



SECURITIES AND
FUTURES COMMISSION
證券及期貨事務監察委員會

Quarterly Report

October - December 2022

This third Quarterly Report of the Securities and Futures Commission for financial year 2022-23 covers the period from 1 October to 31 December 2022.

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Highlights

Regulatory enhancements

- **Risk management guidelines:** We launched a consultation on proposed risk management guidelines for licensed persons dealing in futures contracts.
- **Position limit regime:** We published consultation conclusions on proposed changes to the position limit regime and began a further consultation on additional amendments related to position limits and reporting requirements for funds.

Listing regulation

- **Listing applications:** Thirty-six applications were submitted for vetting, including one from a company with a weighted voting rights structure, four from pre-profit biotech companies and two special purpose acquisition companies.
- **Corporate conduct:** As part of our review of corporate disclosures, we issued section 179 directions to gather additional information in 11 cases.
- **Specialist technology companies:** After discussion with the SFC, the Stock Exchange of Hong Kong Limited launched a public consultation on proposals to introduce a new listing regime for specialist technology companies which cannot meet the current revenue or profit track record requirements.

Intermediaries

- **Licensing:** We received 1,470 licence applications¹, comprising 1,427 individuals and 43 corporations, and approved 59 corporate applications, of which 46% were Type 9 (asset management) and 39% were Type 4 (advising on securities)². The number of firms licensed for Type 9 regulated activity (asset management) increased by six to 2,069.
- **Supervision:** We commenced 54 on-site inspections of licensed corporations to review their compliance with regulatory requirements.

¹ The figure does not include applications for provisional licences.

² Each licensed corporation may have licences for multiple regulated activities.

Highlights

Products

- **Product authorisations and registrations:** We authorised the first two virtual asset futures exchange-traded funds (ETFs) in Hong Kong during the quarter. We also authorised 58 unit trusts and mutual funds (including 33 Hong Kong-domiciled funds), one investment-linked assurance scheme, one mandatory provident fund pooled investment fund and 54 unlisted structured investment products for public offering in Hong Kong. We registered 12 new open-ended fund companies.
- **Fund flows:** As at 31 December, the assets under management of Hong Kong-domiciled funds increased 11% from the previous quarter to US\$165.2 billion. Net fund inflows of about US\$3.6 billion were recorded during the quarter.

Markets

- **Investor identification:** We issued a press release and a circular to announce that the investor identification regime for the securities market in Hong Kong will be launched on 20 March 2023.
- **Stock Connect:** We announced jointly with the China Securities Regulatory Commission (CSRC) our in-principle approval for the expansion of eligible stocks for both northbound trading and southbound trading under Stock Connect.
- **OTC derivatives:** We introduced enhancements to our over-the-counter (OTC) derivatives reporting templates as part of a global exercise to harmonise OTC derivatives trade reporting data.

Enforcement

- **Disciplinary actions:** We disciplined three licensed corporations and five individuals during the quarter, resulting in total fines of \$7.61 million.
- **Market surveillance:** We made 1,366 requests for trading and account records triggered by untoward price and turnover movements.
- **Cooperation with the CSRC:** We held a high-level enforcement cooperation meeting with the CSRC in November.
- **Joint operation with ICAC:** We conducted a joint operation with the Independent Commission Against Corruption (ICAC) concerning suspected ramp and dump schemes involving the stocks of six Hong Kong-listed companies, other market misconduct and corruption offences. Eight individuals were arrested.

Regulatory engagement

- **International:** We participated in the annual meeting of the International Organization of Securities Commissions (IOSCO) in October, when our then Chief Executive Officer Mr Ashley Alder completed his third and final term as Chair of the IOSCO Board.
- **Mainland:** We held the 12th High-level Meeting with the CSRC, where we discussed cross-boundary regulatory cooperation and market development initiatives.

Highlights

Virtual assets

- **Virtual asset futures ETFs:** We issued a circular setting out our requirements for authorising ETFs which obtain exposure to virtual assets through futures.
- **Risk alert:** We issued a statement to alert investors about the significant risks associated with trading platforms offering virtual asset “deposits”, “savings”, “earnings” or “staking” services and to remind the industry of the potential legal requirements when offering these arrangements.

Sustainable finance

- **Internship initiative:** The Green and Sustainable Finance Cross-Agency Steering Group, which we co-chair with the Hong Kong Monetary Authority, launched the Sustainable Finance Internship Initiative to promote opportunities for students to develop skills in this area and build the industry’s capacity.
- **Climate-related risks:** In November, new requirements for all fund managers to consider climate-related risks in their governance, investment and risk management processes and make related disclosures took full effect.

Communications

- **Compliance Forum:** The SFC Compliance Forum 2022 was held for senior market participants to discuss the future of Hong Kong as an international financial centre and other topical issues.
- **Community outreach:** We organised a community outreach event with the Anti-Deception Coordination Centre to raise public awareness about online ramp and dump scams.
- **Market outreach:** We co-organised Hong Kong FinTech Week 2022, where our Deputy Chief Executive Officer was a keynote speaker. Our senior executives spoke at 38 local and international events to provide regulatory updates on a wide range of topics.
- **Publications:** We issued 36 press releases, statements and announcements, 15 circulars and 53 social media posts during the quarter. We also launched a dedicated webpage featuring our latest sustainable finance initiatives.

Operational Review

Corporates

Listing applications

Our oversight of listing matters includes vetting of listing applications. During the quarter, 36 applications were submitted for vetting, including one from a company with a weighted voting rights structure under Chapter 8A of the Listing Rules, four from pre-profit biotech companies and two special purpose acquisition companies. One company achieved secondary listing on the Main Board under Chapter 19C of the Listing Rules. Two overseas listed companies achieved dual-primary listing on the Main Board.

Exercising our powers under the Securities and Futures (Stock Market Listing) Rules, we issued two requisition letters directly to two listing applicants during the quarter. Amongst our concerns were the genuineness of the business and financial information of the listing applicants.

Specialist technology companies

After discussion with the SFC, the Stock Exchange of Hong Kong Limited (SEHK) launched a public consultation in October on proposals to introduce a new regime to facilitate the listing of specialist technology companies which cannot meet the current revenue or profit track record requirements. SEHK initially identified five target specialist technology industries: (i) next-generation information technology; (ii) advanced hardware; (iii) advanced materials; (iv) new energy and environmental

protection and (v) new food and agriculture technologies. The consultation ended in December and we are working closely with SEHK to formulate a regulatory framework suitable for Hong Kong, taking into account market feedback.

Paperless initiative

We work closely with SEHK on its initiatives to reduce the use of paper in listing applications and the post-listing corporate communications of issuers. In December, SEHK published a consultation paper on proposals to expand the paperless listing regime. The consultation period ended on 28 February 2023.

Corporate conduct

We conduct daily reviews of corporate announcements to identify potential misconduct and irregularities. During the quarter, we issued section 179¹ directions to gather additional information in 11 cases.

Takeovers matters

The Takeovers Executive publicly criticised Gold Dragon Worldwide Asset Management Limited in October for failing to disclose multiple dealings in the shares of Shanghai Dongzheng Automotive Finance Co., Limited during an offer period, breaching the dealing disclosure requirements under the Takeovers Code.

In November, we published a new practice note 24 regarding the appointment of receivers and liquidators and when to commence offer periods.

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.

Corporates

Listing applications and takeovers activities

	Quarter ended 31.12.2022	Nine months ended 31.12.2022	Nine months ended 31.12.2021	YoY change (%)
Listing applications	36	134	238	-43.7
Takeovers and share buy-backs transactions	81	241	319	-24.5

Intermediaries

Licence applications

In the quarter, we received 1,470 licence applications¹ comprising 1,427 individuals and 43 corporations, down 23% from the previous quarter and 16% from the same quarter last year.

As at 31 December, there were 48,678 licensees and registrants, of which 3,253 were licensed corporations and 111 were registered institutions. During the quarter, the number of new licensees and registrants totaled 2,652², amongst which 2,619 were individuals and 33 were licensed corporations and registered institutions. Of the 59 licensed corporation applications approved during the quarter, Type 9 (asset management) regulated activity³ (RA) accounted for 46% and Type 4 (advising on securities) for 39%. The number of firms licensed for Type 9 regulated activity (asset management) increased by six to 2,069.

Risk management guidelines for licensed futures brokers

In November, we launched a consultation on proposed risk management guidelines for licensed persons dealing in futures contracts. The consultation set out our expected risk management standards to help futures brokers better manage the risks relating to their business. Before drafting the guidelines, we conducted a fact-finding exercise in late 2021 to collect up-to-date business information from more than 40 futures brokers of different sizes to understand their turnover data, client bases and margining and other risk management practices. In the guidelines, we also made reference to regulations in other jurisdictions and discussed key proposals with a wide spectrum of industry practitioners to gauge the challenges to implementation. The consultation ended in January 2023 and we are analysing the responses.

Revised Business and Risk Management Questionnaire

To enhance the effectiveness of our risk-based supervision, we issued a revised Business and Risk Management Questionnaire⁴ in December to collect additional data and information about a variety of functions and business activities of licensed corporations and associated entities. For example, more granular client and transaction data will be collected to help us identify and analyse money laundering and terrorist financing risk exposures of licensed corporations and associated entities. Licensed corporations and associated entities are required to complete the revised questionnaire for financial years ending on or after 30 November 2023.

