

Regulatory Engagement

We take an active part in international policymaking through our leadership in global standard-setting bodies and close collaboration with local and Mainland authorities on regulatory and market development initiatives to advance Hong Kong's position as a leading international financial centre.

Leadership in global standard-setting bodies

Our Chief Executive Officer (CEO), Ms Julia Leung, has represented the SFC on the Board of the International Organization of Securities Commissions (IOSCO)¹ since 2016. During the year, Ms Leung was an active participant in regular calls and meetings of the IOSCO Board to identify and address emerging regulatory issues and share information about capital market developments, with a particular focus on crypto assets, non-bank financial intermediation (NBFI) and sustainable finance.

Ms Leung serves as Vice Chair of IOSCO's Sustainable Finance Task Force and co-leads its Corporate Reporting Workstream, under which she oversees IOSCO's assessment and evaluation of the International Sustainability Standards Board (ISSB) standards². She is also a member of the Management Committee of the IOSCO Asia Pacific Hub, which delivers capacity building programmes for securities regulators in the region.

In November 2022, our then CEO Mr Ashley Alder completed his third and final term as IOSCO Board Chair. In this capacity, he co-chaired the CPMI³-IOSCO Steering Group, which coordinates regulatory policy work for the oversight and supervision of central counterparties.

Mr Alder participated in Financial Stability Board (FSB) meetings between March and October 2022⁴ to discuss financial stability, sustainable finance and crypto assets.



February 2023 IOSCO APRC meeting in Bangladesh

Other SFC senior executives play an active part in key IOSCO initiatives, holding leadership positions in the committees on investment management, and enforcement and the exchange of information.

Ms Christina Choi, our Executive Director of Investment Products, is serving her second term as Chair of the IOSCO Policy Committee on Investment Management. She also leads the committee's exchange-traded funds (ETFs) workgroup which conducted a public consultation on proposed good practices for ETFs in 2022, and issued a report in May 2023. The committee also undertook work on index providers, leverage measures and conduct risks in the leverage loan and collateralised loans markets during the year.

Ms Choi also co-chairs the Open-ended Funds Working Group under the FSB Standing Committee on Supervisory and Regulatory Cooperation, which is revising the 2017 FSB policy recommendations to address financial stability risks stemming from liquidity mismatches in open-ended funds.

1 IOSCO is responsible for developing, implementing and promoting adherence to internationally recognised standards for securities regulation. IOSCO's membership regulates more than 95% of the world's securities markets in 130 jurisdictions.

2 See Sustainability on pages 91-100.

3 The Committee on Payments and Market Infrastructures.

4 Mr Alder attended meetings of the FSB Steering Committee, Plenary, Standing Committee on Supervisory and Regulatory Cooperation and the Steering Committee Group on NBFI.

Mr Kenneth Lai, Director of Enforcement, is Vice Chair of the IOSCO Committee on Enforcement and the Exchange of Information, which seeks to implement international enforcement cooperation under the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

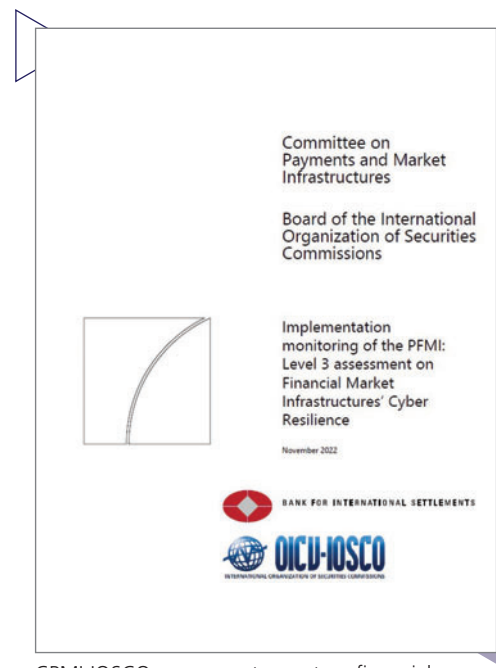
Mr Rico Leung, our Executive Director of Supervision of Markets, co-leads an FSB-IOSCO joint workstream on the analysis of systemic risks using trade repository data, where we shared our experience in identifying concentration risks and possible vulnerabilities arising from positions established in the over-the-counter market. During the year, the workstream developed common risk monitoring templates for member jurisdictions to conduct risk assessments under a harmonised framework.

