

# Highlights

## Key figures for 2022-23



### Corporates

**180**

new listing applications received

**91**

new listings

**305**

takeovers-related transactions and applications reviewed



### Enforcement

**5,851**

requests for trading and account records

**135**

cases initiated for investigation

**180**

individuals and corporations subject to ongoing civil proceedings

**\$41.7 million**

in fines imposed on licensees



### Communications

**121**

press releases, statements and announcements

**67**

circulars to the industry

**177**

social media posts

**100+**

executive speaking engagements

**2,947**

general enquiries

**2,998**

complaints against intermediaries and market activities



### Intermediaries

**7,384**

new licence applications, comprising

**7,141**

individuals

**243**

and corporations

As of 31 March 2023

**48,294**

licensees and registrants, including

**3,254**

licensed corporations

**44,928**

licensed individuals

**226**

on-site inspections of licensed corporations and associated entities



### Products

**175**

new authorised funds

**69**

new open-ended fund companies registered

As of 31 March 2023

**2,939**

authorised collective investment schemes, including

**913**

Hong Kong-domiciled funds





## Regulatory enhancements

### Investor identification regime

Launched an investor identification regime for the Hong Kong securities market on 20 March 2023

### Virtual assets

Consulted the public on proposed regulatory requirements for virtual asset trading platforms as part of Hong Kong's new licensing regime for these platforms<sup>1</sup>

### Uncertificated securities market

Began a consultation on the subsidiary legislation for the implementation of an uncertificated securities market in Hong Kong

### Depositaries of SFC-authorized funds

Concluded a consultation on proposed amendments to subsidiary legislation and SFC codes and guidelines to implement Type 13 regulated activity, a new regime to regulate depositaries of SFC-authorized collective investment schemes

### Enforcement powers

Launched a consultation on proposals to amend the Securities and Futures Ordinance (SFO) to facilitate more effective enforcement action

### Dealing in futures contracts

Began a consultation on the proposed risk management guidelines for licensed persons dealing in futures contracts with an aim to provide guidance for futures brokers to help them better manage business-related risks

### Position limits

Conducted a consultation on proposed changes to the position limits regime for listed futures and options contracts and further consulted the public on additional amendments related to funds and some contracts

### OTC derivatives

Together with the Hong Kong Monetary Authority (HKMA), consulted the public on proposed changes to the types of transactions subject to clearing obligations under the Clearing Rules<sup>2</sup> for over-the-counter (OTC) derivatives

<sup>1</sup> The Legislative Council passed the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022, with the new licensing regime for virtual asset service providers commencing on 1 June 2023.

<sup>2</sup> The Securities and Futures (OTC Derivative Transactions — Clearing and Record Keeping Obligations and Designation of Central Counterparties) Rules.



## Market development

### Specialist technology companies

A new regime to facilitate the listing of specialist technology companies which may have limited or no revenue or profit track record took effect on 31 March 2023 following the Stock Exchange of Hong Kong Limited's (SEHK) consultation and the SFC's approval

### Mainland-Hong Kong mutual recognition of funds (MRF) scheme

47 Mainland funds were authorised by the SFC and 37 Hong Kong funds were approved by the China Securities Regulatory Commission (CSRC) as of 31 March 2023 and the aggregate net subscription was about RMB15.7 billion

### Stock Connect

Stock Connect covered 2,526 Mainland stocks and 561 Hong Kong stocks, representing about 86% of the two markets' combined market capitalisation as of 31 March 2023

Eligible stocks under Stock Connect were expanded on 13 March 2023 to include, for instance, foreign companies primary-listed in Hong Kong that meet relevant criteria for southbound trading

Announced enhancements to the trading calendars for both northbound and southbound trading, which took effect on 24 April 2023

Trading of exchange-traded funds (ETFs) under Mainland-Hong Kong Stock Connect commenced on 4 July 2022, with five Hong Kong ETFs eligible for southbound trading and 98 Mainland ETFs eligible for northbound trading as of 31 March 2023

### Bond Connect

Northbound primary service was introduced to help global investors participate in the cross-border subscription of new bond issuances in the China Interbank Bond Market

### Swap Connect

Jointly announced with the People's Bank of China and the HKMA the development of Swap Connect with the commencement of northbound access at the initial stage, which was launched on 15 May 2023

