

Regulatory Engagement

IOSCO

We play an active role in international policymaking. Our Chief Executive Officer (CEO) Mr Ashley Alder chairs the Board of the International Organization of Securities Commissions (IOSCO). In June, Mr Alder chaired an IOSCO Board meeting which discussed sustainable finance, fintech and financial stability issues. In addition, he co-chairs the CPMI¹-IOSCO Steering Group, which is involved in the regulatory policy work for the oversight and supervision of central counterparties.

At City Week 2022, Mr Alder participated in a panel discussion on the evolving agenda of international standard-setters. He highlighted the importance of international cooperation in light of innovations in the financial services sector and an increase in cross-border activities. He also shared his views on sustainable finance and the commodity markets.

We participate in all eight IOSCO policy committees and the Asia-Pacific Regional Committee (APRC). During the quarter, we participated in meetings of the Committee on Emerging Risks, Assessment Committee, Fintech Task Force and the IOSCO Financial Stability Engagement Group, which leads IOSCO's responses to COVID-19 and other financial stability issues.

Our senior executives play leading roles in IOSCO policy committees and task forces, including the IOSCO Sustainable Finance Task Force (STF), the Committee on Investment Management, and the Committee on Enforcement and the Exchange of Information.

Financial Stability Board (FSB)

In his role as IOSCO Board Chair, Mr Alder participated in FSB meetings during the quarter, including those of the Plenary, Steering Committee, Standing Committee on Supervisory and Regulatory Cooperation and the Steering Committee Group on Non-bank Financial Intermediation, where the discussions focused on financial stability, sustainable finance, crypto assets and issues arising from COVID-19. We are also actively involved in the work of the Standing Committee on Standards Implementation and the FSB-IOSCO joint workstream on the analysis of systemic risks using data from trade repositories.

Green and sustainable finance

During the quarter, we participated in workstreams under the IOSCO STF which are evaluating the International Sustainability Standards Board's (ISSB) exposure drafts on general requirements for the disclosure of sustainability-related financial information and climate-related disclosures, published in March, and are considering assurance and digital reporting of sustainability information. We are working closely with the Stock Exchange of Hong Kong Limited to develop a climate reporting framework for listed issuers in Hong Kong that aims to align with the global baseline being developed by the ISSB, taking into account issuers' capabilities and readiness.

In June, the Green and Sustainable Finance Cross-Agency Steering Group², co-chaired by us and the Hong Kong Monetary Authority (HKMA), discussed the progress of the potential implementation of the ISSB's climate-related disclosure standards, carbon market opportunities and taxonomies. The steering group also announced the launch of three public repositories which contain useful information about green and sustainable finance training, internship opportunities and data sources to support capacity building and climate-change data analyses.

Together with the HKMA, we are creating a freely accessible greenhouse gas emissions estimation tool with clearly-disclosed methodologies for companies to use as an alternative source of information. We are also involved in other initiatives to build capacity and enhance Hong Kong's talent pool for green and sustainable finance.

At the PRI China Conference in May and the IFRS Foundation Conference in June, Mr Alder highlighted the significance of the ISSB in delivering a global baseline for corporate sustainability disclosures and emphasised the importance of jurisdictional interoperability and assurance to ensure that investors can receive comparable, reliable and decision-useful information.

¹ Committee on Payments and Market Infrastructures.

² Established in May 2020, the steering group also comprises the Environment and Ecology Bureau, Financial Services and the Treasury Bureau, Hong Kong Exchanges and Clearing Limited, Insurance Authority and the Mandatory Provident Fund Schemes Authority.

Regulatory Engagement

Mainland China

In June, we held our eleventh high-level meeting with the China Securities Regulatory Commission (CSRC) to discuss cross-boundary regulatory cooperation and market development initiatives. These included major risks and challenges encountered by Hong Kong's capital markets, enhancements to mutual market access schemes and the progress of cooperation on cross-boundary enforcement, supervision of intermediaries and asset management initiatives.

During the quarter, we worked closely with the CSRC and the Mainland and Hong Kong stock exchanges and clearing houses to prepare for the inclusion of eligible exchange-traded funds (ETFs) under the Stock Connect scheme. We have agreed with the CSRC on the arrangements for cross-boundary regulatory cooperation and investor education, and will enhance enforcement cooperation to combat cross-boundary illegal activities and market misconduct. Together with the CSRC, we jointly announced the launch of ETF Connect in June and trading commenced on 4 July.

We also held regular meetings with the CSRC during the quarter, including a meeting with the CSRC Vice Chairman Li Chao in May and a regular meeting with the CSRC's Fund and Intermediary Supervision Department in June to discuss the financial status, risk management and compliance issues of the Hong Kong subsidiaries of Mainland securities companies, supervisory cooperation between the two regulators and a forthcoming joint online training for industry participants.

During the quarter, we worked closely with the Mainland authorities to discuss a number of initiatives set out in the Guangdong-Hong Kong-Macao Greater Bay Area development plan, including enhancements to the Cross-boundary Wealth Management Connect pilot scheme.

Other regulatory engagement

In June, we and the Securities Commission Malaysia jointly hosted the Asia Pacific Takeovers Regulators Conference 2022. Held virtually for the first time since the onset of the pandemic, the conference brought together more than 50 securities regulators from Australia, Bangladesh, Cambodia, Hong Kong, Laos, Malaysia, New Zealand, the Philippines, Singapore, South Africa and Thailand, to discuss recent developments in regulating takeovers activities in the region.

As part of our efforts to supervise global and Mainland financial institutions, we maintain close collaboration with Mainland and overseas regulators to share information and engage in supervisory cooperation. In view of the heightened financial risk and challenges facing global systemically important financial institutions, we conducted a series of dialogues with home regulators. For instance, we participated in supervisory colleges convened by the Swiss Financial Market Supervisory Authority in June and conducted bilateral meetings with the CSRC to exchange supervisory information about the performance and conduct of licensed firms whose parent companies are regulated by the CSRC.