

Highlights

Key figures for 2023-24

Corporates

157 new listing applications received	317 takeovers-related transactions and applications reviewed
67 new listings	

Enforcement

4,627 requests for trading and account records	204 individuals and corporations subject to ongoing civil proceedings
183 cases initiated for investigation	\$49.9 million in fines imposed on licensees

Communications

192 press releases, statements and announcements	100+ executive speaking engagements
63 circulars to the industry	3,637 general enquiries
350 social media posts	3,206 complaints against intermediaries and market activities

Intermediaries

7,255 new licence applications, comprising 7,035 individuals and 220 corporations
As of 31 March 2024 47,851 licensees and registrants including 44,493 licensed individuals, 112 registered institutions, and 3,246 licensed corporations, with 2,140 licensed for Type 9 (asset management) regulated activity
23 VATP ¹ applications under the AMLO ² , comprising 4 from existing VATP licence applicants under the SFO ³ and 19 new applications
As of 31 March 2024 2 VATPs were licensed under the SFO
234 on-site inspections of licensed corporations and associated entities

Products

170 new authorised funds
172 new open-ended fund companies registered
As of 31 March 2024 2,951 authorised collective investment schemes, including 926 Hong Kong-domiciled funds

¹ Virtual asset trading platform.

² Anti-Money Laundering and Counter-Terrorist Financing Ordinance.

³ Securities and Futures Ordinance.



Market development

China Treasury bond futures

We announced the upcoming launch of China Treasury bond futures contracts in Hong Kong. This important risk management tool can facilitate further participation by offshore institutional investors in the Mainland Treasury bond market. We are working closely with Hong Kong Exchanges and Clearing Limited (HKEX) on its launch.

Swap Connect

Swap Connect, which allows offshore investors from Hong Kong and other jurisdictions to participate in the Mainland interbank interest rate swap market, was launched for northbound trading in May 2023.

As of 31 March 2024, there were 50 offshore Swap Connect participants, and the month-on-month average daily gross notional amount of contracts executed under Swap Connect had quadrupled since its launch.

Stock Connect enhancements

Enhancements to Stock Connect were announced to further raise the trading efficiency of the scheme and promote the mutual development of the Mainland and Hong Kong capital markets. These measures include the expansion of the scope of exchange-traded funds (ETFs), the incorporation of real estate investment trusts (REITs) into the Stock Connect, and the introduction of block trading (manual trades).

Renminbi (RMB) counters

The RMB counters of 24 stocks were launched for trading in June 2023. The average daily turnover of the 24 RMB counters amounted to RMB98.3 million (\$105.1 million) since their launch. The dual counter market making programme brings in market makers to ensure liquidity and minimise gaps between Hong Kong dollar and RMB share prices, and would be further invigorated by the China Securities Regulatory Commission's (CSRC) support of the inclusion of RMB-denominated stocks into southbound Stock Connect.

Enhancements to cross-boundary Wealth Management Connect (WMC)

We jointly announced the enhancements to WMC with the People's Bank of China (PBoC), the National Financial Regulatory Administration (NFRA), the CSRC, the State Administration of Foreign Exchange (SAFE), the Hong Kong Monetary Authority (HKMA) and the Monetary Authority of Macao. Enhancement measures include expanding the scope of eligible products and allowing eligible brokers to participate in the scheme.

To facilitate licensed corporations' participation in WMC, we issued a set of guidance and frequently asked questions (FAQs).

Hong Kong-listed ETFs

We authorised Asia's first and the world's largest ETF investing in Saudi Arabian-listed stocks, which was listed in Hong Kong in November.

We also authorised the first two active ETFs adopting a covered call writing strategy in Hong Kong. They were listed in February 2024.

Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme

We reached an agreement with the CSRC on relaxing the MRF scheme.

As at 31 March 2024, a total of 44 Mainland funds were authorised by the SFC and 38 Hong Kong funds were approved by the CSRC. The aggregate cumulative net subscriptions were about RMB26.6 billion.

Hong Kong-domiciled funds

The assets under management (AUM) of Hong Kong-domiciled public funds recorded US\$178 billion as of 31 March 2024 and net fund inflows of about US\$11.5 billion were recorded during the year.

Grant scheme for OFCs and REITs

The Government's grant scheme to subsidise the setting up of open-ended fund companies (OFCs) and listing of REITs in Hong Kong has been extended for another three years from May 2024.