### Hong Kong-domiciled retail funds

The assets under management (AUM) of Hong Kong-domiciled public funds recorded US\$174.5 billion as of 31 March 2023 and net fund inflows of about US\$7.9 billion were recorded during the year

### Hong Kong-listed ETFs

Authorised three virtual asset futures ETFs and the first green bond ETF in Hong Kong

### Asset and Wealth Management Activities Survey

The AUM of Hong Kong's asset and wealth management business<sup>3</sup> reached \$35,546 billion as of 31 December 2021 and net fund inflows in 2021 reached \$2,152 billion, up 6% from the previous year. The AUM of the asset management and fund advisory business recorded a year-on-year increase of 8% to \$25,888 billion

### Licensing

Published quick reference guides for family offices, private equity firms, hedge fund managers and overseas and Mainland practitioners to help the industry and the public better understand our licensing regime

Moved to a paperless licensing process, with the online submission of corporate licence applications, notifications and regulatory filings via our fully-digitalised licensing platform, WINGS<sup>4</sup>, becoming mandatory since April 2022

<sup>3</sup> Source: The *Asset and Wealth Management Activities Survey 2021* published by the SFC in July 2022.

<sup>4</sup> Web-based INTeGrated Service.



## Supervision

### Listing applications

Processed 355 listing applications<sup>5</sup>, including 180 new listing applications, of which 19 were from pre-profit biotech companies and five from special purpose acquisition companies

### Takeovers matters

Reviewed 305 takeovers-related transactions and applications

### Corporate conduct

As part of our front-loaded approach to preventing corporate misconduct, we issued section 179<sup>6</sup> directions to gather additional information in 43 cases and issued letters to listed companies detailing our concerns in two cases

### Inspections

Conducted 226 on-site inspections of licensed corporations and associated entities to review their compliance with regulatory requirements and noted 1,230 breaches<sup>7</sup> of our rules and regulations

### Bookbuilding and placing activities

Provided guidance to intermediaries on the application of the new requirements which took effect in August 2022, including the requirements for orders placed on an omnibus basis, clarifications related to debt offerings with syndicates comprising members in Hong Kong and overseas jurisdictions, as well as transitional arrangements

### Online financial services

Issued a circular with a report to highlight the key observations and findings from our review of licensed corporations providing online brokerage, distribution and advisory services and remind them of our regulatory expectations when they carry out business activities online

### Data Standards for Order Life Cycles (DS-OL)

Published the key findings and observations of our thematic review of DS-OL

### Non-exchange traded investment products

Published a report on the joint SFC-HKMA annual survey on the sale of non-exchange traded investment products<sup>8</sup> during 2021, which showed a 5% year-on-year increase in both the number of firms engaged in the sale of investment products and the number of investors who purchased them

### Virtual assets

Issued a statement to alert investors about the risks associated with virtual asset platforms offering virtual asset “deposits”, “savings”, “earnings” or “staking” services and to remind the industry of the potential legal requirements when offering these arrangements to investors in Hong Kong

Warned investors of the risks associated with non-fungible tokens and reminded the industry that these tokens may be subject to our regulation if they cross the boundary between a collectible and a financial asset

### Risk management

Issued two circulars and a report to share key observations from a thematic review of licensed corporations’ management of the operational and remote booking risks of trading activities as well as data risks, and set out our expected standards for these risk management practices

5 Including 180 new listing applications and 175 cases brought forward from the previous reporting period.

6 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.

7 See Table 2 in Operational Data on page 177 for details.

8 Such as collective investment schemes, structured products and debt securities.



## Enforcement

### Surveillance

Made 5,851 requests for trading and account records from intermediaries as a result of surveillance of untoward price and turnover movements

### Investigations and prosecutions

Commenced 135 investigations and laid 115 criminal charges against 25 persons, of which 14 individuals were charged for suspected market misconduct and money laundering offences for indictment prosecution. We secured convictions against five of them

### Notable disciplinary actions

Reprimanded and fined Rifa Futures Limited<sup>9</sup> \$9 million for failures in complying with know-your-client, anti-money laundering and counter-terrorist financing and other regulatory requirements

Reprimanded and fined RBC Investment Services (Asia) Limited \$7.7 million for failing to segregate client money and transferring client securities without clients' standing authority

### Joint law enforcement operations

Conducted two joint operations with the Independent Commission Against Corruption concerning suspected ramp and dump schemes involving the stocks of six Hong Kong-listed companies, other market misconduct and suspected corruption offences

