

Operational Review

Corporates

Gatekeeping listing applications

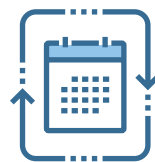
During the quarter, we processed 154 listing applications, of which we cleared 53. This included 50 new listing applications, comprising one from a company with a weighted voting rights structure under Chapter 8A of the Listing Rules, five from pre-profit biotech companies and one from a specialist technology company. One overseas listed company 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 accuracy and completeness of the information in the listing application documentation and the sufficiency of the sponsors' independent due diligence work.



154

listing applications processed¹



Average processing time²:

94

business days³

Paperless listing regime

Following the SFC's approval, the Stock Exchange of Hong Kong Limited (SEHK) in June 2023 published the conclusions to its public consultation on proposals to expand the paperless listing regime along with Listing Rules amendments which will take effect on 31 December 2023.

¹ Including 50 new listing applications and 104 cases brought forward from the previous reporting period.

² Including SFC vetting time and response time by the listing applicants or their advisers.

³ For the 53 listing applications cleared.

Corporates

Overseas listings by Mainland enterprises

In February 2023, the China Securities Regulatory Commission (CSRC) published new regulations for a filing regime to require Mainland enterprises to register their direct and indirect overseas listings and securities offerings with the CSRC. At the same time, it was announced that the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies and the Mandatory Provisions for the Articles of Association of Companies Listing Overseas would be repealed with effect from 31 March 2023. Subsequently, SEHK conducted a consultation on proposed amendments to the Listing Rules to reflect these changes. The consultation period ended in March 2023 and the consultation conclusions were published in July 2023.

Takeovers and Share Buy-backs

In May, we launched a consultation on proposed amendments to the Codes on Takeovers and Mergers and Share Buy-backs which mainly clarify some provisions and codify existing practices of the Takeovers Executive. The consultation paper also introduced initiatives to reduce the environmental impact of documents published under the Codes. The consultation ended in June and a conclusions paper will be published in due course.

Tackling corporate misconduct

We conduct daily reviews of corporate announcements to identify potential misconduct and irregularities. During the quarter, we issued section 179 directions⁴ to request for information in 16 cases.

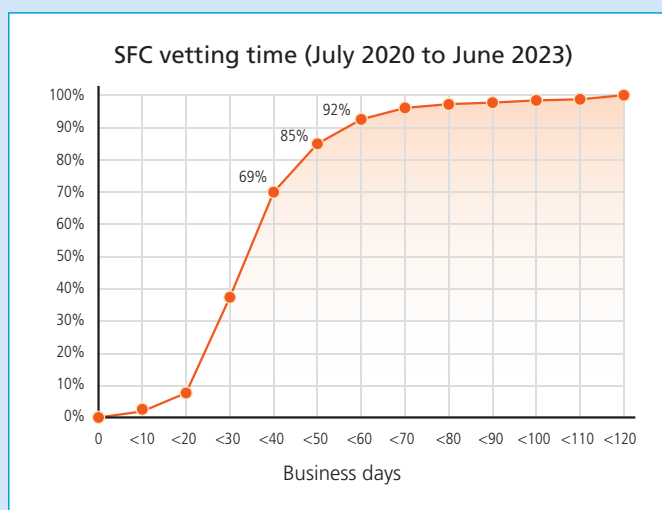
Listing applications and takeovers activities

	Quarter ended 30.6.2023	Quarter ended 31.3.2023	Change (%)	Quarter ended 30.6.2022	YoY change (%)
Listing applications	50	46	8.7	69	-27.5
Takeovers and share buy-backs transactions	66	64	3.1	79	-16.5

Vetting time of listing applications

During the three years ended 30 June 2023, we cleared 389 cases, and 92% of these were cleared in less than 60 business days.

Note: In the chart, "SFC vetting time" refers to the total number of business days we spent to process and clear a listing application, which includes a number of rounds of comments. The figure excludes the response time of the listing applicants or their advisers.



⁴ 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.