Virtual assets

In November, we granted a licence under the Securities and Futures Ordinance (SFO) to a second virtual asset trading platform operator in Hong Kong. In December, the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Bill 2022 was passed by the Legislative Council, enabling the new licensing regime for virtual asset service providers to take effect on 1 June 2023. During the quarter, we hosted about 15 soft consultation meetings with more than 30 stakeholders in preparation for a public consultation on the proposed regulatory requirements for the new regime.

We issued a statement in December reminding investors of the significant risks associated with virtual asset platforms offering virtual asset “deposits”, “savings”, “earnings” or “staking” services to investors in Hong Kong. The statement also reminded the industry of the potential legal requirements when offering these virtual asset arrangements.

Restriction notice

In November, we issued a restriction notice to Goldride Securities Limited owing to a managerial vacuum caused by the decease of its sole shareholder. We consider it desirable in the interest of Goldride’s clients and the investing public to subject the company to the prohibitions imposed by the restriction notice.

¹ The figure does not include applications for provisional licences.

² Including provisional licensed representatives.

³ Each licensed corporation may have multiple RA licences.

⁴ All licensed corporations and associated entities are required to submit the completed questionnaire to the SFC under section 156 of the Securities and Futures Ordinance.

Intermediaries

Licensees and registrants

	As at 31.12.2022	As at 31.3.2022	Change (%)	As at 31.12.2021	YoY change (%)
Licensed corporations	3,253	3,231	0.7	3,210	1.3
Registered institutions	111	111	0	111	0
Licensed individuals	45,314	45,059	0.6	45,336	0
Total	48,678	48,401	0.6	48,657	0

Licensing applications

	Quarter ended 31.12.2022	Nine months ended 31.12.2022	Nine months ended 31.12.2021	YoY change (%)
Applications to conduct new regulated activity	5,059	12,571	19,338	-35
Applications for SFC licences [^]	3,367	3,367	5,502	-38.8

[^] Figures do not include applications for provisional licences. During the quarter, we received 844 provisional licence applications compared with 1,219 in the same quarter last year.

Inspections of licensed corporations

	Quarter ended 31.12.2022	Nine months ended 31.12.2022	Nine months ended 31.12.2021	YoY change (%)
On-site inspections commenced [^]	54	167	198	-15.7

[^] Including inspections conducted remotely in light of the COVID-19 pandemic.

Products

Virtual asset futures ETFs

We authorised the first two virtual asset (VA) futures ETFs in Hong Kong during the quarter¹. The ETFs, which were listed on the Stock Exchange of Hong Kong on 16 December, are actively managed and primarily invest through either Bitcoin futures or Ether futures traded on the Chicago Mercantile Exchange. We also worked closely with the Investor and Financial Education Council to publish investor education materials on the key features and risks of VA futures ETFs.

Authorisations

During the quarter, we authorised 58 unit trusts and mutual funds (including 33 Hong Kong-domiciled funds), one investment-linked assurance scheme (ILAS), one mandatory provident fund (MPF) pooled investment fund and 54 unlisted structured investment products for public offering in Hong Kong.

OFC registrations

As of 31 December, there were 112 registered open-ended fund companies (OFCs), of which 12² were newly registered during the quarter.

Revised Code on Pooled Retirement Funds

The 12-month transition period for the implementation of the revised Code on Pooled Retirement Funds ended on 30 November.

Hong Kong-domiciled funds

As at 31 December, the assets under management of Hong Kong-domiciled funds increased 11% from the previous quarter to US\$165.2 billion. During the quarter, net fund inflows of about US\$3.6 billion were recorded.

Mutual recognition of funds (MRF)

Under the Mainland-Hong Kong MRF scheme, we had authorised a total of 47 Mainland funds (including two umbrella funds) as of 31 December, whilst the China Securities Regulatory Commission (CSRC) had approved 37 Hong Kong funds.

The cumulative net subscription amounted to about RMB1.02 billion for Mainland funds and about RMB11.54 billion for Hong Kong funds as of 31 December. During the quarter, Mainland funds recorded a net redemption of about RMB26.28 million, compared to a net subscription of about RMB7.69 million in the previous quarter. Hong Kong funds recorded a net subscription of about RMB93.75 million this quarter, down from RMB172.93 million in the last quarter.

We issued updated Frequently Asked Questions in November to clarify the requirements for Approved Pooled Investment Funds (APIF) which are authorised by the SFC for public offering in Hong Kong to apply for registration with the CSRC under the Mainland-Hong Kong MRF scheme.

¹ A circular was issued on 31 October to set out our requirements for authorising VA futures ETFs.

² This figure includes nine private OFCs.

Products

Authorised collective investment schemes

	As at 31.12.2022	As at 31.3.2022	Change (%)	As at 31.12.2021	YoY change (%)
Unit trusts and mutual funds – Hong Kong-domiciled	911 ^a	866	5.2	865	5.3
Unit trusts and mutual funds – non-Hong Kong-domiciled	1,413	1,381	2.3	1,375	2.8
ILAS	302	300	0.7	300	0.7
Pooled retirement funds	32	32	0	32	0
MPF schemes	26	26	0	26	0
MPF pooled investment funds	220	219	0.5	217	1.4
Others	25 ^b	25	0	24	4.2
Total	2,929	2,849	2.8	2,839	3.2

a This figure includes 111 approved pooled investment funds (retail APIFs) which MPFs may invest in and may also be offered to the public in Hong Kong.

b Comprising 14 paper gold schemes and 11 real estate investment trusts (REITs).

Registered OFCs

	As at 31.12.2022	As at 31.3.2022	Change (%)	As at 31.12.2021	YoY change (%)
OFCs	112 [^]	62	80.6	48	133.3

[^] This figure includes 94 private OFCs.

Authorised unlisted structured investment products

	As at 31.12.2022	As at 31.3.2022	Change (%)	As at 31.12.2021	YoY change (%)
Unlisted structured investment products [^]	234	187	25.1	176	33

[^] On a "one product per key facts statement" basis, including equity-linked investments and deposits.

Products

SFC-authorised renminbi (RMB) investment products

	As at 31.12.2022
Unlisted products	
Unlisted funds primarily investing in onshore Mainland securities markets ^a or offshore RMB bonds, fixed-income instruments or other securities	61
Unlisted funds (non-RMB denominated) with RMB share classes	377
Paper gold schemes with RMB features	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	47
Unlisted structured investment products issued in RMB ^b	233
Listed products	
ETFs primarily investing in onshore Mainland securities markets ^a or offshore RMB bonds, fixed-income instruments or other securities	52
ETFs (non-RMB denominated) with RMB trading counters and/or RMB share classes	14
RMB leveraged and inverse products	3
RMB gold ETFs ^c	1
RMB REITs	1

a Refers to onshore Mainland investments through the Qualified Foreign Investor scheme, Stock Connect, Bond Connect and the China Interbank Bond Market.

b The number is on a "one product per key facts statement" basis.

c Only includes gold ETFs denominated in RMB.

Markets

Investor identification

We have been preparing for the launch of the investor identification regime at the trading level for the securities market in Hong Kong. During the quarter, market rehearsals for intermediaries to assess their system readiness were successfully completed. We also conducted a third round of survey to assess intermediaries' operational readiness for the regime. The survey results indicated that significant progress was made to prepare for the regime's implementation, but some intermediaries may need more time to obtain consent from individual clients and update client identification data (CID) as required by the regime.

In December, we issued a press release and a circular to announce the regime's launch on 20 March 2023. Intermediaries began submitting Broker-to-Client Assigned Numbers¹ and CIDs to the Stock Exchange of Hong Kong Limited (SEHK) on 19 December.

OTC Derivatives

As part of a global exercise to harmonise over-the-counter (OTC) derivatives trade reporting data, we launched the enhancements to OTC derivatives reporting templates in December to prepare for the launch of the Unique Transaction Identifier², address market feedback and cater to regulatory needs.

Stock Connect

We issued a joint announcement with the China Securities Regulatory Commission on 19 December on our in-principle approval for the further expansion of eligible stocks for both northbound trading and southbound trading under Stock Connect.

Stocks eligible for northbound trading will include (i) constituent stocks of the Shanghai Stock Exchange (SSE) A Share Index and the Shenzhen Stock Exchange (SZSE) Composite Index with a market capitalisation of RMB5 billion or above which meet certain liquidity criteria, etc; and (ii) SSE/SZSE-listed stocks of companies which have issued both A shares and H shares. For southbound trading, the scope of eligible stocks will be expanded

to include stocks of foreign companies primary-listed in Hong Kong which are constituents of Hang Seng Composite Indices and meet relevant criteria³. In addition, the scope of southbound eligible stocks under Shanghai-Hong Kong Stock Connect will align with that under Shenzhen-Hong Kong Stock Connect, ie, to include constituents of the Hang Seng Composite SmallCap Index with a market capitalisation of \$5 billion or above.

The Mainland and Hong Kong exchanges and clearing houses have been preparing for the expansion to take effect approximately three months from the date of the joint announcement. The official launch date will be announced in due course.

Position limit regime

In November, we published consultation conclusions on some of the proposals discussed in our April 2022 consultation on the position limit regime, and began a further consultation on proposed changes to the regime.

We concluded to proceed with some of the proposals to better align the regime with our regulatory policies and objectives in light of recent developments in Hong Kong's derivatives market. These proposals included expanding the list of specified contracts and introducing an excess position limit regime for clearing participants.

