

Highlights

Regulatory enhancements

Capital market transactions: We released consultation conclusions on conduct requirements for capital market transactions in Hong Kong to clarify the roles of intermediaries and set out the standards expected of them in bookbuilding, pricing, allocation and placing activities.

Pooled retirement funds: We concluded a consultation on amendments to the Code on Pooled Retirement Funds to strengthen investor protection and ensure our regulations for these funds are up-to-date and fit for purpose.

Investment-linked assurance schemes (ILAS): We issued a circular to provide enhanced guidance and requirements for ILAS product design to achieve better investor outcomes.

Virtual assets: In January 2022, we and the Hong Kong Monetary Authority (HKMA) issued a joint circular to provide guidance for intermediaries who wish to distribute virtual asset-related products and engage in virtual asset dealing and advisory services.

Listing regulation

Listing applications: We vetted 40 new listing applications, including two from companies with weighted voting rights structures and one from a pre-profit biotech company.

Corporate conduct: As part of our review of corporate disclosures, we issued section 179¹ directions to gather additional information in 14 cases and wrote to a listed company detailing our concerns in one case.

Special purpose acquisition companies (SPACs): After the Stock Exchange of Hong Kong Limited (SEHK) introduced Listing Rules amendments to implement a new regulatory regime for SPACs, we issued a new practice note in December to provide guidance on the formal application process for waiving the application of Rule 26.1² of the Takeovers Code for de-SPAC transactions.

Review of SEHK's work: We published a report on our review of SEHK's performance in its regulation of listing matters during 2019 and 2020.

¹ 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.

² In a de-SPAC transaction, the application of Rule 26.1 of the Takeovers Code, which would result in the owners of the de-SPAC target obtaining 30% or more of the voting rights in a successor company, should normally be waived.

Highlights

Intermediaries

Licensing: As at 31 December, the total number of licensees and registrants slightly increased by 1% to 48,657, of which 3,210 were licensed corporations.

Supervision: We conducted 61 on-site inspections of licensed corporations to review their compliance with regulatory requirements.

Operational resilience: Our October circular and report set out regulatory standards and measures for preventing and responding to disruptions and managing the risks of remote working.

Product survey: We and the HKMA published the report of our first joint annual survey on the sale of non-exchange traded investment products.

Spread charges: We shared key observations from a thematic review³ of intermediaries' spread charges and related practices as well as their disclosure of transaction-related information.

Licensing e-platform: We launched the next generation, fully-digitalised licensing platform on WINGS⁴ in January 2022, providing a one-stop, comprehensive licensing service for users to prepare and submit licensing forms, track the progress of applications and pay licensing fees.

Products

Product authorisations and registrations: We authorised 45 unit trusts and mutual funds (including 27 Hong Kong-domiciled funds), four mandatory provident fund pooled investment funds and 48 unlisted structured investment products for public offering in Hong Kong. We registered 21 new open-ended fund companies.

Fund flows: Hong Kong-domiciled SFC-authorized funds reported overall net inflows of US\$15.6 billion for the 12 months ended 31 December 2021.

Equity-linked investments: We authorised the first retail unlisted equity-linked investments linked to stocks listed on US exchanges.

Derivatives products: We approved the MSCI China (USD) Index and MSCI China Net Total Return (USD) Index futures contracts to replace the MSCI China Free (USD) Index and MSCI China Free Net Total Return (USD) Index futures contracts in light of MSCI's plans to terminate the MSCI China Free Indexes in 2022.

Wealth Management Connect: The Cross-boundary Wealth Management Connect (WMC) Pilot Scheme was launched on 19 October with 19 banks in Hong Kong initially eligible to provide WMC services.

ETF Connect: In December, the Mainland and Hong Kong exchanges and clearing houses jointly announced their agreement on arrangements to include eligible exchange-traded funds (ETFs) in Stock Connect.

³ The thematic review was carried out concurrently by us and the HKMA in 2020-21.

⁴ WINGS is a web-based platform for SFC electronic forms and online submission services launched in January 2019.

Highlights

Enforcement

Disciplinary actions: We disciplined five licensed corporations and nine individuals during the quarter, resulting in total fines of over \$23 million.

Market surveillance: We made 1,284 requests for trading and account records triggered by untoward price and turnover movements.

Joint operations: We conducted a simultaneous joint operation with the Hong Kong Police Force, the Monetary Authority of Singapore and the Singapore Police Force against an active and sophisticated syndicate suspected of operating cross-border ramp-and-dump manipulation schemes in Hong Kong and Singapore.

Cooperation with the CSRC: We held the 12th regular high-level meeting on enforcement cooperation with the China Securities Regulatory Commission (CSRC) to exchange views and discuss ways to strengthen cooperation.

Regulatory engagement

International: In November, our Chief Executive Officer Mr Ashley Alder chaired a meeting of the Board of the International Organization of Securities Commissions (IOSCO) which discussed sustainable finance, including the establishment of the International Sustainability Standards Board (ISSB), conduct in corporate bond markets and IOSCO priorities for 2022. He also spoke at the 26th UN Climate Change Conference of the Parties about sustainability disclosure and the significance of establishing the ISSB.

Green and sustainable finance: At a December meeting, the Hong Kong Green and Sustainable Finance Cross-Agency Steering Group, co-chaired by the SFC and the HKMA, discussed carbon market development, climate-related disclosure, taxonomies, capacity building and climate-related data needs and gaps.

Stakeholders

Regulatory forum: We hosted the fourth SFC Regulatory Forum where senior regulators and industry leaders shared insights on Hong Kong's future development as China's international financial centre and other regulatory and topical issues.