Intermediaries

Licence applications

In the quarter, we received 1,784 licence applications¹ comprising 1,737 individuals and 47 corporations, a 0.3% decrease from the previous quarter and 17.6% up from the same quarter last year.

As at 30 June, there were 48,165 licensees and registrants, of which 3,245 were licensed corporations and 113 were registered institutions. During the quarter, the number of new licensees and registrants totalled 2,623², amongst which 2,582 were individuals, and 41 were licensed corporations and registered institutions. Among the licensed corporations approved during the quarter, Type 9 (asset management) regulated activity³ (RA) accounted for 51% and Type 4 (advising on securities) for 37%. The number of firms licensed for Type 9 (asset management) increased by 11 to 2,096.

Virtual asset regime launched

In May, we published consultation conclusions on the regulatory requirements for licensed virtual asset trading platform (VATP) operators together with Guidelines for Virtual Asset Trading Platform Operators to provide greater clarity on our expected standards for the new VATP licensing regime introduced under the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Ordinance 2022 which took effect on 1 June.



Applications for SFC licences⁴

▲ 17.6%

To help the industry better understand the new requirements, we issued a wide range of publications including a Licensing Handbook for Virtual Asset Trading Platform Operators, circulars on the new regime's implementation and transitional arrangements, and frequently asked questions on licensing and conduct matters. To facilitate licence applications, useful materials including online application forms are grouped under a new dedicated webpage on the SFC's website.

Following our announcement of the new regime's commencement at a media briefing in May, we conducted extensive market outreach, including attending interviews and speaking at panel discussions, seminars and webinars organised by InvestHK, industry associations, media outlets and professional firms. More information about our stakeholder engagement efforts can be found in Communications and Education on pages 23-25.



SFC Chief Executive Officer Ms Julia Leung speaks to the Fintech community in Bangkok at an InvestHK event



SFC media stand-up for the launch of the new VATP licensing regime

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 Change from 30 June 2022 to 30 June 2023. Does not include applications for provisional licences.

Intermediaries

Anti-money laundering

In May, we issued a circular to inform the industry of key changes we made to our anti-money laundering and counter-financing of terrorism (AML/CFT) guidelines to incorporate provisions and guidance related to the Anti-Money Laundering and Counter-Terrorist Financing (Amendment) Ordinance 2022. These include revisions to the statutory provisions for politically exposed persons and beneficial owners of a trust as well as for the use of recognised digital identification systems. We also added a new chapter on virtual assets. The guidelines were gazetted in May and took effect on 1 June. Our frequently asked questions for AML/CFT were also updated to include information about virtual assets.



51

on-site inspections

Restriction notice

In June, we issued a restriction notice to Global Group Securities Limited owing to suspected misappropriation of client assets. We considered it desirable in the interest of the company's clients and the investing public to subject the company to the prohibitions imposed by the restriction notice.

Licensees and registrants

	As at 30.6.2023	As at 31.3.2023	Change (%)	As at 30.6.2022	YoY change (%)
Licensed corporations	3,245	3,254	-0.3	3,261	-0.5
Registered institutions	113	112	0.9	111	1.8
Licensed individuals	44,807	44,928	-0.3	45,161	-0.8
Total	48,165	48,294	-0.3	48,533	-0.8

Licensing applications

	Quarter ended 30.6.2023	Quarter ended 31.3.2023	Change (%)	Quarter ended 30.6.2022	YoY change (%)
Applications to conduct new regulated activity	6,221	6,084	2.3	5,927	5.0
Applications for SFC licences [^]	1,784	1,790	-0.3	1,517	17.6

[^] Figures do not include applications for provisional licences. During the quarter, we received 891 provisional licence applications compared with 1,025 in the same quarter last year.

Inspections of licensed corporations

	Quarter ended 30.6.2023	Quarter ended 31.3.2023	Change (%)	Quarter ended 30.6.2022	YoY change (%)
On-site inspections commenced [^]	51	59	-13.6	60	-15.0

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



Products

Authorisations

During the quarter, we authorised 28 unit trusts and mutual funds (including 12 Hong Kong-domiciled funds), 10 investment-linked assurance schemes (ILAS), nine mandatory provident fund (MPF) pooled investment funds and 47 unlisted structured investment products for public offering in Hong Kong.