Overseas listings by Mainland enterprises

After discussing with the SFC, the Stock Exchange of Hong Kong Limited (SEHK) concluded a consultation on Listing Rule amendments to reflect Mainland China's revised regulation updates on overseas listings by Mainland enterprises. The new rules became effective on 1 August 2023.

International listings

The main markets of the Saudi Exchange and the Indonesia Stock Exchange were added to the list of recognised stock exchanges, which will enable Saudi- and Indonesia-listed companies to apply for secondary listing in Hong Kong.

GEM listing reforms

With our approval, SEHK's GEM listing reforms became effective in January 2024. SEHK introduced facilitative measures for eligible GEM issuers to transfer to the Main Board.



Regulatory enhancements

Codes on Takeovers and Mergers and Share Buy-backs

Amendments were made to enhance regulation of takeovers and share buy-backs, including clarifying a number of important terms and provisions, streamlining processes and introducing green initiatives.

Uncertificated securities market (USM) regime

Following our March 2023 consultation on subsidiary legislation, we launched a further consultation in October on proposed amendments to the code and guidelines for regulating approved securities registrars under the USM environment. We aim to issue a conclusions paper on both consultations later this year.

Position limit regime

The enhanced position limit regime took effect in December 2023. The amendments clarified funds-related regulatory requirements, facilitated compliance and provided greater flexibility to the market. We also published an FAQ and updated the related guidance note to help market participants understand the enhancements.

Over-the-counter (OTC) derivatives regulation

With the legislative process completed for our proposed amendments to the Clearing Rules for the OTC derivative transactions, they will take effect in July 2024. The amendments are in line with the global interest rate benchmark reform.

Investor identification regime

The investor identification regime for the Hong Kong securities market and the OTC securities transactions reporting regime for shares listed on SEHK were launched in March and September 2023 respectively. Both regimes have strengthened the market surveillance capability, upheld market integrity and bolstered investor confidence in the Hong Kong securities market.

Type 13 regulated activity (RA 13) regime

Following the completion of the legislative process, the new RA 13 regime for depositaries of public funds will come into effect in October 2024. We provided guidance and began accepting applications in July 2023. As of 31 December, all depositaries of public funds operating in Hong Kong had submitted their RA 13 applications.

New treasury shares regime

Working together with the SFC, SEHK launched a consultation to introduce a listing regime governing treasury shares. It received strong market support and the rule changes became effective in June 2024.



Virtual assets (VA) and tokenisation

New regulatory regime for VATPs

The licensing regime for VATPs under the AMLO came into effect in June 2023. It requires all VATPs operating a virtual asset exchange in Hong Kong or actively marketing their services to Hong Kong investors to be licensed by the SFC.

We licensed two VATPs under the SFO. As of 31 March 2024, we received 23 VATP applications, of which four were from existing VATP licence applicants under the SFO, and the remainder were new applications.

Guidance on VA activities, VA products and tokenisation

We revised the joint circular issued together with the HKMA on intermediaries' VA-related activities to enable retail investors to access VA dealing services and advisory services provided by SFC-regulated intermediaries partnering with SFC-licensed VATPs. We further revised the joint circular to set out requirements for distributing investment products with exposure to VAs. In another circular, we issued our requirements applicable to SFC-licensed funds with exposure to VAs of more than 10% of their net asset value, including SFC-licensed VA spot ETF.

We also provided guidance to the industry on tokenised securities-related activities and tokenisation of SFC-licensed investment products, which emphasised how traditional financial institutions should address and manage the risks arising from tokenisation.

The first tokenised SFC-licensed private OFC was launched in December 2023; the first tokenised retail gold product was authorised by the SFC in March 2024.

Enforcement actions under VATP regime

To identify and address potential fraud promptly, we established a dedicated joint working group with the Hong Kong Police Force (Police) with an information sharing protocol to enhance collaboration in monitoring and investigating illegal activities related to VAs and VATPs. At the SFC's request, the Police expeditiously took steps to block access to websites of entities involved in suspected fraud.



Gatekeeping and supervision

Listing applications

We processed 261 listing applications⁴, of which 157 were new listing applications. Amongst others, there were new listing applications from three companies with a weighted voting rights (WVR) structure, 14 pre-profit biotech companies, one special purpose acquisition company (SPAC), two companies seeking a listing by way of de-SPAC transactions⁵ and two specialist technology companies. One overseas-listed company achieved dual-primary listing on the Main Board.