Conducted a joint operation with the Hong Kong Police Force concerning suspected bogus transactions involving a company formerly listed on SEHK



## Sustainability

### New agenda

Published our *Agenda for Green and Sustainable Finance* to set out further steps to support Hong Kong's role as an international sustainable finance centre, focusing on corporate disclosures, asset management and environmental, social and governance (ESG) funds, and carbon markets

### Cross-Agency Steering Group<sup>10</sup>

The Steering Group's new website outlines its 2023-2025 priorities and promotes Hong Kong's strengths as the world's sustainable finance hub

### Asset managers

New requirements for fund managers to consider climate-related risks in their governance, investment and risk management processes and make related disclosures took full effect in November 2022

### Talent development

Commenced our Sustainable Finance Internship Programme to help nurture sustainable finance professionals and organised a training session for more than 100 university students

<sup>9</sup> Formerly known as iSTAR International Futures Co. Limited.

<sup>10</sup> Co-chaired by the SFC and the HKMA, the Hong Kong Green and Sustainable Finance Cross-Agency Steering Group comprises the Financial Services and the Treasury Bureau, the Environment and Ecology Bureau, Hong Kong Exchanges and Clearing Limited, the Insurance Authority and the Mandatory Provident Fund Schemes Authority.



## Regulatory engagement

### Mainland

Our Chairman Mr Tim Lui and Chief Executive Officer Ms Julia Leung met with CSRC Chairman Mr Yi Huiman to discuss cooperation between the Mainland and Hong Kong capital markets and how to promote coordinated market development

Mr Tim Lui and Ms Julia Leung met with the People's Bank of China's Governor Mr Yi Gang to exchange views on a range of issues including financial cooperation between the Mainland and Hong Kong and renminbi internationalisation

Held the 11th and 12th SFC-CSRC high-level meetings to discuss cross-boundary regulatory issues and market development initiatives

Signed a memorandum of understanding (MoU) with the CSRC with respect to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies issued by the CSRC

Held the 13th high-level meeting on enforcement cooperation to enhance cross-boundary supervisory and enforcement collaboration

### International

Reached an MoU with the Bank of England regarding mutual assistance in the supervision and oversight of cross-border regulated entities

Co-hosted the Asia Pacific Takeovers Regulators Conference with the Securities Commission Malaysia for participants from 11 jurisdictions to discuss recent developments and experience in regulating takeovers activities

Became a signatory of the IOSCO<sup>11</sup> Asia-Pacific Regional Committee's Multilateral MoU for Supervisory Cooperation

Responded to 118 requests for information and bilateral meetings from overseas regulators and industry bodies



## Outreach

### Compliance Forum

Hosted the SFC Compliance Forum 2022 for senior market participants to discuss the future of Hong Kong as an international financial centre and other topical issues

### Industry outreach

Organised webinars, virtual training and meetings for industry participants on various topics including new digitalised licensing functions, the enhanced competency framework and the regulation of virtual asset-related activities

### Publicity campaign

Launched a multi-media publicity campaign to help the public understand the new investor identification regime through videos, posters, radio announcements and social media

### Community outreach

Organised a community outreach event with the Hong Kong Police Force's Anti-Deception Coordination Centre to raise public awareness about online ramp and dump scams

### Social media

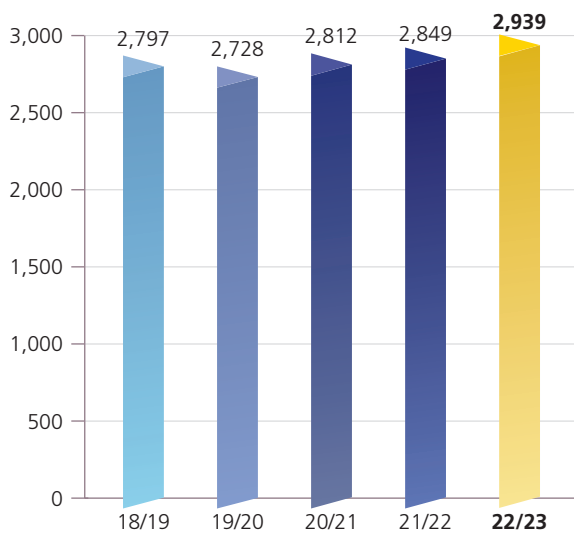
Introduced our official WeChat account which features updates on topics of interest to Mainland-oriented investors and industry professionals

<sup>11</sup> International Organization of Securities Commissions.