OFC registrations

As at 30 June, there were 152 registered open-ended fund companies (OFCs), of which 21¹ were newly registered during the quarter.

Hong Kong-domiciled funds

As at 30 June, the assets under management (AUM) of Hong Kong-domiciled funds decreased 2% from the previous quarter to US\$170.7 billion. During the quarter, net fund inflows of about US\$1.4 billion were recorded.

ETF Connect

Southbound ETF² trading has maintained strong momentum through the debut year for ETF Connect. Its average daily turnover increased 20 times from \$216 million in July 2022 to \$4.64 billion in June 2023, which contributed 18.4% of the eligible Hong Kong ETFs' turnover during the month. ETF Connect has played a vital role in driving an aggregate inflow of \$42.5 billion into eligible ETFs since their inclusion, representing 22% of their total AUM as at 30 June. Under the scheme, there are currently six Hong Kong ETFs eligible for southbound trading and 131 Mainland ETFs (including 76 on the Shanghai Stock Exchange and 55 on the Shenzhen Stock Exchange) eligible for northbound trading.

Mutual recognition of funds (MRF)

Under the Mainland-Hong Kong MRF scheme, we had authorised a total of 44 Mainland funds as at 30 June, whilst the China Securities Regulatory Commission had approved 37 Hong Kong funds.

The cumulative net subscription amounted to about RMB1.08 billion for Mainland funds and about RMB15.11 billion for Hong Kong funds as at 30 June.



ETF Connect: Average daily turnover in June 2023

▲ 20 times from July 2022

and contributed

18.4%

of eligible Hong Kong ETFs' turnover

During the quarter, Mainland funds recorded a net subscription of about RMB14.98 million, down from RMB42.69 million in the previous quarter. Hong Kong funds recorded a net subscription of about RMB443.59 million this quarter, down from RMB3.12 billion in the last quarter.

ESG funds

As at 30 June, there were 195 SFC-authorised ESG³ funds with total AUM of US\$156.5 billion (representing quarter-on-quarter increases of 3.7% and 3.2% respectively).

New regulated activity 13 for depositaries of SFC-authorised collective investment schemes (RA 13)

After we released the further consultation conclusions on the RA 13 regime, the amended rules were gazetted and tabled at the Legislative Council. The legislative process was completed on 17 May and the new regime will take effect on 2 October 2024 after a transition period.

To help the depositary industry transition towards this regime, we provided detailed guidance on the key requirements and licensing process at a seminar in June hosted by the Hong Kong Trustees' Association. Representatives of the Hong Kong Monetary Authority also joined the event.

¹ All of the 21 OFCs are private OFCs.

² Exchange-traded funds.

³ Environmental, social and governance.

Products

Authorised collective investment schemes

	As at 30.6.2023	As at 31.3.2023	Change (%)	As at 30.6.2022	YoY change (%)
Unit trusts and mutual funds – Hong Kong-domiciled	908 ^a	913	-0.5	868	4.6
Unit trusts and mutual funds – non-Hong Kong-domiciled	1,420	1,417	0.2	1,382	2.7
ILAS	315	305	3.3	300	5.0
Pooled retirement funds	32	32	0.0	32	0.0
MPF schemes	26	26	0.0	26	0.0
MPF pooled investment funds	191	221	-13.6	219	-12.8
Others	25 ^b	25	0.0	25	0.0
Total	2,917	2,939	-0.7	2,852	2.3

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 30.6.2023	As at 31.3.2023	Change (%)	As at 30.6.2022	YoY change (%)
OFCs	152 [^]	131	16.0	78	94.9

[^] This figure includes 131 private OFCs.

