

# Mission and Mandates

The Securities and Futures Commission (SFC) is an independent statutory body set up in 1989 to regulate Hong Kong's securities and futures markets.

## Mission statement

As a financial regulator in one of the world's leading international financial centres, the SFC strives to strengthen and protect the integrity, orderliness and competitiveness of the securities and futures markets in Hong Kong for the benefit of the industry, investing public and Hong Kong's society as a whole.

## Mandates

Our work is defined and governed by the Securities and Futures Ordinance (SFO), which sets out our powers, roles and responsibilities.

## Our statutory objectives

Maintain and promote a fair, efficient, competitive, transparent and orderly securities and futures industry

Help the public understand the workings of the industry

Provide protection for the investing public

Minimise crime and misconduct in the industry

Reduce systemic risks in the industry

Maintain Hong Kong's financial stability

In 2012, the SFO was amended to broaden our statutory investor education objective. Since then, our education function has been delegated to a subsidiary, the Investor and Financial Education Council (IFEC), which is fully funded by us and dedicated to promoting and delivering free and impartial investor and financial education resources and programmes to help improve the financial literacy level of the people in Hong Kong.

The Investor Compensation Company Limited, another subsidiary, was established in 2003 to manage and administer claims against the Investor Compensation Fund. It provides a measure of protection for investors in cases of broker default.

## Regulatory functions



Our work can be divided into five principal areas. We adopt a multidisciplinary approach under the "One SFC" ethos to leverage all of our regulatory tools and pool our expertise to achieve our objectives.

### Corporates

We oversee listing and takeovers matters in Hong Kong, including the vetting of listing applications, disclosure requirements for listed companies, corporate conduct and the listing-related functions of the Stock Exchange of Hong Kong Limited (SEHK).

Empowered by the Securities and Futures (Stock Market Listing) Rules and more generally under the SFO, we intervene in corporate cases at an early stage when we have reason to believe that a proposal may be harmful to investors or the broader public interest. We may raise objections to listing applications and transactions proposed by listed companies, or direct SEHK to suspend trading in a listed company's shares.

On a daily basis, we monitor company announcements to identify misconduct or irregularities. We facilitate the fair treatment of investors in corporate activities such as mergers, takeovers, privatisations and share buy-backs.

## Intermediaries

We set standards and qualifying criteria for corporations and individuals operating in our markets under the SFO. To protect the investing public, we allow only “fit and proper” persons to be licensed or registered.

We supervise licensed intermediaries to ensure financial soundness and compliance with business conduct requirements through off-site monitoring and on-site inspections. Our approach aims to detect risks early and through timely intervention prevent them from spreading. We promote the industry’s awareness of emerging issues and encourage proper market conduct by providing appropriate guidance.

We work closely with local and overseas regulatory counterparts and participate in international supervisory fora to enhance cooperation and coordination.

## Products

To develop Hong Kong as a full-service international asset and wealth management centre and preferred fund domicile, we formulate policies and support initiatives for the regulation of the asset and wealth management industry.

We maintain robust regulations for investment products offered to the public in Hong Kong under the SFO. We act as a gate-keeper in authorising investment products and monitoring their compliance with disclosure and other requirements.

We require offering documents for retail investment products to be accurate and to provide adequate information for investors to make informed decisions.

## Markets

We formulate policies to facilitate the development of market infrastructure and boost links with Mainland and international markets. To help reduce systemic risks, we monitor and collect quantitative information about the financial markets.

We also supervise market operators including exchanges, clearing houses, share registrars and alternative trading platforms.

## Enforcement

To maintain market integrity and protect the investing public, we combat crime and misconduct in the Hong Kong securities and futures markets through our

surveillance, investigative and disciplinary work. Where appropriate, we take action to remedy the effects of market misconduct by applying to the court for injunctive and remedial orders.

We work with other law enforcement agencies as well as Mainland and overseas regulatory bodies on investigations where required.

Our major enforcement actions include criminal prosecution and civil, disciplinary and market misconduct proceedings.

## Market development

To maintain Hong Kong’s status as a leading international financial centre, we endeavour to expand the breadth and depth of our financial markets and enhance our market infrastructure to provide an environment to nurture the healthy and sustainable growth of participants and businesses, without compromising investors’ interests. We also welcome innovation and constantly review our perimeters to ensure our regulatory framework is clear, robust and accommodates technological advances.

## Regulatory collaboration

To ensure our regulatory framework aligns with global standards, we actively participate in the International Organization of Securities Commissions and other global rule-setting bodies. We work closely with local and Mainland authorities on regulatory and market development initiatives to support Hong Kong’s long-term strategic development amidst the opening of Mainland financial markets.

## Communications and education

We maintain close communication with the industry and investment community to promote a better understanding of our work and the rationale behind our initiatives. We reach out to the industry and the public frequently to explain our functions and policies as well as specific issues to promote and facilitate compliance. When formulating policy or rule changes, we engage the industry and the public at an early stage through a variety of channels to explain our rationale as well as to listen to the perspectives of those who may be affected, before conducting public consultations on proposed rule changes. We promote investor education to help the public understand the workings of the industry, working closely with our wholly owned subsidiary, the IFEC.