Ms Christine Kung, our Senior Director and Head of International Affairs and Sustainable Finance, leads the Sustainable Finance Working Group of IOSCO's Asia-Pacific Regional Committee (APRC), which aims to drive consistent sustainable finance regulation across the region, including climate-related disclosures.

Strengthening global regulatory cooperation

We work closely with the IOSCO Secretariat and our regulatory counterparts to develop global policy initiatives and promote cooperation and capacity building amongst IOSCO members.

Within IOSCO, we contribute to all of its task forces at the Board level, all eight IOSCO policy committees, the Committee on Emerging Risks, and the Assessment Committee, which includes reviewing the implementation of IOSCO's *Objectives and Principles of Securities Regulation*. At the regional level, we participate in the IOSCO APRC, which focuses on enhancing regional supervisory cooperation and addressing cross-border regulation and market fragmentation. The SFC became a signatory of the APRC Multilateral Memorandum of Understanding for Supervisory Cooperation during the year.



CPMI-IOSCO assessment report on financial market infrastructures' cyber resilience (November 2022)

The SFC participates in the CPMI-IOSCO Steering Group's Policy Standing Group and Implementation Monitoring Standing Group. In July 2022, CPMI and IOSCO issued guidance for the application of the Principles for Financial Market Infrastructures to stablecoin arrangements. We also took part in a joint CPMI-IOSCO exercise to assess the adoption of cyber resilience guidance at 37 financial market infrastructures in 29 jurisdictions and a report summarising the results of the assessment was published in November 2022.

In September 2022, we shared our experience in regulating Hong Kong's takeovers and mergers market with securities regulators from Brunei, Cambodia and Vietnam in an online workshop hosted by the IOSCO Asia Pacific Hub.

Regulatory Engagement

Sustainable finance

We are a member of all the IOSCO Sustainable Finance Task Force workstreams. The task force considers sustainability reporting for listed issuers and carbon markets, spearheads work on assurance and digital reporting of sustainability information, and promotes good practices relating to asset management and environmental, social, and governance (ESG) ratings and data products providers.

In March 2023, we participated in the annual EU-Asia Pacific Forum on Financial Regulation where we shared an overview of our initiatives related to climate-related corporate disclosures, disclosures by asset managers and ESG funds and the use of ESG ratings and data.

Crypto assets and decentralised finance

We are part of IOSCO's Fintech Task Force and its Steering Group to consider regulatory policy responses to crypto and digital assets and decentralised finance as set out in the *IOSCO Crypto-Asset Roadmap for 2022-2023* published in July 2022.

We are also a member of the Retail Market Conduct Task Force, the Follow-Up Group on regulatory and supervisory cooperation and the Data Analytics Group.

Financial stability

As a member of the IOSCO Financial Stability Engagement Group and its Steering Group, we coordinate IOSCO's role in addressing financial stability risks with the FSB, identify and address vulnerabilities associated with NBFIs and provide technical analyses on issues relating to COVID-19-induced market stresses. Ms Christina Choi leads the core experts group which supports the Financial Stability Engagement Group in international work related to open-ended funds and is developing enhanced guidance on the use of liquidity management tools.

We participate in the FSB Standing Committee on Standards Implementation, which oversees peer reviews and evaluates and monitors reforms. We are a member of the FSB Regional Consultative Group for Asia, which considered financial risks from climate change, financial stability and vulnerabilities affecting the region during the year. We are also a member of the FSB Cross-Border Crisis Management for Financial Market Infrastructures, which monitors and promotes the implementation of resolution regimes.