Authorised unlisted structured investment products

	As at 30.6.2023	As at 31.3.2023	Change (%)	As at 30.6.2022	YoY change (%)
Unlisted structured investment products [^]	273	231	18.2	228	19.7

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



Products

SFC-authorised renminbi (RMB) investment products

	As at 30.6.2023
Unlisted products	
Unlisted funds primarily investing in onshore Mainland securities markets ^a or offshore RMB bonds, fixed-income instruments or other securities	58
Unlisted funds (non-RMB denominated) with RMB share classes	391
Paper gold schemes denominated in RMB	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	44
Unlisted structured investment products issued in RMB ^b	272
ILAS with policy currency in RMB	6
Listed products	
ETFs primarily investing in onshore Mainland securities markets ^a or offshore RMB bonds, fixed-income instruments or other securities	50
ETFs (non-RMB denominated) with RMB trading counters and/or RMB share classes	16
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

Swap Connect

Swap Connect, the first Mainland-Hong Kong mutual market access programme for financial derivatives products, was launched on 15 May with the introduction of northbound trading, allowing investors from Hong Kong and other jurisdictions to participate in the Mainland interbank interest rate swap market. On the launch day, 27 overseas investors participated and interest rate swaps with a notional value of about RMB8.3 billion were executed. Swap Connect deepens the connectivity between the Mainland and overseas capital markets and bolsters Hong Kong's position as a risk management hub. As of end-June, a total of 540 Mainland interbank interest rate swap contracts were traded under Swap Connect, with a gross notional amount of about RMB129 billion or a daily average of about RMB3.9 billion.

Stock Connect

Following enhancements to the Stock Connect trading calendar¹ implemented on 24 April, investors can trade eligible stocks through Stock Connect on all trading days when both the Hong Kong and Mainland markets are open. Trading, clearing, settlement and risk management in support of trading all proceeded smoothly on the additional trading days during the quarter².

RMB counters

We worked with the Hong Kong Monetary Authority (HKMA) and Hong Kong Exchanges and Clearing Limited (HKEX) to prepare a Hong Kong dollar (HKD)-renminbi (RMB) dual-counter model for Hong Kong-listed securities. We completed our review and approval of HKEX's proposed rule amendments and

relevant documents for introducing the dual-counter model and dual-counter market making programme. On 19 June, the RMB counters of 24 stocks were launched for trading on the Stock Exchange of Hong Kong Limited (SEHK). Since the launch, nine dual-counter market makers have participated in market making activities for these 24 RMB counters, which help promote liquidity and minimise price differences between the RMB and HKD counters. RMB counters closely track the corresponding HKD counters and contribute to the liquidity and trading volume of RMB-denominated securities in Hong Kong.

During the period from 19 to 30 June, average daily trading of the 24 RMB counters totalled RMB193.9 million, equivalent to 10 times the average daily trading in the RMB-denominated products listed on SEHK prior to 19 June. This initiative helps promote the internationalisation of the RMB by increasing its use as an investment currency and also consolidates Hong Kong's role as the prime offshore RMB centre. The SFC is liaising with the Mainland authorities on the southbound inclusion of RMB counters into Stock Connect.

Position limit regime

In June, we concluded our further consultation on proposed changes to the position limit regime for the derivatives market. These included further amendments to the Securities and Futures (Contracts Limits and Reportable Positions) Rules which relate to the position limits and reporting requirements for funds and the proposed enhancements of HKEX to its position limit regime. Subject to the legislative process, we expect the amended rules to take effect in December 2023.

¹ The enhancements were announced in press releases issued by the SFC and the China Securities Regulatory Commission on 24 February 2023.

² The first two additional southbound trading days were 27 and 28 April and the first additional northbound trading day was 25 May.



Markets

OTC derivatives

In April, we launched a joint consultation with the HKMA on the annual update to the list of financial services providers³ under the over-the-counter (OTC) derivatives clearing regime. We issued consultation conclusions in June and the updated list will be gazetted in the fourth quarter of 2023 for implementation on 1 January 2024.