Licensing corporations and individuals

We approved 164 new corporate licence applications and around 6,700 individual licence applications. Amongst the newly approved corporate applications, 85% of them applied for Type 9 (asset management) regulated activity (RA) and 63% applied for Type 4 (advising on securities) RA.

Suitability obligations for dealing with sophisticated professional investors

We issued a joint circular with the HKMA to guide the implementation of a streamlined approach to comply with the suitability obligations when dealing with sophisticated professional investors.

Risk management guidelines for futures brokers

We issued risk management guidelines for licensed persons dealing in futures contracts to enhance futures brokers' risk management.

Inspections

We conducted 234 on-site inspections of licensed corporations and associated entities to review their compliance with regulatory requirements and noted 1,492 breaches⁶ of our rules and regulations.

Cybersecurity

Our thematic review on emerging cybersecurity risks and threats was commenced, covering the use of end-of-life software, vendor management and remote access.

Non-exchange traded investment products

We published a report on the joint SFC-HKMA annual survey on the sale of non-exchange traded investment products⁷ during 2022, which showed that 35% of firms recorded an increase in their transaction amount and the top-selling collective investment schemes were money market funds.

Review of SEHK's work

We published a report on our review of the performance of SEHK in its regulation of listing matters during 2021 and identified areas for enhancement.

Corporate misconduct

As part of our front-loaded approach in preventing corporate misconduct, we issued section 179⁸ directions to gather additional information in 39 cases.

⁴ Including 157 new listing applications and 104 cases brought forward from the previous reporting period.

⁵ Including one company with a WVR structure.

⁶ Please refer to Table 2 of Operational Data on page 208 for details.

⁷ Such as collective investment schemes, structured products and debt securities.

⁸ Section 179 of the Securities and Futures Ordinance gives the SFC the power to compel the production of records and documents from persons related to a listed company.



Enforcement

Surveillance

We made 4,627 requests for trading and account records from intermediaries as a result of surveillance of untoward price and turnover movements.

Investigations and prosecutions

We commenced 183 investigations and laid 50 criminal charges against 24 individuals, of which 17 were charged for suspected market misconduct and other offences for indictment prosecution. We secured convictions against two of them.

Twenty-four people, including key members and a suspected ringleader of a large-scale, sophisticated ramp and dump syndicate, were charged following a joint operation with the Police.

Notable disciplinary actions

We reprimanded and fined Changjiang Corporate Finance (HK) Limited \$20 million for failure in discharging its duties as the sponsor in six applications to list on SEHK.

We revoked the licence of Axial Capital Management Limited for repeated failures to comply with the SFO, the Securities and Futures (Financial Resources) Rules and the Code of Conduct for Persons Licensed by or Registered with the SFC.

Regulatory collaboration

We conducted the first-ever tripartite operation together with the Independent Commission Against Corruption and the Accounting and Financial Reporting Council (AFRC) in October 2023 against two Hong Kong-listed companies on suspected fictitious corporate transactions totalling \$193 million.

We issued the first joint statement with the AFRC in July 2023, addressing an observable increase in cases of listed issuers channelling corporate funds to third parties as “loans” in dubious circumstances. We set out conduct standards and practices that listed issuers, their directors, audit committees and auditors should follow in relation to loans and similar arrangements.



Sustainability

Cross-Agency Steering Group⁹

We co-led efforts to develop greenhouse gas emissions calculation and estimation tools and the Prototype Hong Kong Green Fintech Map, both of which were launched in early 2024. We also co-lead work on developing a roadmap for Hong Kong's adoption of the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards as appropriate, which included hosting an industry roundtable with the International Sustainability Standards Board in March 2024.

International Organization of Securities Commissions' (IOSCO) Sustainable Finance Task Force (STF)

Through our leading role within IOSCO's STF and Asia-Pacific Regional Committee (APRC), we promote regulatory alignment, knowledge sharing and capacity building in the region on sustainable finance topics including sustainability disclosures and carbon markets.

ESG ratings and data products providers

We supported and sponsored the development of a voluntary code of conduct for ESG¹⁰ ratings and data products providers via an industry-led working group.

Inaugural Forum on Sustainability Disclosures

In November 2023, we held our inaugural Forum on Sustainability Disclosures which was attended by more than 200 local and regional participants to gather views on developing a sustainability disclosure ecosystem for Hong Kong.