Moreover, we further consulted the public on additional amendments related to the application of position limits and reporting requirements for funds and revisions to the position limits for some contracts, including stock futures and options. The further consultation ended in December and our conclusions will be published in due course.

SEHK's trading charges

In October, we approved HKEX's proposal to enhance the trading fee structure in the stock market. Under the new structure, which took effect from 1 January 2023, the trading tariff of \$0.50 payable on each trade was removed and the trading fee per side of the consideration of a trade was adjusted to 0.00565% from the current 0.005%.

¹ Broker-to-Client Assigned Number is an internal code assigned by brokers and banks to each of their clients. When placing a securities order, brokers and banks must input their own central entity number and their client's Broker-to-Client Assigned Number.

² The unique transaction identifier is a unique and paired code for identifying a transaction.

³ Including constituents of the Hang Seng Composite LargeCap Index and Hang Seng Composite MidCap Index as well as Hang Seng Composite SmallCap Index constituents with a market capitalisation of \$5 billion or above.

Markets

Automated trading services

As of 31 December, the number of automated trading services (ATS) providers⁴ authorised under Part III of the

Securities and Futures Ordinance (SFO) was 51, whilst 27 corporations, including 13 dark pool operators, were licensed under Part V of the SFO to provide ATS.

ATS providers

	As at 31.12.2022	As at 31.3.2022	Change (%)	As at 31.12.2021	YoY change (%)
Under Part III	51	53	-3.8	52	-1.9
Under Part V	27	25	8	25	8

⁴ Under the SFO, two regimes regulate ATS providers. Typically, those that offer facilities similar to those of a traditional exchange or a clearing house are authorised under Part III of the SFO. Intermediaries which provide dealing services with ATS as an added facility are licensed under Part V of the SFO.

Enforcement

Court proceedings

We obtained from the Court of First Instance (CFI) an order under section 214 of the Securities and Futures Ordinance (SFO) against Wen Yibo, chairman and executive director of Sound Global Ltd., to purchase shares held by the other shareholders of the company after he was found to have orchestrated a scheme to falsify the company's bank balances and fabricated relevant bank statements and balance confirmations. Wen was also disqualified from serving as a director or taking part in the management of any corporation in Hong Kong for 12 years.

The CFI also granted an order under section 213 of the SFO against Hong Kong Wan Kiu Investment Company Limited (Wan Kiu), its sole director and shareholder, Sham Khi Rose Connie, and Sham & Partners Limited, a company owned by Connie's son, to compensate Wan Kiu's clients for misappropriating client assets.

The Eastern Magistrates' Court:

- sentenced Fung Kwong Shing Danny, a former account executive of Fulbright Securities Limited, to two-and-a-half-months' imprisonment following his conviction of the offences of engaging in fraud or deception in transactions involving securities;

- sentenced Wong King Hoi to two-weeks' imprisonment following his conviction of obstructing employees of the SFC in the execution of a search warrant; and
- convicted Lau Chi Ho of illegal short selling in the securities of two Hong Kong-listed companies. Lau was fined \$20,000 and ordered to pay the SFC's investigation costs.

Following an earlier joint operation by the SFC and the Police, a suspected mastermind¹ of a sophisticated ramp and dump syndicate was charged with various criminal offences including offences under section 300 of the SFO. The case was adjourned to April 2023 for mention.

Disciplinary actions

We disciplined three licensed corporations and five individuals during the quarter, resulting in total fines² of \$7.61 million.

Internal control deficiencies

Company/Name	Breaches	Action
Swiss-Asia Asset Management (HK) Limited	Internal control deficiencies and regulatory breaches relating to monitoring trading activities in discretionary accounts and record keeping	Reprimanded and fined \$3 million
Tang Shiyi	Breached her former employer's staff dealing policy	Banned from re-entering the industry for 10 months
Sun Yiding	Breached her former employer's employee trading policy	Banned from re-entering the industry for eight months
Chung Tung Sau	Failed to avoid conflicts of interest between himself and a client in share trading	Suspended for seven months and fined \$60,000

¹ 13 other suspects were charged in connection with the case earlier.

² Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

Enforcement

Other regulatory breaches

Company/Name	Breaches	Action
Guosen Securities (HK) Brokerage Company, Limited	Regulatory breaches relating to handling client assets and providing client account statements	Reprimanded and fined \$2.8 million
Asia Research & Capital Management Limited	Failed to comply with the European Union's short selling reporting requirements and promptly notify material regulatory breaches to the SFC	Reprimanded and fined \$1.75 million
Wong Yim Chi Billy	Failed to discharge his duties as a Manager-In-Charge (Compliance) and a member of senior management of Asia Research & Capital Management Limited	Banned from re-entering the industry for two months
Wang Pei Yi	Made false declarations in the account opening forms of three corporate clients	Suspended for 10 months

Joint operation with ICAC

We conducted a joint operation with the Independent Commission Against Corruption (ICAC) concerning suspected ramp and dump schemes involving the stocks of six Hong Kong-listed companies, other market misconduct and suspected corruption offences. More than 120 SFC officers and 70 ICAC officers searched 50 premises in two days. Eight individuals, including a suspected ringleader of a sophisticated ramp and dump syndicate, were arrested. Our investigations are ongoing.

Warning against scams

During the quarter, we organised a two-day community outreach campaign jointly with the Anti-Deception Coordination Centre of the Hong Kong Police Force in major shopping areas to raise public awareness of the common tactics of social media ramp and dump scams.

Enforcement cooperation with CSRC

During the quarter, we held the 13th high-level meeting on enforcement cooperation with the China Securities Regulatory Commission (CSRC). We reached an important consensus with the CSRC on further exploring enforcement cooperation and enhancing efficiency.

In addition, the two enforcement units resumed their training and exchange programme for enforcement officers, which had been suspended due to the pandemic.³

Market surveillance

Our surveillance of untoward price and turnover movements resulted in 1,366 requests for trading and account records from intermediaries in the quarter.

³ See Regulatory Engagement on pages 18-19.

Enforcement

Enforcement activities

	Quarter ended 31.12.2022	Nine months ended 31.12.2022	Nine months ended 31.12.2021	YoY change (%)
S179 ^a inquiries commenced	9	26	45	-42.2
S181 ^b inquiries commenced (number of letters sent)	47 (1,366)	133 (4,687)	172 (6,336)	-26
S182 ^c directions issued	34	97	173	-43.9
Investigations started	34	101	178	-43.3
Investigations completed	62	145	91	59.3
Individuals and corporations charged in criminal proceedings	1	8	4	100
Criminal charges laid	15	95	28	239.3
Notices of Proposed Disciplinary Action ^d issued	7	19	32	-40.6
Notices of Decision ^e issued	10	22	33	-33.3
Individuals and corporations subject to ongoing civil proceedings ^f	167	167	173	-3.5
Compliance advice letters issued	42	85	129	-34.1
Cases with search warrants executed	6	26	36	-27.8

a 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 in relation to fraud or other misconduct.

b Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including information identifying the ultimate clients, the particulars and instructions relating to the transactions.

c Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

d A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

e A notice which sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

f As of the last day of the period.

Sustainable Finance

Supporting global alignment

We are working closely with the Stock Exchange of Hong Kong Limited (SEHK) to develop a climate reporting framework for listed companies in Hong Kong which aligns with the global baseline being developed by the International Sustainability Standards Board (ISSB). In addition, we have engaged with the China Securities Regulatory Commission (CSRC) to ensure that our approach considers the pace of regulatory developments on the Mainland.

During the quarter, we participated in IOSCO's Sustainable Finance Task Force workstreams which continued to engage with the ISSB, support the development of a sustainability-related assurance framework and consider issues related to the digital reporting of sustainability information.

Local policy initiatives

In November, new requirements took effect for all fund managers to consider climate-related risks in their governance, investment and risk management processes and make related disclosures. Large fund managers also need to comply with enhanced standards.

The Green and Sustainable Finance Cross-Agency Steering Group (CASG)¹, which we co-chair with the Hong Kong Monetary Authority, launched the Sustainable Finance

Internship Initiative in October to promote opportunities for students to develop skills in this area and build the industry's capacity. We also issued a letter to encourage licensed intermediaries to join this initiative and launched our own Sustainable Finance Internship Programme. We have also been assisting with the administration of the Government's Pilot Green and Sustainable Finance Capacity Building Support Scheme, which launched in December.

To contribute to the Mainland and Hong Kong's carbon neutrality goals, a Carbon Market Workstream, co-chaired by us and Hong Kong Exchanges and Clearing Limited (HKEX), was set up under the CASG to explore the development of carbon markets in the Guangdong-Hong Kong-Macao Greater Bay Area. Over the past year, we have been working closely with HKEX to develop a voluntary carbon market in Hong Kong. In October, HKEX launched Core Climate, a new platform to trade verified carbon credits.

In a keynote speech at Eco Expo Asia 2022 in December, Ms Julia Leung outlined the key pillars for developing Hong Kong as a leading sustainable finance hub, including world-class regulation, data and technology, the development of carbon markets, product innovation and collaboration with Mainland and global markets.

¹ Established in May 2020, the Steering Group is co-chaired by the Hong Kong Monetary Authority and the SFC. Members include the Environment and Ecology Bureau, the Financial Services and the Treasury Bureau, HKEX, the Insurance Authority and the Mandatory Provident Fund Schemes Authority.