Automated trading services

As of 30 June, the number of automated trading services (ATS) providers⁴ authorised under Part III of the Securities and Futures Ordinance (SFO) was 52, whilst 28 corporations, including 13 dark pool operators, were licensed under Part V of the SFO to provide ATS.

ATS providers

	As at 30.6.2023	As at 31.3.2023	Change (%)	As at 30.6.2022	YoY change (%)
Under Part III	52	51	2.0	50	4.0
Under Part V	28	28	0.0	26	7.7

³ The list includes entities which meet two criteria: (a) they belong to a group of companies appearing on the list of global systemically important banks published by the Financial Stability Board, or on the list of dealer groups which undertook to the OTC Derivatives Supervisors Group to work collaboratively with central counterparties, infrastructure providers and global supervisors to make structural improvements to the global OTC derivatives markets; and (b) they are clearing members of the largest central counterparties offering clearing for interest rate swaps in the United States, Europe, Japan and Hong Kong.

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

During the quarter, the Court of First Instance (CFI) granted disqualification orders under section 214 of the Securities and Futures Ordinance (SFO) against five individuals.

- Lau Chi Yuen Joseph and Chung Man Wai, former directors of Luxey International (Holdings) Limited, were disqualified from being a director or taking part in the management of any corporation in Hong Kong for eight years and five years, respectively, for their misconduct in a corporate acquisition.
- Liu Yong, a former executive director of National Agricultural Holdings Limited (NAH), and Chiu Kam Hing Kathy and Fan Chung Yue William, both former independent non-executive directors of NAH, were disqualified from being a director or taking part in the management of any corporation in Hong Kong for three years, 20 months and 20 months, respectively, after they admitted to having breached their directors' duties to NAH.

The CFI granted an interim injunction order under section 213 of the SFO against Tsang Ching Yi and Barry Kwok Sze Lok for suspected insider dealing in the shares of I.T Limited, prohibiting them from removing assets up to the value of \$8,246,496 from Hong Kong.

We commenced legal proceedings in the CFI under section 214 of the SFO to seek disqualification orders against eight individuals, including former directors

of China Candy Holdings Limited and its former chief financial controller, for permitting, acquiescing or turning a blind eye to falsified bank and accounting records, breach of directors' duties and other misconduct.

The Eastern Magistrates' Courts convicted Sze Chun Wai for making false and misleading representations in his licence application to the SFC and ordered him to pay a fine of \$8,000 and the SFC's investigation costs.

Following our earlier joint operation with the Hong Kong Police Force against a large-scale, sophisticated ramp and dump syndicate, 10 more suspects, including key members and a suspected ringleader, were brought to the Eastern Magistrates' Courts on charges of various criminal offences, including conspiracy to perpetrate fraud or deception in transactions involving securities provided in section 300 of the SFO and related money laundering offences. Further hearings were scheduled.

Market Misconduct Tribunal

We commenced proceedings in the Market Misconduct Tribunal against Wu Kam Shing, a former executive deputy general manager of China CITIC Bank International Limited, for alleged insider dealing in the shares of Bloomage BioTechnology Corporation Limited.

Disciplinary actions

We disciplined three corporations and two individuals during the quarter, resulting in total fines¹ of \$9.2 million. Details of the breaches are as follows:

Unlicensed activities

Company	Breaches	Action
Ninety One Hong Kong Limited	Dealing in futures contracts without the required licence	Reprimanded and fined \$1.4 million

Internal control deficiencies

Company	Breaches	Action
Taiping Securities (HK) Co Limited	Failed to put in place adequate and effective internal controls to monitor employee dealings	Reprimanded and fined \$1.3 million

¹ Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.



Enforcement

Other regulatory breaches

Company/Name	Breaches	Action
China On Securities Limited	Failed to act within the scope of client's authority and adequately safeguard the client's assets when acting as placing agent of shares in Hon Corporation Limited	Reprimanded and fined \$6 million
Xie Yangxiong	Provided false and misleading financial information to the SFC in support of the licence applications of two firms and failure to sufficiently maintain the firms' liquid capital and notify the SFC of the firms' liquid capital deficits	Banned from re-entering the industry for life
Law Chi Kin Peter	Took part in a stock manipulation scheme	Banned from re-entering the industry for 10 years and fined \$535,500

Restriction Notices

We issued restriction notices to three brokers prohibiting them from dealing with or processing certain assets held in their respective client accounts of three individuals who are suspected of committing misconduct and breaching their duties towards FingerTango Inc.