Carbon neutrality

We announced our commitment to become a carbon-neutral organisation by 2050, in line with the HKSAR Government's climate strategy. Our interim target is to reduce 50% of our total carbon emissions by 2030.



Regulatory engagement

Mainland

To further deepen cross-boundary regulatory cooperation and discuss market development initiatives for Mainland and Hong Kong capital markets, we met with the senior management of a number of Mainland authorities including the CSRC, PBoC, NFRA and SAFE, held the 13th and 14th SFC-CSRC high-level meetings with the CSRC, and visited several stock exchanges, futures exchanges and clearing houses in Guangzhou, Shenzhen and Shanghai. We also maintained close cooperation with the CSRC, including providing investigatory assistance in each other's cases and providing secondment and training opportunities for each other's staff.

International

Our senior executives took up key roles in IOSCO, including Chair of its APRC, Vice Chair of its

STF, and Chair of its Policy Committee on Investment Management. We also co-chair Open-ended Funds Working Group under the Financial Stability Board's Standing Committee on Supervisory and Regulatory Cooperation.

We hosted a number of high-profile international meetings in Hong Kong. In February 2024, we organised the IOSCO APRC meetings attended by more than 70 senior regulators and experts from 21 jurisdictions.

In July 2023, we hosted a visit by the representatives of the Takeovers Regulation Panel of South Africa where we exchanged experiences in regulating takeovers.

We responded to 143 requests for information and bilateral meetings from overseas regulators and industry bodies.

⁹ Co-chaired by the SFC and the HKMA, the Green and Sustainable Finance Cross-Agency Steering Group comprises the Financial Services and the Treasury Bureau, Environment and Ecology Bureau, Insurance Authority, Mandatory Provident Fund Schemes Authority, AFRC, and HKEX.

¹⁰ Environmental, social and governance.



Communications

Regulatory Symposium

We organised the SFC Regional Securities Regulatory Leadership Symposium in February 2024 as one of the events marking the SFC's 35th anniversary. More than 300 senior government officials, financial regulators and business leaders exchanged views on Asia-Pacific capital market developments.

Education and alerts

We enhanced our website to consolidate all investor alerts and make them more accessible to the public. To raise awareness, we warned the public against cases of suspected frauds and other misconduct through press briefings, press releases, social media posts, and posting of suspicious entities and products on the SFC's Alert List. We added 19 suspicious VATPs and 28 suspicious investment products to the Alert List.

We launched advertising campaigns spanning both online and offline channels, including radio, buses, online banners and panels in MTR stations to alert the public to financial scams as well as the risks of trading on unregulated VATPs.

We also worked with Radio Television Hong Kong to produce a TV drama series featuring a strong anti-scam message.

Social media

We launched our YouTube channel to broaden our reach to the general public, in addition to our social media platforms including Facebook, WeChat as well as LinkedIn.

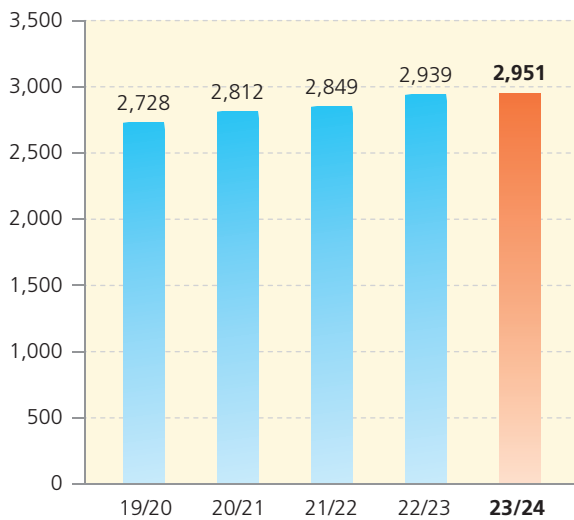
Community outreach

To promote public awareness of common investment scam tactics and provide tips to avoid them, we supported anti-scam community events and spoke at various webinars, TV and radio interviews.