Mainland-Hong Kong cooperation

To consolidate Hong Kong's position as a leading international financial centre and its unique role connecting the Mainland and global financial markets, we hold regular discussions and work proactively with the China Securities Regulatory Commission (CSRC) and other Mainland authorities to deepen mutual market access schemes and enhance cross-boundary supervisory and enforcement cooperation.

In March 2023, our Chairman Mr Tim Lui and CEO Ms Julia Leung met with CSRC Chairman Mr Yi Huiman in Beijing. Both regulators agreed to further deepen cooperation and promote the coordinated development of our capital markets. Our Chairman and CEO also met with People's Bank of China (PBoC) Governor, Mr Yi Gang, to exchange views on a range of issues, including financial cooperation between the Mainland and Hong Kong, renminbi internationalisation and the development of Hong Kong as an international financial centre. We also met with other Mainland authorities during the Beijing trip.





(From left to right) SFC CEO Ms Julia Leung, CSRC Chairman Mr Yi Huiman and SFC Chairman Mr Tim Lui



(From left to right) SFC Executive Director of Supervision of Markets, Mr Rico Leung, Chairman Mr Tim Lui, PBoC Governor Mr Yi Gang, CEO Ms Julia Leung and PBoC Deputy Governor Mr Xuan Changneng

Collaboration with the CSRC

At the 11th and 12th biannual SFC-CSRC high-level meetings in June and December 2022, we discussed and reached consensus on a wide range of cross-boundary regulatory issues and market development initiatives, including enhancements to mutual market access schemes, collaboration on cross-boundary enforcement and intermediary supervision and how the two regulators would work together to consolidate Hong Kong's status as an international financial centre.

During the year, the two regulators jointly announced the expansion of eligible stocks and the inclusion of ETFs under Stock Connect, adjustments to the trading calendar for Stock Connect and an SFC-CSRC memorandum of understanding (MoU) with respect to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies issued by the CSRC.

Despite the challenges posed by the COVID-19 pandemic, we and the CSRC continued to provide flexible, comprehensive investigatory assistance to one another in enforcement cases, including the highest level of support in major and urgent matters.

During the year, the regular high-level and working-level meetings held between our Enforcement Division and the CSRC's Enforcement Bureau strengthened our close cross-boundary enforcement cooperation to jointly combat cross-boundary market misconduct, protect investors' interests and safeguard the sound development of our capital markets.

Both regulators reached significant consensus on a number of areas. At the institutional level, we will build on our existing enforcement cooperation mechanism and enhance its depth and scope to ensure smooth cross-boundary enforcement collaboration and prompt responses in the face of challenges and emerging issues. At the working level, we will enhance the efficiency of our enforcement cooperation by strengthening our research and resolving outstanding issues. In addition, to deepen mutual understanding, we resumed our training and exchange programmes which were suspended owing to the pandemic.

Regulatory Engagement

We engaged with other Mainland authorities on a number of cooperation initiatives. Together with the PBoC and the Hong Kong Monetary Authority (HKMA), we jointly announced in July 2022 the development of mutual access between the Hong Kong and Mainland interest rate swap markets (ie, Swap Connect), which was launched on 15 May 2023.

In March 2023, we entered into an MoU on matters relating to bonds and derivatives market with the PBoC and HKMA to enhance regulatory collaboration among the regulators. This facilitates the implementation of Swap Connect.

We provided support to the HKSAR Government on initiatives to strengthen Hong Kong's cooperative relationship with the Mainland, including the Cross-boundary Wealth Management Connect pilot scheme set out in the Guangdong-Hong Kong-Macao Greater Bay Area development plan.

Advancing global regulatory dialogue

During the year, we responded to 118 requests for information and bilateral meetings from overseas regulators and industry bodies.

We held meetings and calls to discuss emerging regulatory developments with overseas regulators and authorities, including the European Securities and Markets Authority, US Securities and Exchange Commission, US Commodity Futures Trading Commission, UK Financial Conduct Authority, the Monetary Authority of Singapore and Japan's Financial Services Agency.

In December 2022, we reached an MoU with the Bank of England regarding mutual assistance in the supervision and oversight of cross-border regulated entities.