Regulatory Engagement

Global regulatory participation

We contribute to all eight policy committees of the International Organization of Securities Commissions (IOSCO) and hold leadership positions in the Committee on Investment Management, as well as the Committee on Enforcement and the Exchange of Information¹. We also participate in the Committee on Emerging Risks, the Assessment Committee and the Asia-Pacific Regional Committee, in which we lead the Sustainable Finance Working Group².

Appointed in 2021, Ms Christina Choi, our Executive Director of Investment Products, is serving her second term as Chair of the IOSCO's Committee on Investment Management up to 2024. During the quarter, the committee worked towards a final report on a set of good practices to supplement IOSCO's 2013 Principles for the Regulation of Exchanged Traded Funds. It also undertook work relating to index providers, conduct risks in the leveraged loan and collateralised loan obligation markets, and leverage measures.

We actively participate in the IOSCO Board and key task forces at the board level. These include the Financial Stability Engagement Group (including its Steering Group), which coordinates IOSCO's role in addressing financial stability matters and liaises with the Financial Stability Board (FSB), the Data Analytics Group, the Fintech Task Force, the Follow-up Group on regulatory and supervisory cooperation covering market fragmentation, the Retail Market Conduct Task Force and the Sustainable Finance Task Force (STF), of which our then Deputy CEO, Ms Julia Leung³, is a vice-chair.

Our senior executives also lead the key work of the Financial Stability Board (FSB), including an FSB supervisory and regulatory cooperation workstream on assessing the effectiveness of the 2017 FSB policy recommendations to address financial stability risks stemming from liquidity mismatches in open-ended funds⁴, and the FSB/IOSCO joint workstream on the analysis of systemic risks using data from trade repositories⁵. We are also actively involved in the work of the Standing Committee on Standards Implementation (SCSI) and the Regional Consultative Group for Asia (RCGA).

We participated in the annual meeting of the IOSCO in October, when our then Chief Executive Officer (CEO) Mr Ashley Alder completed his third and final term as Chair of the IOSCO Board. The IOSCO Board meeting, chaired by Mr Alder, focused on global market risk identification, non-bank financial intermediation, sustainable finance and virtual assets.

Mainland China cooperation

At the 12th High-level Meeting with the China Securities Regulatory Commission (CSRC) in December, we discussed cross-boundary regulatory cooperation and market development initiatives, including enhancements to the mutual market access schemes, as well as collaboration on cross-boundary enforcement, trading mechanisms, intermediary supervision and asset management.

We also held the 13th High-level Meeting on Enforcement Cooperation with the CSRC via video conference in November. We and the CSRC briefed each other on enforcement cooperation during 2022, expressed appreciation for our mutual assistance with investigations, and recognised the existing cross-boundary enforcement cooperation and exchange mechanism. In addition, we reached an important consensus with the CSRC on further exploring enforcement cooperation and enhancing efficiency while maintaining and refining the existing cooperation mechanism to meet future challenges and opportunities.

In December, we and the CSRC jointly announced plans to expand the scope of eligible stocks for both northbound and southbound trading under Stock Connect. After the expansion, the stocks covered by Stock Connect are expected to account for more than 80% of the equity trading in each market. This will strengthen mutual access between the Mainland and Hong Kong stock markets and boost liquidity for both.

We continued to work with Mainland authorities on the Guangdong-Hong Kong-Macao Greater Bay Area development initiatives as well as enhancements to the Wealth Management Connect pilot scheme.

¹ Our Director of Enforcement, Mr Kenneth Lai, is vice-chair.

² The group is led by Ms Christine Kung, our Senior Director and Head of International Affairs and Sustainable Finance.

³ Ms Julia Leung was appointed as the SFC's CEO with effect from 1 January 2023.

⁴ Ms Christina Choi is co-chair.

⁵ Our Executive Director of Supervision of Markets, Mr Rico Leung, is co-chair.

Regulatory Engagement

Training with CSRC

The SFC and CSRC co-hosted in December a two-day online training for the senior management of Mainland securities brokers and fund managers and their licensed subsidiaries in Hong Kong, where Mr Li Chao, CSRC Vice Chairman, gave opening remarks. During the event, the SFC and CSRC shared their key regulatory requirements and observations on risk management, cybersecurity, sponsors, anti-money laundering and other subjects.

In addition, the two enforcement units resumed their training and exchange programme for enforcement officers, which had been suspended due to the pandemic. The CSRC's enforcement officers participated in the two-month training programme in Hong Kong, deepening the understanding of each other's enforcement systems for both sides' investigators and enhancing the efficiency of mutual investigation assistance.

Other regulatory engagement

In view of market volatility and the financial risks faced by licensed corporations, including global systemically important financial institutions, we actively participated in supervisory colleges with other global regulators to collaborate on regulatory priorities, firm-specific issues and forward-looking supervision.

In December, we held our 14th Bilateral Regulatory Meeting with the Taiwan Financial Supervisory Commission where we exchanged views on ESG disclosure and assurance requirements for listed companies, the global development of sustainability reporting, adoption of the ISSB standards and the sustainable development of the securities sector.

Education and Communications

Education

To raise public awareness about online ramp and dump scams, the SFC organised a community outreach event with the Anti-Deception Coordination Centre (ADCC) of the Hong Kong Police Force in December. Leaflets and souvenirs were distributed to the public to provide information about these scams.

In addition, the SFC's wholly-owned subsidiary, the Investor and Financial Education Council (IFEC), launched an online anti-financial-scam game for the public and a new round of education programmes for seniors to help reinforce our efforts to combat financial scams.

During the quarter, the IFEC also provided educational resources on virtual assets, the new Hong Kong investor identification regime and updates on investment products.

At its 10th anniversary multi-media campaign held in October and November, the IFEC launched new activities to help the public develop good financial management and our Chairman Mr Tim Lui shared his personal investment and financial management experience at the IFEC's anniversary education seminar.

Community and market outreach

Events

At the SFC Compliance Forum 2022 held in October, senior market participants discussed the development of Hong Kong as an international financial centre, opportunities and challenges for Hong Kong as an Asian

equities hub, the role of Hong Kong as a sustainable finance centre, money laundering risks, operational challenges and risk issues of online platforms and the regulatory landscape for virtual assets. More than 2,500 market participants joined the event.

We co-organised Hong Kong FinTech Week 2022, held from 31 October to 4 November, where our Deputy Chief Executive Officer (Deputy CEO) Ms Julia Leung¹ provided an update on the SFC's latest policies on virtual assets, including the new regime for the authorisation of exchange-traded funds with virtual asset futures as underlying and security token offerings. Together with the Financial Services and the Treasury Bureau and InvestHK, we held a meeting with virtual asset industry representatives to discuss the new licensing regime for virtual asset service providers.

Local training

During the quarter, we hosted two webinars for about 1,800 management and compliance personnel from licensed corporations to provide an update on the latest money laundering threats and vulnerabilities in the securities sector as well as to share regulatory developments and recent inspection observations on anti-money laundering and counter-financing of terrorism. In addition, we provided virtual training sessions to two industry associations to introduce the digitalised licensing function and electronic submissions of financial resources returns, the enhanced competency framework and business email compromise risk.



Deputy CEO Ms Julia Leung (first from left) at the SFC Compliance Forum 2022

¹ Ms Julia Leung was appointed as the SFC's CEO with effect from 1 January 2023.

Education and Communications

Speaking engagements

During the quarter, our senior executives spoke at 38 local and international events to provide regulatory updates on a wide range of topics including sustainable finance, virtual assets and asset management. Mr Tim Lui delivered speeches at the Sustainable Investing and ESG² Conference 2022 hosted by the World Green Organisation and the United Nations, Regulation Asia's ESG Risk and Investment Asia Conference 2022 and the Hong Kong Quality Assurance Agency's International Symposium – Sustainable Finance and Climate Resilience 2022. Ms Julia Leung spoke at the Tech and Ops Conference organised by the Asia Securities Industry Forum 2022 and Financial Markets Association and the Institutional Digital Assets and Crypto Regulation Symposium.

Our senior executives attended the Global Financial Leaders' Investment Summit in November. In addition, we supported seven industry events during the quarter.

Our executives also attended the October and December meetings of the Panel on Financial Affairs to discuss the development of sustainable finance and the proposed enhancements to the position limit regime for the derivatives market in Hong Kong.

Publications and other communications

We proactively engage with a wide range of stakeholders to provide them with regulatory updates and explain our work.

We released the following publications in the quarter:

- The SFC's *July-September 2022 Quarterly Report* summarised our key regulatory work, corporate developments and financial information.
- The December issue of the *Takeovers Bulletin* highlighted the Takeovers Panel's decisions in relation to an investment manager's share dealings during an offer period³.

We also issued 15 circulars providing guidance on a variety of matters, including the investor identification regime, mutual recognition of funds and anti-money laundering and counter-financing of terrorism.

In October, we launched an SFC webpage on sustainable finance featuring our latest Agenda for Green and Sustainable Finance as well as local, regional and international regulatory initiatives. We also published 53 posts on the SFC's social media platforms during the quarter to promote awareness on a range of matters, including investor alerts and virtual asset seminars as well as the sustainable finance internship programme and capacity building support scheme.



Community outreach with ADCC

² Environmental, social and governance.

³ See Corporates on pages 5-6.

Education and Communications

Publications and other communications

	Quarter ended 31.12.2022	Nine months ended 31.12.2022
Press releases	34	87
Policy statements and announcements	2	6
Consultation papers	2	5
Consultation conclusions	1	3
Industry-related publications	1	7
Codes and guidelines ^a	0	4
Circulars to industry	15	40
Corporate website average daily page views ^b	57,829	62,666
General enquiries	454	1,486

a Includes updates to previous versions.

b The average number of webpages browsed per day during the reporting period.