We also issued restriction notices to 10 other brokers prohibiting them from dealing with or processing certain assets held in 31 trading accounts which are related to a suspected online ramp and dump scam.

Joint operation with the Police

We conducted a joint operation with the Police against fraudulent activities in securities transactions and illegal short selling. Four suspects were charged with offences of fraud, with alternative charges of illegal short selling.

Enforcement cooperation with the CSRC

During the quarter, we and the China Securities Regulatory Commission (CSRC) held the 14th high-level meeting on enforcement cooperation at which we reached consensus on collaboration on a range of issues².

Market surveillance

Our surveillance of untoward price and turnover movements resulted in 1,227 requests for trading and account records from intermediaries in the quarter.

² See Regulatory Engagement on pages 20-22.

Enforcement

Enforcement activities

	Quarter ended 30.6.2023	Quarter ended 31.3.2023	Change (%)	Quarter ended 30.6.2022	YoY change (%)
S179 ^a inquiries commenced	9	5	80.0	5	80.0
S181 ^b inquiries commenced (number of letters sent)	43 (1,227)	58 (1,164)	5.4	40 (1,392)	-11.9
S182 ^c directions issued	40	33	21.2	24	66.7
Investigations started	40	34	17.6	24	66.7
Investigations completed	33	19	73.7	44	-25.0
Individuals and corporations charged in criminal proceedings	15	17	-11.8	3	400.0
Criminal charges laid	39	20	95.0	47	-17.0
Notices of Proposed Disciplinary Action ^d issued	7	7	0.0	6	16.7
Notices of Decision ^e issued	7	7	0.0	6	16.7
Individuals and corporations subject to ongoing civil proceedings ^f	188	180	4.4	169	11.2
Compliance advice letters issued	39	28	39.3	23	69.6
Cases with search warrants executed	4	9	-55.6	11	-63.6

a 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 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.



Sustainability

We lead efforts to advance Hong Kong's position as an international sustainable finance hub and develop an effective regulatory framework to transition the financial system towards carbon neutrality.

In April, we announced our commitment to become a carbon-neutral organisation before 2050, in line with the HKSAR Government's climate strategy. We also set an interim target to reduce 50% of our total carbon emissions by 2030.

Spearheading international work

At the International Organization of Securities Commissions (IOSCO), our Chief Executive Officer Ms Julia Leung co-chairs the Corporate Reporting Workstream of the Sustainable Finance Task Force (STF). The workstream spearheaded IOSCO's review of the IFRS Sustainability Disclosure Standards published by the International Sustainability Standards Board (ISSB) on 26 June. We contributed to the technical analysis of these standards to ensure that they are fit for purpose and meet IOSCO's expectations. The analysis would ultimately inform IOSCO's decision to endorse¹ the standards for potential global adoption by more than 130 member jurisdictions.

As a member of the other IOSCO STF workstreams, we are active in the discussions about carbon markets, sustainability reporting for listed issuers, assurance and digital reporting of sustainability information, and promoting good practices for asset management and environmental, social, and governance (ESG) ratings and data products providers.

We also lead the Sustainable Finance Working Group² of the IOSCO Asia Pacific Regional Committee, which finalised in April its workplan to promote consistent supervisory approaches for asset management and providers of ESG ratings and data products. This group will also promote knowledge sharing and capacity building on corporate sustainability disclosures and carbon markets in the region.

During the quarter, we continued to participate actively in other international initiatives³.

Disclosure standards and local policy initiatives

We collaborate with the Stock Exchange of Hong Kong Limited (SEHK) to develop climate-related reporting requirements for listed companies in Hong Kong with reference to the ISSB's standards. In April, SEHK launched a three-month public consultation on proposals to mandate climate-related disclosures.