## Highlights

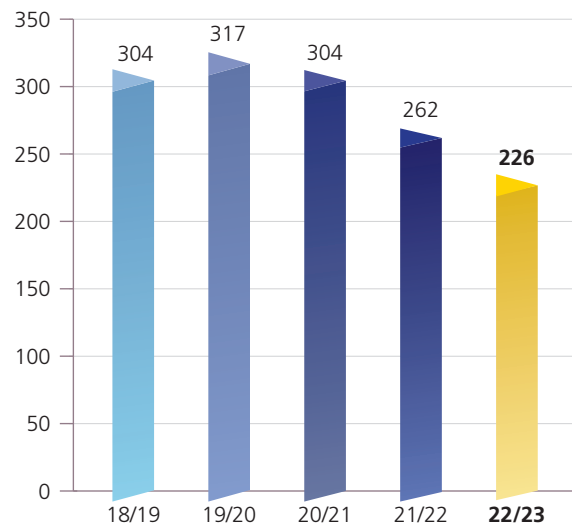
These charts are intended to show some top-line data at a glance. See Operational Data on pages 176-182 for more details.

### Authorised collective investment schemes

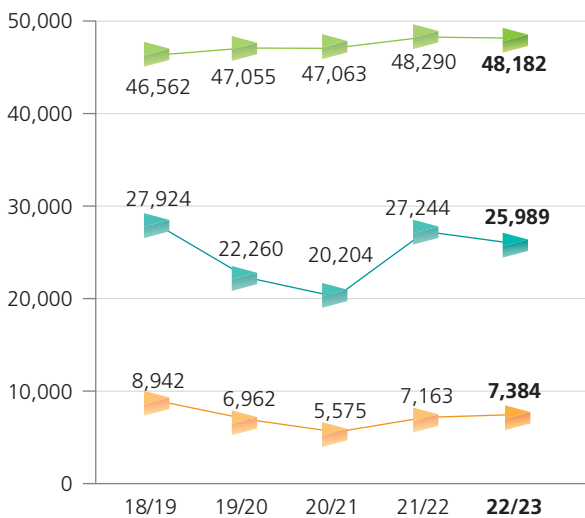


Note: Figures represent a snapshot view as at each financial year-end.