Corporate Developments

Board

In October, Ms Agnes Chan Sui-kuen was re-appointed and Mr Chew Fook-aun was appointed as Non-Executive Director (NED) for two years, effective 20 October 2022 and 1 January 2023, respectively. Mr Edward Cheng Wai-sun stepped down as NED in December.

In December, Ms Julia Leung was appointed as Chief Executive Officer for a three-year term, effective 1 January 2023.

Finance

Our income for the quarter was \$604 million, 86% higher than the previous quarter and 13% higher than the same quarter last year. Average daily turnover in Hong Kong's securities market was \$125 billion, 28% higher than the \$98 billion recorded in the previous quarter. Our expenditure for the quarter was \$506 million, similar to the last quarter and 10% higher than the same quarter last year. We recorded a surplus of \$98 million for the quarter.

Finance

(\$ million)	Quarter ended 31.12.2022	Nine months ended 31.12.2022	Nine months ended 31.12.2021	YoY Change (%)
Income	604	1,328	1,763	-24.7
Expenses including depreciation	506	1,503	1,391	8.1
Surplus/(Deficit)	98	(175)	372	N/A

¹ International Organization of Securities Commissions

After setting aside \$3.3 billion for the possible acquisition of office premises, our reserves stood at \$4.6 billion as of 31 December.

Staffing

As of 31 December, we had 927 staff members, up from 921 a year ago.

Information technology

In November, we took part in IOSCO's¹ Technology Applied to Securities Markets Enforcement Conference, where we shared with delegates from 12 countries how we improve efficiency with applications that adopt artificial intelligence technologies, including machine learning, natural language processing and speech-to-text.

Activity Data

Table 1 Takeovers activities

	Quarter ended 31.12.2022	Nine months ended 31.12.2022	Nine months ended 31.12.2021	YoY change (%)
Codes on Takeovers and Mergers and Share Buy-backs				
General and partial offers under Code on Takeovers and Mergers	7	26	35	-25.7
Privatisations	4	8	17	-52.9
Whitewash waiver applications	7	14	20	-30
Other applications under Code on Takeovers and Mergers ¹	61	187	242	-22.7
Off-market and general offer share buy-backs	2	5	4	25
Other applications under Code on Share Buy-backs ¹	0	1	1	0
Total	81	241	319	-24.5
Executive Statements				
Sanctions imposed with parties' agreement ²	1	2	1	100
Takeovers and Mergers Panel				
Meetings for review of Codes on Takeovers and Mergers and Share Buy-backs	0	0	1	-100
Hearings before the Panel (disciplinary and non-disciplinary)	0	2	0	N/A
Statements issued by the Panel ³	0	2	0	N/A

1 Including stand-alone applications and those made during the course of a code-related transaction.

2 Pursuant to section 12.3 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.

3 Pursuant to section 16.1 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.

Activity Data

Table 2 Breaches noted during on-site inspections¹

	Quarter ended 31.12.2022	Nine months ended 31.12.2022 ⁵	Nine months ended 31.12.2021 ⁵	YoY change (%)
Failure to comply with Securities and Futures (Financial Resources) Rules	2	7	6	17
Failure to safekeep client securities	9	18	19	-5.3
Failure to maintain proper books and records	5	13	17	-23.5
Failure to safekeep client money	5	17	30	-43.3
Unlicensed dealing and other registration issues	3	9	10	-10
Breach of licensing conditions	0	4	0	N/A
Breach of requirements of contract notes/statements of account/receipts	11	31	39	-20.5
Failure to make filing/notification	2	3	1	200
Breach of margin requirements	0	3	4	-25
Marketing malpractices	0	0	3	-100
Dealing malpractices	0	0	3	-100
Breach of Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ²	79	198	186	6.5
Breach of Corporate Finance Adviser Code of Conduct	3	11	6	83.3
Breach of Fund Manager Code of Conduct	17	63	98	-35.7
Breach of regulation of online trading	1	7	9	-22
Non-compliance with anti-money laundering guidelines	74	185	239	-22.6
Breach of other rules and regulations of the Exchanges ³	1	2	6	-66.7
Internal control weaknesses ⁴	130	336	320	5
Others	27	67	60	11.7
Total	369	974	1,056	-7.8

1 Including inspections conducted remotely in light of the COVID-19 pandemic.

2 Commonly related to risk management, record keeping, client agreements, safeguarding of client assets and information for or about clients and reasonable advice.

3 The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited.

4 Comprised deficiencies in management review and supervision, operational controls over the handling of client accounts, segregation of duties, information management, adequacy of audit trail for internal control purposes, among other weaknesses.

5 Figures have been adjusted for the period.

Activity Data

Table 3 Hong Kong-domiciled authorised funds

a) Number of funds by type	As at 31.12.2022	As at 31.3.2022	Change (%)	As at 31.12.2021	YoY change (%)
Bond	170	174	-2.3	175	-2.9
Equity	209	199	5	198	5.6
Mixed	113	110	2.7	110	2.7
Money market	46	37	24.3	36	27.8
Feeder funds	48	41	17.1	41	17.1
Index ¹	172	161	6.8	158	8.9
Guaranteed	1	1	0	1	0
Other specialised ²	2	0	N/A	0	N/A
Sub-total	761	723	5.3	719	5.8
Umbrella structures	150	143	4.9	146	2.7
Total	911	866	5.2	865	5.3

b) Assets under management by type	Total NAV (US\$ million) as at 31.12.2022	Total NAV (US\$ million) as at 31.3.2022	Change (%)	Total NAV (US\$ million) as at 31.12.2021	YoY change (%)
Bond	24,675	30,925	-20.2	35,752	-31
Equity	47,581	55,601	-14.4	61,930	-23.2
Mixed	27,463	33,402	-17.8	35,435	-22.5
Money market	14,311	9,548	49.9	9,232	55
Feeder funds ³	21	23	-8.7	26	-19.2
Index ¹	51,086	49,102	4	49,267	3.7
Guaranteed	35	41	-14.6	45	-22.2
Other Specialised ²	70	0	N/A	0	N/A
Total⁴	165,242	178,642	-7.5	191,688	-13.8

1 Including exchange-traded funds and leveraged and inverse products.

2 Including virtual asset futures exchange-traded funds.

3 The NAV of feeder funds whose master funds are authorised by the SFC has been excluded from the total NAV figures in the "Feeder funds" category to better reflect the total asset under management.

4 Figures may not add up to total due to rounding.

Activity Data

Table 4 Non-Hong Kong-domiciled authorised funds

a) Number of funds by origin	As at 31.12.2022	As at 31.3.2022	Change (%)	As at 31.12.2021	YoY change (%)
Luxembourg	1,063	1,033	2.9	1,029	3.3
Ireland	245	242	1.2	240	2.1
United Kingdom	29	29	0	29	0
Mainland China	49	49	0	49	0
Bermuda	1	1	0	1	0
Cayman Islands	21	22	-4.5	22	-4.5
Others	5	5	0	5	0
Total	1,413	1,381	2.3	1,375	2.8

b) Assets under management by origin	Total NAV (US\$ million) as at 31.12.2022	Total NAV (US\$ million) as at 31.3.2022	Change (%)	Total NAV (US\$ million) as at 31.12.2021	YoY change (%)
Luxembourg	1,067,718	1,319,312	-19.1	1,475,025	-27.6
Ireland	210,146	249,259	-15.7	279,445	-24.8
United Kingdom	57,010	75,548	-24.5	80,360	-29.1
Mainland China	21,841	27,853	-21.6	32,355	-32.5
Bermuda	127	135	-5.9	118	7.6
Cayman Islands	1,447	2,048	-29.3	2,717	-46.7
Others	58,017	73,155	-20.7	62,103	-6.6
Total¹	1,416,305	1,747,310	-18.9	1,932,124	-26.7

1 Figures may not add up to total due to rounding.

Activity Data

c) Number of funds by type	As at 31.12.2022	As at 31.3.2022	Change (%)	As at 31.12.2021	YoY change (%)
Bond	362	358	1.1	356	1.7
Equity	773	757	2.1	759	1.8
Mixed	150	142	5.6	136	10.3
Money market	12	14	-14.3	15	-20
Feeder funds	3	3	0	3	0
Index ¹	26	25	4	25	4
Hedge	1	1	0	1	0
Sub-total	1,327	1,300	2.1	1,295	2.5
Umbrella structures	86	81	6.2	80	7.5
Total	1,413	1,381	2.3	1,375	2.8

d) Assets under management by type	Total NAV (US\$ million) as at 31.12.2022	Total NAV (US\$ million) as at 31.3.2022	Change (%)	Total NAV (US\$ million) as at 31.12.2021	YoY change (%)
Bond	422,602	523,431	-19.3	592,934	-28.7
Equity	740,569	918,428	-19.4	1,037,029	-28.6
Mixed	153,561	182,033	-15.6	189,951	-19.2
Money market	9,333	9,039	3.3	8,202	13.8
Feeder funds ²	0	0	0	0	0
Index ¹	90,115	114,244	-21.1	103,890	-13.3
Hedge	127	135	-5.9	118	7.6
Total³	1,416,305	1,747,310	-18.9	1,932,124	-26.7

1 Including exchange-traded funds.

2 The NAV of feeder funds whose master funds are authorised by the SFC has been excluded from the total NAV figures in the "Feeder funds" category to better reflect the total asset under management.