In June 2022, the SFC co-hosted the Asia Pacific Takeovers Regulators Conference with the Securities Commission Malaysia. More than 50 participants from 11 jurisdictions⁵ met to discuss recent developments and experience in regulating takeovers activities, including managing takeovers activities during the pandemic, shareholder activism and the lessons learnt from takeovers breaches.



The 13th Mainland and Hong Kong High-level Meeting on Enforcement Cooperation held virtually by the CSRC's Enforcement Bureau (left) and our Enforcement Division

⁵ Including Australia, Bangladesh, Cambodia, Hong Kong, Laos, Malaysia, New Zealand, the Philippines, Singapore, South Africa and Thailand.



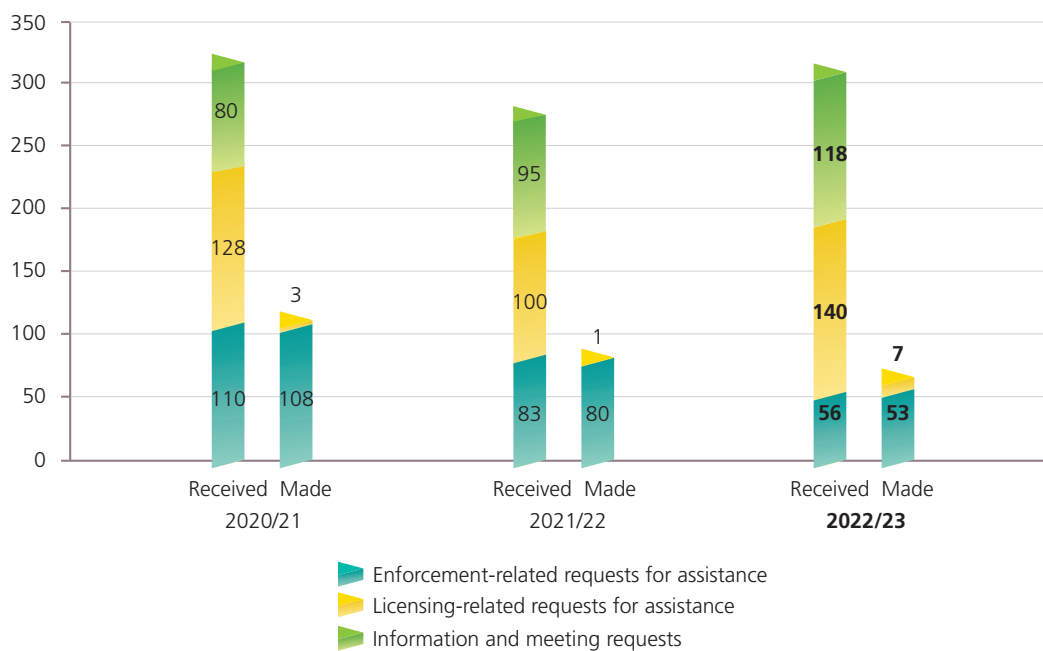
Received
196
enforcement and
licensing-related
requests for assistance

In December 2022, we held the 14th Bilateral Regulatory Meeting with the Financial Supervisory Commission of Taiwan, China, where we exchanged views on ESG disclosure and assurance requirements for listed companies, global developments in sustainability reporting, the adoption of ISSB standards and sustainable development strategies for the securities sector.

Also in June, we convened a meeting of the Crisis Management Group⁶ for HKFE Clearing Corporation Limited (HKCC) with the French Autorité de Contrôle Prudentiel et de Résolution and the European Union Single Resolution Board to discuss the resolution plan for HKCC.

During the year, we engaged regularly with industry bodies and associations to discuss regulatory issues, including the International Swaps and Derivatives Association, International Capital Market Association, Asia Securities Industry & Financial Markets Association and the Hong Kong Green Finance Association.

Requests for regulatory assistance



⁶ The Crisis Management Group was created in 2018 following the designation of HKCC as systemically important in more than one jurisdiction.