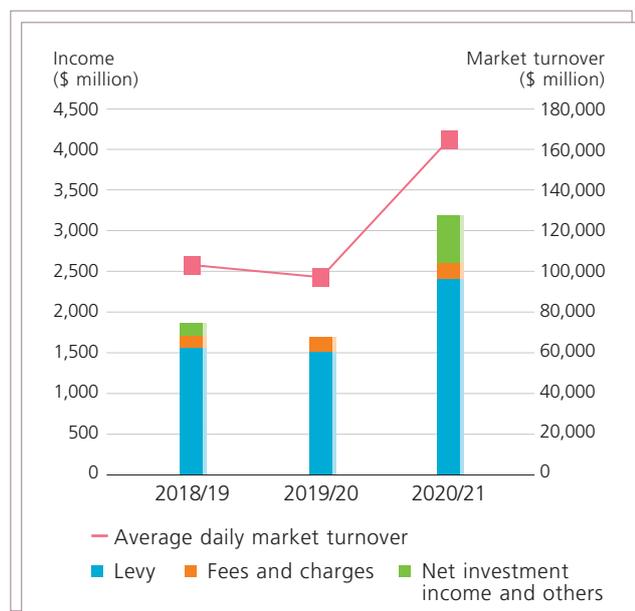
<sup>^</sup> Net investment income and others included foreign exchange gain or loss.

### Expenditure breakdown

	2020/21	2019/20	2018/19
Staff costs	73.2%	72.2%	73.1%
Premises and related expenses <sup>^</sup>	2.5%	2.3%	13.3%
Other expenses	8.7%	12.1%	11.7%
Depreciation <sup>^</sup>	15.6%	13.4%	1.9%

<sup>^</sup> Operating lease expenses were recorded as depreciation from 2019/20 onwards due to a change in accounting policy.

### Income vs market turnover (2018/19-2020/21)



### Income and operating expenses (2018/19-2020/21)