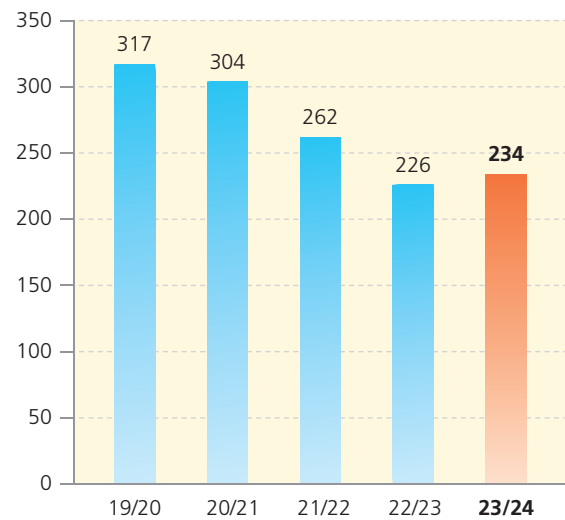
Highlights

These charts are intended to show some top-line data at a glance. See Operational Data on pages 207–213 for more details.

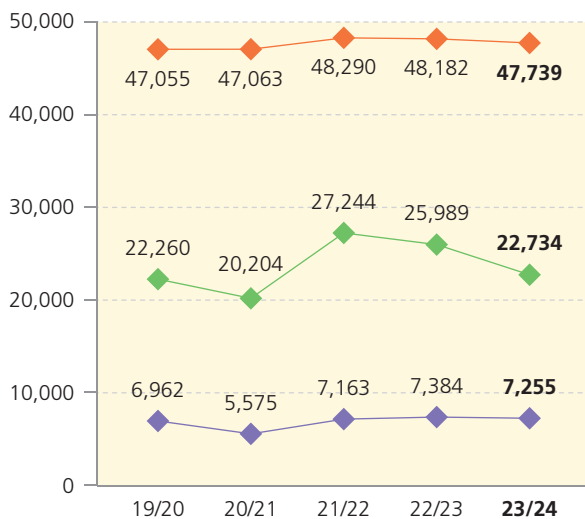
Authorised collective investment schemes



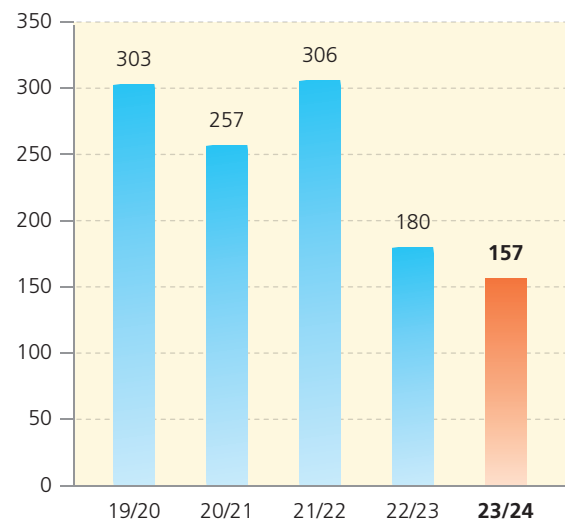
On-site inspections of licensed corporations and associated entities