3 Figures may not add up to total due to rounding.

Activity Data

Table 5 Complaints against intermediaries and market activities

	Quarter ended 31.12.2022	Nine months ended 31.12.2022	Nine months ended 31.12.2021	YoY change (%)
Conduct of licensees	122	556	493	12.8
Conduct of registered institutions	3	35	23	52.2
Listed companies and disclosure of interests	131	507	1,558	-67.5
Market misconduct ¹	89	259	449	-42.3
Product disclosure	2	10	17	-41.2
Unlicensed activities	32	317	88	260.2
Breach of offers of investments	4	29	22	31.8
Boiler rooms and suspicious websites	64	214	316	-32.3
Scams and frauds ²	47	281	235	19.6
Other financial activities not regulated by the SFC ³	32	199	168	18.5
Total	526	2,407	3,369	-28.6

1 Primarily, alleged market manipulation and insider dealing.

2 Such as identity fraud and impersonation.

3 For example, bullion trading and banking services.

Securities and Futures Commission

Condensed consolidated statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2022 \$'000	31 Dec 2021 \$'000	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Income					
Levies		1,275,786	1,619,185	462,612	465,262
Fees and charges		80,056	124,743	24,381	33,383
Net investment (loss)/income					
Investment (loss)/income		(10,091)	8,418	145,149	29,294
Less: custody and advisory expenses		(7,537)	(8,810)	(2,455)	(2,899)
Recoveries from the Investor Compensation Fund	7(a)	4,437	4,258	1,480	1,406
Exchange (loss)/gain		(16,152)	13,560	(27,381)	7,256
Other income		1,668	1,425	219	1,198
		1,328,167	1,762,779	604,005	534,900
Expenses					
Staff costs and directors' emoluments	7(b)	1,132,896	1,060,078	376,123	352,404
Depreciation					
Fixed assets		82,335	70,580	27,329	25,151
Right-of-use assets		109,603	107,566	36,560	36,295
Other premises expenses		26,517	25,062	8,926	8,533
Finance costs		5,122	6,001	1,634	1,927
Other expenses		146,260	121,247	55,293	36,267
		1,502,733	1,390,534	505,865	460,577
(Deficit)/surplus and total comprehensive income for the period		(174,566)	372,245	98,140	74,323

The notes on pages 34 to 37 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated statement of financial position

As at 31 December 2022 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2022 \$'000	Audited At 31 Mar 2022 \$'000
Non-current assets			
Fixed assets		230,750	263,235
Right-of-use assets		737,352	846,508
Deposits for leases		37,536	38,118
Financial assets at amortised costs – debt securities	8	2,940,113	3,007,591
		3,945,751	4,155,452
Current assets			
Financial assets at amortised costs – debt securities	8	311,982	184,105
Financial assets at fair value through profit or loss			
Debt securities	8	393,478	403,442
Pooled funds	8	794,475	891,958
Debtors, deposits and prepayments		265,712	310,861
Fixed deposits with banks	3	3,194,675	3,015,832
Cash held for Grant Scheme	4	129,563	69,296
Cash at bank and in hand	3	64,091	157,790
		5,153,976	5,033,284
Current liabilities			
Fees received in advance		7,976	7,689
Creditors and accrued charges		427,048	235,589
Lease liabilities		118,873	119,326
Provisions for reinstatement cost		873	–
		554,770	362,604
Net current assets		4,599,206	4,670,680
Total assets less current liabilities		8,544,957	8,826,132
Non-current liabilities			
Lease liabilities		616,453	722,189
Provisions for reinstatement cost		88,047	88,920
		704,500	811,109
Net assets		7,840,457	8,015,023
Funding and reserves			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		3,250,000	3,250,000
Accumulated surplus		4,547,617	4,722,183
		7,840,457	8,015,023

The notes on pages 34 to 37 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated statement of changes in equity

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

	Unaudited			
	Initial funding by Government \$'000	Reserve for property acquisition \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2021	42,840	3,125,000	4,506,448	7,674,288
Surplus and total comprehensive income for the period	–	–	372,245	372,245
Balance at 31 December 2021	42,840	3,125,000	4,878,693	8,046,533
Balance at 1 April 2022	42,840	3,250,000	4,722,183	8,015,023
Deficit and total comprehensive income for the period	–	–	(174,566)	(174,566)
Balance at 31 December 2022	42,840	3,250,000	4,547,617	7,840,457

The notes on pages 34 to 37 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated statement of cash flows

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

	Note	Unaudited nine months ended	
		31 Dec 2022 \$'000	31 Dec 2021 \$'000
Cash flows from operating activities			
(Deficit)/surplus for the period		(174,566)	372,245
Adjustments for:			
Depreciation – Fixed assets		82,335	70,580
Depreciation – Right-of-use assets		109,603	107,566
Finance costs		5,122	6,001
Interest income on deposits for leases		(217)	(214)
Investment loss/(income)		10,091	(8,418)
Exchange loss/(gain)		16,133	(13,599)
Gain on disposal of fixed assets		(3)	(58)
		48,498	534,103
Increase in right-of-use assets		(5)	(1)
Decrease in debtors, deposits and prepayments		75,828	88,734
Increase in cash held for Grant Scheme		(60,267)	(76,552)
Increase/(decrease) in fees received in advance		287	(871)
Increase in creditors and accrued charges		190,920	207,822
Net cash generated from operating activities		255,261	753,235
Cash flows from investing activities			
Increase in fixed deposits other than cash and cash equivalents		(373,393)	(801,116)
Interest received		92,681	77,212
Debt securities at fair value through profit or loss purchased		(174,227)	(411,358)
Debt securities at fair value through profit or loss sold or redeemed		160,761	403,936
Pooled funds sold		3,819	4,700
Debt securities at amortised cost purchased		(223,979)	(92,016)
Debt securities at amortised cost redeemed at maturity		132,922	22,530
Fixed assets purchased		(49,317)	(60,826)
Proceeds from fixed assets disposal		9	58
Net cash used in investing activities		(430,724)	(856,880)
Cash flows from financing activities			
Principal element of lease payments		(106,631)	(103,762)
Interest element of lease payments		(5,122)	(6,001)
Net cash used in financing activities		(111,753)	(109,763)
Net decrease in cash and cash equivalents		(287,216)	(213,408)
Cash and cash equivalents at the beginning of the nine-month period		973,151	855,099
Cash and cash equivalents at the end of the nine-month period	3	685,935	641,691

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2022 \$'000	At 31 Dec 2021 \$'000
Fixed deposits with banks	621,844	594,290
Cash at bank and in hand	64,091	47,401
	685,935	641,691

The notes on pages 34 to 37 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

1. Basis of preparation

We have prepared the interim financial information in accordance with the Hong Kong Accounting Standard 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Securities and Futures Commission (the SFC) and its subsidiaries (together, the Group) since the annual financial statements for the year ended 31 March 2022. The interim financial information does not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (HKFRSs).

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2022 included in this report as comparative information does not constitute the Group's statutory annual financial statements for that financial year but is derived from those financial statements.

The condensed consolidated financial statements of the SFC and its subsidiaries, Investor Compensation Company Limited (ICC) and Investor and Financial Education Council (IFEC), are made up to 31 December 2022. We eliminated all material intra-group balances and transactions in preparing the condensed consolidated financial statements.

We have applied the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2022 to the interim financial information.

There were no significant changes in the operations of the Group for the nine months ended 31 December 2022.

2. Recent developments in HKFRSs

Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16

The Group has certain debt securities at amortised cost that are referenced to the 3-month USD London Interbank Offered Rate (LIBOR). These exposures will remain outstanding until the Interbank Offered Rate (IBOR) ceases and will therefore transit in the future. The Group has assessed the impact and there was no significant effect on the condensed consolidated financial statements. The Group is closely monitoring the market and managing the transition to a new benchmark interest rate, including announcements made by the relevant IBOR regulators.

As at 31 December 2022, the carrying amounts of debt securities at amortised cost that are referenced to USD LIBOR and have yet to be transitioned to an alternate benchmark was \$120,931,000 (as at 31 March 2022: \$121,436,000). The total notional contract amount was \$120,766,000 (as at 31 March 2022: \$121,728,000).

Securities and Futures Commission

Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

	Unaudited At 31 Dec 2022 \$'000	Audited At 31 Mar 2022 \$'000
Cash at bank and in hand	64,091	157,790
Fixed deposits with banks	3,194,675	3,015,832
Amounts shown in the condensed consolidated statement of financial position	3,258,766	3,173,622
Less: Amounts with an original maturity beyond three months	(2,572,831)	(2,200,471)
Cash and cash equivalents in the condensed consolidated statement of cash flows	685,935	973,151

4. Cash held for Grant Scheme

A Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (the Grant Scheme) was established on 10 May 2021. The Grant Scheme is administered by the SFC and funded by the Government of the Hong Kong Special Administrative Region (the Government) to provide subsidies for qualified open-ended fund companies and real estate investment trusts to set up in Hong Kong. The cash held for the Grant Scheme is solely restricted for the use of such subsidies and is therefore not available for general use by any of the entities within the Group. The unused balance will be reimbursed to the Government upon the end of the Grant Scheme. The corresponding amount due to the Government is included in the creditors and accrued charges.

