

# Highlights

## Regulatory enhancements

**Enforcement:** We launched a consultation on proposals to amend the Securities and Futures Ordinance (SFO) to facilitate more effective enforcement actions, including expanding the basis for us to apply to the court for remedial and other orders against a regulated person following a disciplinary decision.

**Position limit regime:** We launched a consultation on proposed changes to the position limit regime for listed futures and options contracts, which include setting out how the statutory prescribed limits and reporting requirements should be applied to unit trusts and sub-funds under an umbrella fund.

**OTC derivatives:** We concluded a joint consultation with the Hong Kong Monetary Authority (HKMA) on the addition of eight new calculation periods under the Clearing Rules for the over-the-counter (OTC) derivatives regulatory regime.

## Listing regulation

**Listing applications:** We vetted 69 new listing applications, including six from pre-profit biotech companies.

**Corporate conduct:** As part of our review of corporate disclosures, we issued section 179<sup>1</sup> directions to gather additional information in 13 cases and wrote to a listed company detailing our concerns in one case.

**Takeovers:** We publicly criticised Gao Yunhong and Feng Xuelian for breaching the no frustrating action rules under the Takeovers Code during an offer for Steering Holdings Limited.

## Intermediaries

**Licensing:** As at 30 June, the total number of licensees and registrants remained stable at 48,533, of which 3,261 were licensed corporations.

**Supervision:** We conducted 60 on-site inspections of licensed corporations to review their compliance with regulatory requirements. We held a supervisory memorandum of understanding meeting with the China Securities Regulatory Commission (CSRC) to discuss cross-boundary cooperation and supervision of Hong Kong subsidiaries of Mainland securities firms.

**Digitalised licensing platform:** The online submission of corporate licence applications, notifications and regulatory filings through our fully-digitalised licensing platform, WINGS<sup>2</sup>, became mandatory on 1 April.

<sup>1</sup> 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.  
<sup>2</sup> Web-based INteGrated Service.

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**Virtual asset trading platforms:** In April, we granted approval-in-principle to the second virtual asset trading platform operator in Hong Kong. Formal licence will be granted subject to the operator's submission of the required information.

**Non-fungible tokens:** We issued a statement warning investors of the risks associated with investing in non-fungible tokens and reminding the industry that these tokens may be subject to the SFC's regulation where they cross the boundary between a collectible and a financial asset.

## Products

**Product authorisations and registrations:** We authorised 35 unit trusts and mutual funds (including 17 Hong Kong-domiciled funds) and 47 unlisted structured investment products for public offering in Hong Kong. We registered 16 new open-ended fund companies.

**Fund flows:** Hong Kong-domiciled SFC-authorized funds reported overall net inflows of US\$0.5 billion during the quarter.

**ETF Connect<sup>3</sup>:** Launched on 4 July, eligible exchange-traded funds (ETFs) are now included for trading in Stock Connect, following a joint announcement by the SFC and the CSRC in June.

**Asset and Wealth Management Activities Survey<sup>4</sup>:** Hong Kong's asset and wealth management business recorded a 2% year-on-year increase in assets under management to \$35,546 billion as at the end of 2021 and net fund inflows during the year reached \$2,152 billion, up 6% from 2020.

## Enforcement

**Disciplinary actions:** We disciplined two licensed corporations and two individuals during the quarter, resulting in total fines of \$7 million.

**Market surveillance:** We made 1,392 requests for trading and account records triggered by untoward price and turnover movements.

**Cooperation with the CSRC:** We held a working meeting on enforcement cooperation with the CSRC to discuss ways to strengthen cooperation and enforcement efficiency.

## Regulatory engagement

**International:** In June, 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, fintech and financial stability issues.

**Mainland:** At our eleventh high-level meeting with the CSRC, we discussed major risks and challenges encountered by Hong Kong's capital markets, cross-boundary regulatory cooperation on enforcement, intermediary supervision and asset management as well as market development initiatives including enhancements to mutual market access schemes.

**Green and sustainable finance:** In June, the Hong Kong Green and Sustainable Finance Cross-Agency Steering Group, co-chaired by the SFC and the HKMA, discussed the progress of the potential implementation of the International Sustainability Standards Board's climate-related disclosure standards, carbon market opportunities and taxonomies, and also announced the launch of three public repositories<sup>5</sup>.

**Takeovers:** We and the Securities Commission Malaysia jointly hosted the Asia Pacific Takeovers Regulators Conference 2022 where more than 50 takeovers regulators discussed recent developments and their experience in regulating takeovers activities in the region.

<sup>3</sup> Post-reporting period.

<sup>4</sup> Post-reporting period.

<sup>5</sup> The public repositories contain information about green and sustainable finance training, internship opportunities and data sources which helps support climate-change data analysis and capacity building.