### On-site inspections of licensed corporations and associated entities

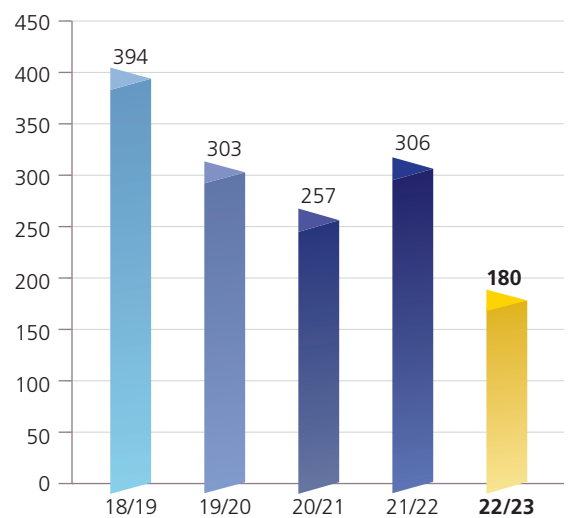


### Licensing

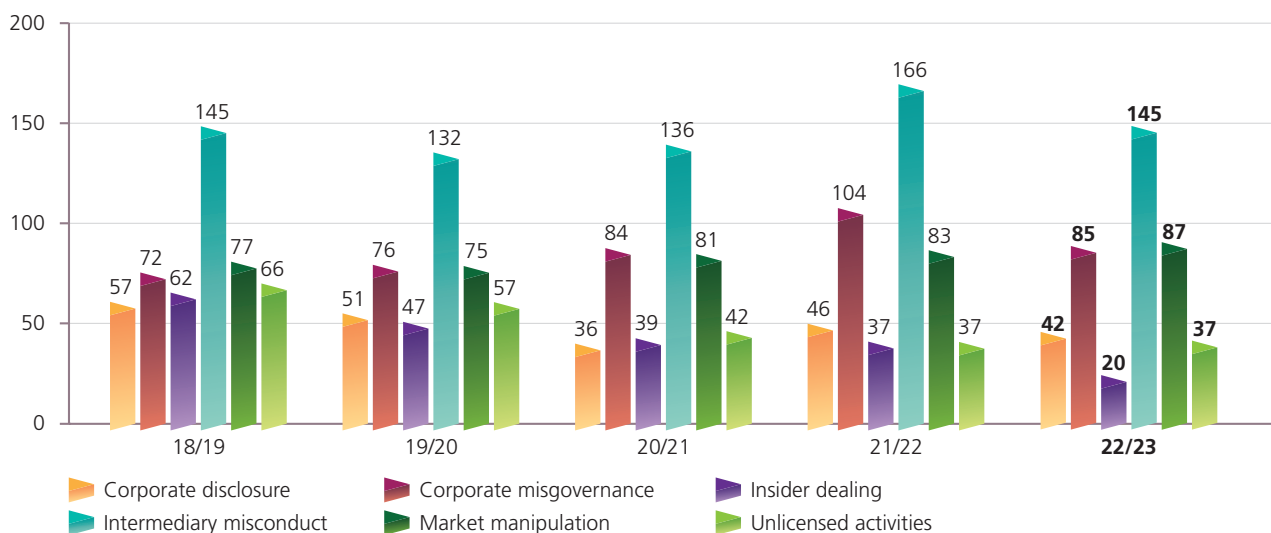


- ▶ Total number of SFC licensees as at each financial year-end
- ▶ Applications to conduct new regulated activity
- ▶ Applications for SFC licences

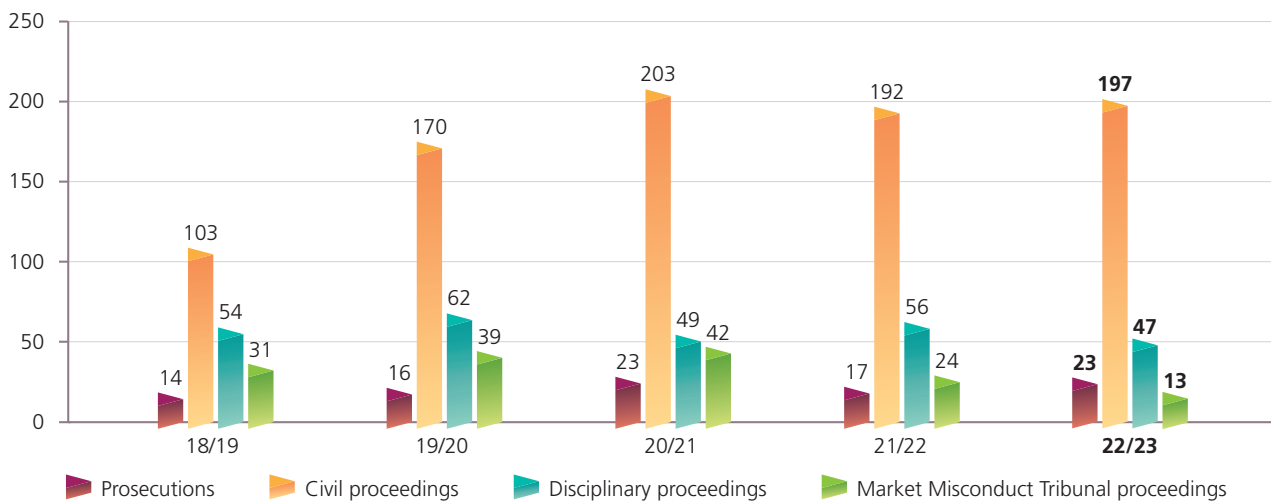
### New listing applications



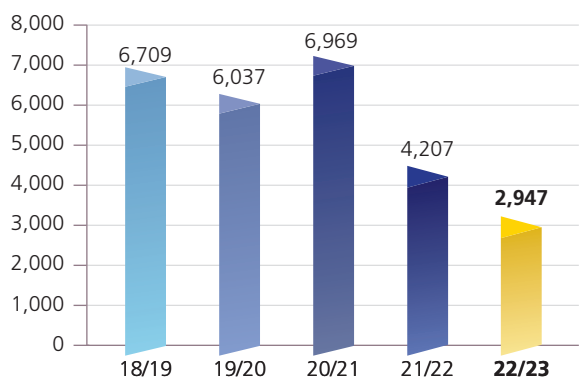
### Investigations



### Persons/corporations subject to enforcement action



### General enquiries



### Complaints against intermediaries and market activities