5. Exchange risk

The Group's investment guidelines for our investment portfolio only allow investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi. The majority of the financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. The exchange (loss)/gain was mainly driven by the revaluation of financial assets denominated in USD.

6. Investments in subsidiaries

The SFC formed the ICC on 11 September 2002 with an issued share capital of \$0.2. On 20 November 2012, the SFC launched the IFEC as a company limited by guarantee and not having a share capital. Both companies are wholly owned subsidiaries of the SFC and are incorporated in Hong Kong.

The objective of the ICC is to facilitate the administration and management of the Investor Compensation Fund (ICF) established under the Securities and Futures Ordinance (SFO).

The objective of the IFEC is to improve the financial knowledge and capability of the general public and to assist them in making informed financial decisions.

As at 31 December 2022, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to \$0.2 (as at 31 March 2022: \$0.2).

Securities and Futures Commission

Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

7. Related party transactions

The Group has related party relationships with the ICF, Unified Exchange Compensation Fund, Securities Ordinance (Chapter 333) – Dealers' Deposits Fund and Commodities Trading Ordinance (Chapter 250) – Dealers' Deposits Fund. In addition to the related party transactions disclosed elsewhere in these condensed consolidated financial statements, the Group has the following related party transactions.

(a) Reimbursement from the ICF for all the ICC's expenses, in accordance with Section 242(1) of the SFO

During the period, \$4,437,000 was recovered from the ICF for the ICC's expenses (31 December 2021: \$4,258,000). As at 31 December 2022, the amount due to the ICF from the ICC included in the creditors and accrued charges balance was \$325,000 (as at 31 March 2022: \$106,000).

(b) Remuneration of key management personnel

	Unaudited Nine months ended	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Directors' fees and salaries, allowances and benefits in kind	20,892	24,095
Retirement scheme contributions	1,803	2,136
	22,695	26,231

The total remuneration is included in "staff costs and directors' emoluments" on page 30. Directors' emoluments are for services in connection with management of the affairs of the SFC. Discretionary pay is not included above as the decision to pay is subject to the approval process towards the end of the financial year and therefore is not determined until then.

(c) Legal services provided by a Non-executive Director

Prior to the appointment of a Non-executive Director (NED), the Group engaged him to provide legal services in respect of a number of matters. The NED had continued to provide services in respect of matters that commenced prior to his appointment on 1 August 2020. Fees paid or payable to him for such services amounted to \$88,000 (31 December 2021: \$242,000) for the period under normal commercial terms and conditions.

Securities and Futures Commission

Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

8. Fair value measurement

(a) Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*, which is consistent with the hierarchy adopted in the consolidated financial statements for the year ended 31 March 2022.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>At 31 December 2022 (Unaudited)</u>				
Debt securities	–	393,478	–	393,478
Pooled funds	794,475	–	–	794,475
	794,475	393,478	–	1,187,953
<u>At 31 March 2022 (Audited)</u>				
Debt securities	–	403,442	–	403,442
Pooled funds	891,958	–	–	891,958
	891,958	403,442	–	1,295,400

During the nine months ended 31 December 2022 and year ended 31 March 2022, there were no significant transfers between financial instruments in Level 1 and 2, and no transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Fair value of financial assets carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2022 and 31 March 2022 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount \$'000	Fair value			
		Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<u>At 31 December 2022 (Unaudited)</u>					
Financial assets at amortised costs					
– debt securities	3,252,095	2,985,510	–	2,985,510	–
<u>At 31 March 2022 (Audited)</u>					
Financial assets at amortised costs					
– debt securities	3,191,696	3,057,436	–	3,057,436	–

The following summarises the major methods and assumptions used in estimating the fair values of these financial instruments.

The fair value of listed debt securities is based on quoted prices at the end of the reporting period using current bid prices without any deduction for transaction costs. Fair value for unlisted debt investments are based on third-party quotes.

Investor Compensation Fund

Report of the Investor Compensation Fund Committee

The members of the Investor Compensation Fund Committee (the Committee) present this report together with the unaudited condensed financial statements for the nine months ended 31 December 2022.

Establishment of the Investor Compensation Fund

Part XII of the Securities and Futures Ordinance (Chapter 571) established the Investor Compensation Fund (the Fund) on 1 April 2003.

Financial statements

The financial performance of the Fund for the period ended 31 December 2022 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 39 to 44.

Members of the Committee

The members of the Committee during the period and up to the date of this report were:

Mr Leung Chung Yin, Rico (Chairman)

Dr Lin, James C.

Ms Kwok Hom Siu Sally

Mr Wan Chi Yiu, Andrew

Interests in contracts

No contract of significance to which the Fund was a party and in which a Committee member of the Fund had a material interest, subsisted at the end of the reporting period or at any time during the reporting period.

On behalf of the Committee

Rico Leung

Chairman

23 February 2023

Investor Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2022 \$'000	31 Dec 2021 \$'000	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Income					
Interest income		40,107	4,544	22,169	1,512
Exchange (loss)/gain		(4,731)	3,812	(7,967)	2,032
Recoveries		–	119	–	119
		35,376	8,475	14,202	3,663
Expenses					
Investor Compensation Company Limited expenses	2	4,437	4,258	1,480	1,406
Auditor's remuneration		148	148	38	38
		4,585	4,406	1,518	1,444
Surplus and total comprehensive income for the period		30,791	4,069	12,684	2,219

The notes on pages 43 and 44 form part of these condensed financial statements.

Investor Compensation Fund

Condensed statement of financial position

As at 31 December 2022 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2022 \$'000	Audited At 31 Mar 2022 \$'000
Current assets			
Interest receivable		28,835	1,689
Due from Investor Compensation Company Limited		325	106
Fixed deposits with banks		2,459,350	2,455,431
Cash at bank		815	1,346
		2,489,325	2,458,572
Current liabilities			
Provision for compensation	4	3,394	3,394
Creditors and accrued charges		236	274
		3,630	3,668
Net current assets		2,485,695	2,454,904
Net assets		2,485,695	2,454,904
Representing:			
Compensation fund		2,485,695	2,454,904

The notes on pages 43 and 44 form part of these condensed financial statements.

Investor Compensation Fund

Condensed statement of changes in equity

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

	Unaudited			
	Contributions from Unified Exchange Compensation Fund \$'000	Contributions from Commodity Exchange Compensation Fund \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2021	994,718	108,923	1,340,411	2,444,052
Surplus and total comprehensive income for the period	–	–	4,069	4,069
Balance at 31 December 2021	994,718	108,923	1,344,480	2,448,121
Balance at 1 April 2022	994,718	108,923	1,351,263	2,454,904
Surplus and total comprehensive income for the period	–	–	30,791	30,791
Balance at 31 December 2022	994,718	108,923	1,382,054	2,485,695

The notes on pages 43 and 44 form part of these condensed financial statements.

Investor Compensation Fund

Condensed statement of cash flows

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2022 \$'000	31 Dec 2021 \$'000
Cash flows from operating activities			
Surplus for the period		30,791	4,069
Adjustments for:			
Interest income		(40,107)	(4,544)
Exchange loss/(gain)		4,731	(3,812)
		(4,585)	(4,287)
Increase in amount due from Investor Compensation Company Limited		(219)	(34)
Decrease in creditors and accrued charges		(38)	(38)
Net cash used in operating activities		(4,842)	(4,359)
Cash flows from investing activities			
Increase in fixed deposits other than cash and cash equivalents		(306,926)	(175,646)
Interest received		12,883	5,485
Net cash used in investing activities		(294,043)	(170,161)
Net decrease in cash and cash equivalents		(298,885)	(174,520)
Cash and cash equivalents at the beginning of the nine-month period		451,903	647,514
Cash and cash equivalents at the end of the nine-month period	3	153,018	472,994

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2022 \$'000	At 31 Dec 2021 \$'000
Fixed deposits with banks	152,203	472,408
Cash at bank	815	586
	153,018	472,994

The notes on pages 43 and 44 form part of these condensed financial statements.

Investor Compensation Fund

Notes to the condensed financial statements

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

1. Basis of preparation

We have prepared the interim financial information in accordance with the Hong Kong Accounting Standard 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The interim financial information contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Investor Compensation Fund (the Fund) since the annual financial statements for the year ended 31 March 2022. The interim financial information does not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards.

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2022 included in this report as comparative information does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements.

We have applied the same accounting policies adopted in the financial statements for the year ended 31 March 2022 to the interim financial information.

There were no significant changes in the operations of the Fund for the nine months ended 31 December 2022.

2. Investor Compensation Company Limited expenses

The Securities and Futures Commission (SFC) formed the Investor Compensation Company Limited (ICC) in September 2002 to perform functions on behalf of the Fund in relation to the compensation of investors and other functions under Part III and Part XII of the Securities and Futures Ordinance. The Fund is responsible for funding the establishment and operation of the ICC. For the nine months ended 31 December 2022, the ICC incurred costs of \$4,437,000 for its operation (for the nine months ended 31 December 2021: \$4,258,000) which were reimbursed by the Fund.

3. Cash and cash equivalents

	Unaudited At 31 Dec 2022 \$'000	Audited At 31 Mar 2022 \$'000
Cash at bank	815	1,346
Fixed deposits with banks	2,459,350	2,455,431
Amounts shown in the condensed statement of financial position	2,460,165	2,456,777
Less: Amounts with an original maturity beyond three months	(2,307,147)	(2,004,874)
Cash and cash equivalents in the condensed statement of cash flows	153,018	451,903

Investor Compensation Fund

Notes to the condensed financial statements

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

4. Provision for compensation

Pursuant to Section 3 of the Securities and Futures (Investor Compensation-Compensation Limits) Rules, the maximum compensation limit is \$150,000 per claimant for each default case occurring on or before 31 December 2019 and \$500,000 per claimant for each default case occurring on or after 1 January 2020.