Licensing

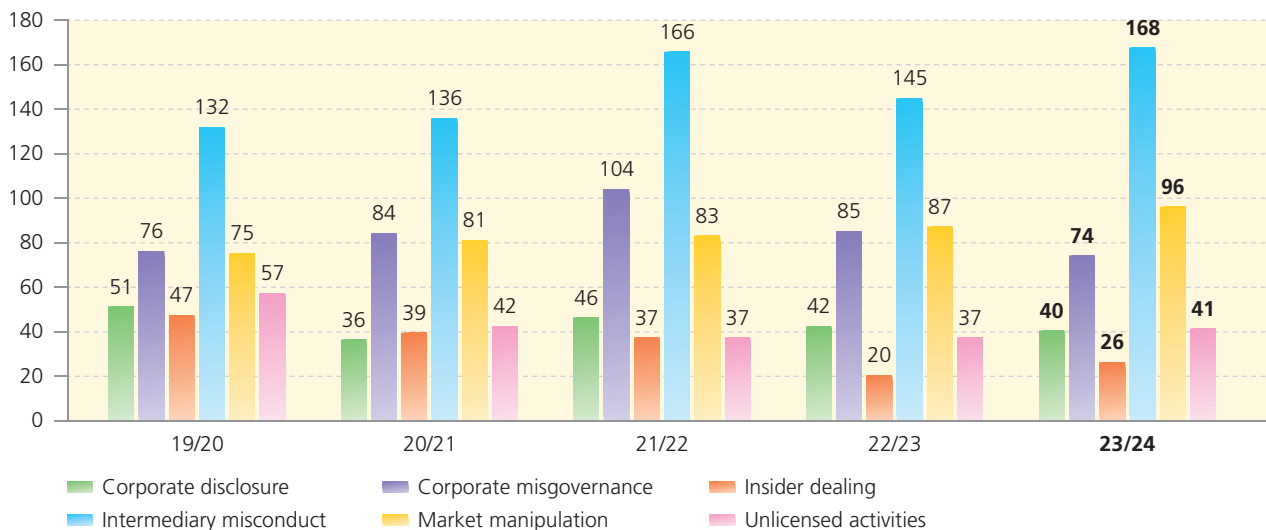


New listing applications

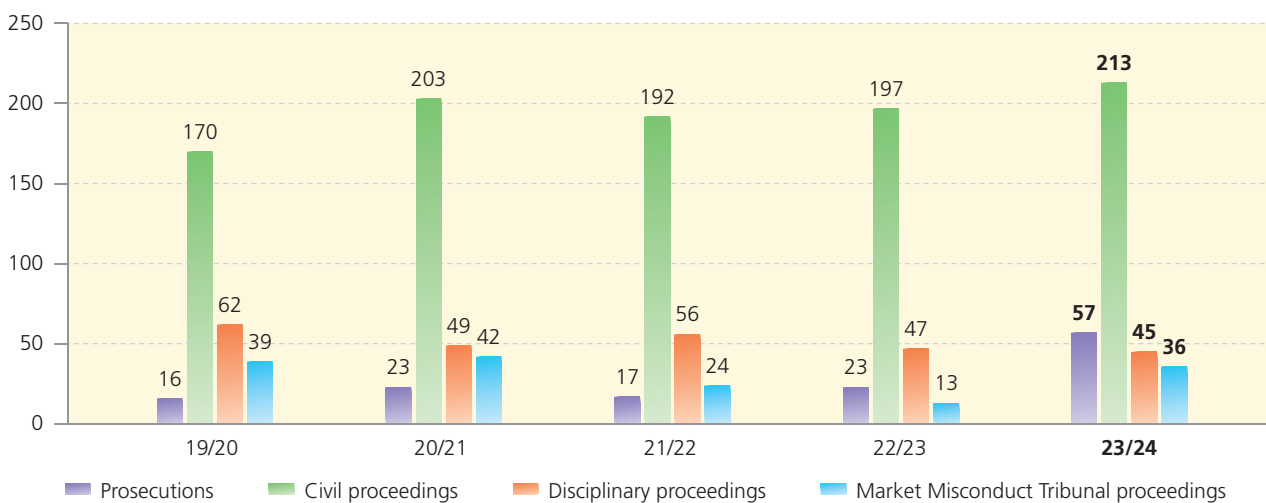


- ◆ Total number of SFC licensees as at each financial year-end
- ◆ Applications to conduct new regulated activity
- ◆ Applications for SFC licences

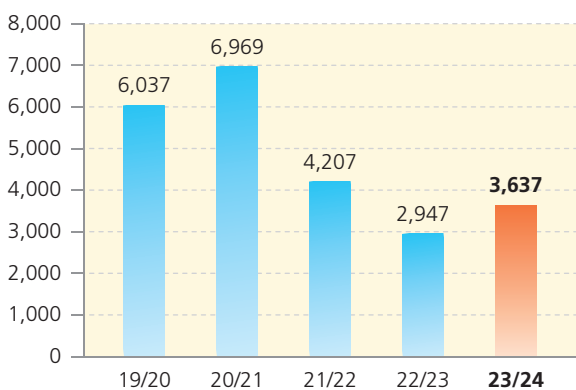
Investigations



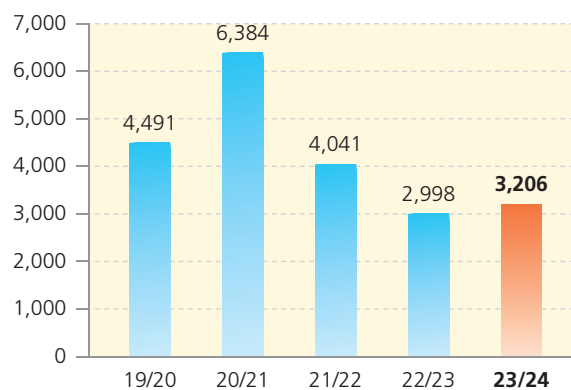
Persons/corporations subject to enforcement action



General enquiries



Complaints against intermediaries and market activities



Highlights