The provision of compensation as at 31 December 2022 was \$3,394,000, which was related to a number of claims received in respect of a default case (as at 31 March 2022: \$3,394,000). The maximum liability of the Fund to these claims is the lower of \$150,000 per claimant or the amount claimed. The provision was expected to be paid within one year.

5. Related party transactions

The Fund has related party relationships with the SFC, ICC and the Unified Exchange Compensation Fund. There were no related party transactions other than those disclosed in the interim financial information of the Fund for the nine months ended 31 December 2022 and 2021.

6. Contingent liabilities

In addition to the provision for compensation made as described in note 4, there were 14 outstanding claims as at 31 December 2022 (12 outstanding claims as at 31 March 2022). The maximum liability in respect of these claims in aggregate was \$2,430,000 (as at 31 March 2022: \$1,875,000). This is determined based on the lower of the maximum compensation limit per claimant (as detailed in note 4) or the amount claimed.

7. Exchange risk

The Fund's policy only allows investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi. All financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. For the nine months ended 31 December 2022 and 2021, the Fund's exchange gain/loss was mainly driven by the revaluation of financial assets denominated in USD.

Unified Exchange Compensation Fund

Report of the Securities Compensation Fund Committee

The members of the Securities Compensation Fund Committee (the Committee) present this report together with the unaudited condensed financial statements for the nine months ended 31 December 2022.

Establishment of the Unified Exchange Compensation Fund

Part X of the repealed Securities Ordinance (Chapter 333) established the Unified Exchange Compensation Fund (the Fund). However, when the Securities and Futures Ordinance (SFO) and its subsidiary legislation came into effect from 1 April 2003, a new single Investor Compensation Fund (ICF) was formed to ultimately replace the Fund and the Commodity Exchange Compensation Fund. Up to 31 December 2022, the Fund transferred \$994,718,000 to the ICF. After the settlement of all claims against the Fund and its other liabilities, the Securities and Futures Commission will eventually transfer the remaining balance of the Fund to the ICF.

Part X of the repealed Securities Ordinance remains effective in respect of the operation of the Fund to the extent described in Section 74 of Schedule 10 of the SFO.

Financial statements

The financial performance of the Fund for the period ended 31 December 2022 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 46 to 51.

Members of the Committee

The members of the Committee during the period and up to the date of this report were:

Mr Leung Chung Yin, Rico (Chairman)
Dr Lin, James C.
Mr Yiu Ka Yan Wilfred
Ms Kwok Hom Siu Sally
Mr Wan Chi Yiu Andrew

Interests in contracts

No contract of significance to which the Fund was a party and in which a Committee member of the Fund had a material interest, subsisted at the end of the reporting period or at any time during the reporting period.

On behalf of the Committee

Rico Leung
Chairman

8 February 2023

Unified Exchange Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

	Unaudited Nine months ended		Unaudited Three months ended	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Income				
Interest income	1,340	123	832	43
Expenses				
Recoveries re-distributed	22	–	–	–
Auditor's remuneration	70	70	16	16
	92	70	16	16
Surplus and total comprehensive income for the period	1,248	53	816	27

The notes on pages 50 and 51 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of financial position

As at 31 December 2022 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2022 \$'000	Audited At 31 Mar 2022 \$'000
Current assets			
Interest receivable		517	34
Fixed deposits with banks		97,203	97,670
Cash at bank		262	180
		97,982	97,884
Current liabilities			
Creditors and accrued charges		10,309	10,309
Relinquished trading rights payable to the SEHK	4	1,600	1,850
		11,909	12,159
Net current assets		86,073	85,725
Net assets		86,073	85,725
Representing:			
Compensation fund		86,073	85,725

The notes on pages 50 and 51 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of changes in equity

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

	Unaudited						Total \$'000
	Trading rights deposits from the SEHK (note 4) \$'000	Excess transaction levy from the SEHK \$'000	Additional contributions from the SEHK and the SFC \$'000	Other contributions \$'000	Accumulated surplus \$'000	Contributions to the ICF \$'000	
Balance at 1 April 2021	54,750	353,787	630,000	6,502	35,751	(994,718)	86,072
Net contributions to the SEHK	(200)	–	–	–	–	–	(200)
Surplus and total comprehensive income for the period	–	–	–	–	53	–	53
Balance at 31 December 2021	54,550	353,787	630,000	6,502	35,804	(994,718)	85,925
Balance at 1 April 2022	54,300	353,787	630,000	6,502	35,854	(994,718)	85,725
Net contributions to the SEHK	(900)	–	–	–	–	–	(900)
Surplus and total comprehensive income for the period	–	–	–	–	1,248	–	1,248
Balance at 31 December 2022	53,400	353,787	630,000	6,502	37,102	(994,718)	86,073

The notes on pages 50 and 51 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of cash flows

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2022 \$'000	31 Dec 2021 \$'000
Cash flows from operating activities			
Surplus for the period		1,248	53
Adjustment for:			
Interest income		(1,340)	(123)
		(92)	(70)
Decrease in creditors and accrued charges		–	(16)
(Decrease)/Increase in relinquished trading rights payable to the SEHK		(250)	250
Net cash (used in)/generated from operating activities		(342)	164
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		10,055	15,570
Interest received		857	132
Net cash generated from investing activities		10,912	15,702
Cash flows from financing activities			
Net trading rights deposits refunded to the SEHK		(900)	(200)
Net cash used in financing activities		(900)	(200)
Net increase in cash and cash equivalents		9,670	15,666
Cash and cash equivalents at the beginning of the nine-month period		71,486	52,905
Cash and cash equivalents at the end of the nine-month period	3	81,156	68,571

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2022 \$'000	At 31 Dec 2021 \$'000
Fixed deposits with banks	80,894	68,241
Cash at bank	262	330
	81,156	68,571

The notes on pages 50 and 51 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Notes to the condensed financial statements

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

1. Basis of preparation

We have prepared the interim financial information in accordance with the Hong Kong Accounting Standard 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants. As the Unified Exchange Compensation Fund (the Fund) will eventually cease operation as a result of the Securities and Futures Ordinance which came into effect from 1 April 2003, we have prepared the interim financial information on a non-going concern basis. We expect that the operations of the Fund will be maintained until all claims and recoveries from liquidators in relation to the broker defaults that happened on or before 31 March 2003 have been fully settled.

The interim financial information contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Fund since the annual financial statements for the year ended 31 March 2022. The interim financial information does not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards.

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2022 included in this report as comparative information does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements.

We have applied the same accounting policies adopted in the financial statements for the year ended 31 March 2022 to the interim financial information.

There were no significant changes in the operations of the Fund for the nine months ended 31 December 2022.

2. Equity securities received under subrogation

At the end of each reporting period, the fair value of the equity securities received under subrogation is remeasured, with any resultant gain or loss being recognised in "Recoveries". Dividend income, if any, is also recognised in "Recoveries".

As at 31 December 2022, the equity securities received under subrogation amounted to \$47 (as at 31 March 2022: \$68). The balances as at 31 December 2022 and 31 March 2022 are too small to appear on the condensed statement of financial position which is expressed in thousands of dollars.

Unified Exchange Compensation Fund

Notes to the condensed financial statements

For the nine months ended 31 December 2022 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

	Unaudited At 31 Dec 2022 \$'000	Audited At 31 Mar 2022 \$'000
Cash at bank	262	180
Fixed deposits with banks	97,203	97,670
Amounts shown in the condensed statement of financial position	97,465	97,850
Less: Amounts with an original maturity beyond three months	(16,309)	(26,364)
Cash and cash equivalents in the condensed statement of cash flows	81,156	71,486

4. Trading rights deposits from the SEHK/Relinquished trading rights payable to the SEHK

According to Section 104 of the repealed Securities Ordinance, The Stock Exchange of Hong Kong Limited (SEHK) contributes to the Securities and Futures Commission (SFC) in respect of each trading right at the rate of \$50,000. In the absence of claims or other provisions as set out in Section 106 of the repealed Securities Ordinance, the SFC must refund to the SEHK the deposit within six months after the trading right was relinquished. During the nine-month period, deposits of \$250,000 in respect of 5 new trading rights were received from the SEHK and deposits of \$1,400,000 in respect of 28 relinquished trading rights were refunded to the SEHK. As at 31 December 2022, 32 trading rights totalling \$1,600,000 were relinquished but not yet refunded (as at 31 March 2022: 37 trading rights totalling \$1,850,000 were relinquished but not yet refunded).

The movement of trading rights deposits from the SEHK during the period was as follows:

	Unaudited Nine months ended	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Balance at the beginning of the nine-month period	54,300	54,750
Add: new trading rights issued	250	850
Less: relinquished trading rights refunded	(1,400)	(800)
Adjustment for: net decrease/(increase) in relinquished trading rights payable to the SEHK	250	(250)
Balance at the end of the nine-month period	53,400	54,550

5. Related party transactions

The Fund has related party relationships with the Investor Compensation Fund (ICF) and the SFC. There were no related party transactions during the nine months ended 31 December 2022 and 2021.

Securities and Futures Commission

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