We engage with the China Securities Regulatory Commission to ensure that our approach considers the pace of regulatory developments on the Mainland, given the large proportion of Mainland-based listed companies in Hong Kong.

In June, the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group)⁴, co-chaired by the SFC and the Hong Kong Monetary Authority, announced its support for the IFRS Sustainability Disclosure Standards published by the ISSB. The Steering Group will also engage with the ISSB on Hong Kong's sustainability reporting journey and capacity building work.

¹ IOSCO announced its endorsement on 25 July 2023. We announced our support for the IOSCO endorsement also in July.

² Our Senior Director and Head of International Affairs and Sustainable Finance, Ms Christine Kung, leads this working group.

³ We represent IOSCO in the Financial Stability Board's Working Group on Climate Risk. We are a supporter of the Task Force on Climate-Related Financial Disclosures Recommendations and a member of the International Platform on Sustainable Finance. We also participate in the Advisory Group on Carbon Markets of the United Nations Sustainable Stock Exchanges Initiative and contribute to the Network of Central Banks and Supervisors for Greening the Financial System.

⁴ The Steering Group was established in May 2020. Other members include the Financial Services and the Treasury Bureau, Environment and Ecology Bureau, Hong Kong Exchanges and Clearing Limited, Insurance Authority and the Mandatory Provident Fund Schemes Authority.

Sustainability

Building a green ecosystem for Hong Kong

During the quarter, the Steering Group continued to work towards its 2023-25 priorities which include: world-class regulation, data and technology for transition, market opportunities and product innovation, as well as communication, capacity building and collaboration with the Mainland, regional and global markets.

In April, we co-hosted the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) Green Finance Cooperation Meeting with the Financial Services and the Treasury Bureau. Representatives of GBA authorities⁵ met with Steering Group members to discuss potential cross-boundary initiatives to further deepen regional collaboration and foster a comprehensive sustainable finance ecosystem.

These initiatives focus on aligning corporate sustainability disclosure requirements with global standards, exchange of emissions and ESG data, development of carbon markets and capacity building.

In May, the Steering Group met with financial market participants, academia and technology firms to exchange views on the latest developments in transition finance and green fintech, as well as how to promote Hong Kong as an international sustainable finance hub.

⁵ Participants included representatives from the Shenzhen Municipal Financial Regulatory Bureau, the Guangzhou Municipal Local Financial Supervision and Administration Bureau and the Monetary Authority of Macao.



Regulatory Engagement

Strengthening global regulatory collaboration

We maintain close working relationships with our overseas regulatory counterparts and play an active role in global policy initiatives and efforts to promote international cooperation and capacity building.

IOSCO

We actively participate in the work of the International Organization of Securities Commissions (IOSCO) and all task forces of the IOSCO Board. We contribute to all eight IOSCO policy committees, including holding leadership positions in its Committee on Investment Management and Committee on Enforcement and the Exchange of Information¹.

In June, our Chief Executive Officer (CEO) Ms Julia Leung and senior executives attended IOSCO's 48th Annual Meeting in Bangkok and participated in the meetings of the IOSCO Board and Presidents Committee, which discussed crypto assets, sustainable finance and non-bank financial intermediation. We also held bilateral meetings with more than 20 regulators and industry participants, where we shared the latest regulatory developments in Hong Kong.

Also in June, our CEO and senior executives participated in the IOSCO Asia-Pacific Regional Committee meeting which discussed the activities of its working groups for sustainable finance, fintech and regional supervisory cooperation.

During the quarter, we participated in the meetings of the Committee on Emerging Risks, as well as the Assessment Committee, which focused on finalising a new implementation monitoring survey for the IOSCO

Principles 6 and 7 for regulators, and thematic review of technological challenges to effective market surveillance. We also took part in IOSCO's capacity building programme on corporate sustainability disclosures² hosted by the IOSCO Asia Pacific Hub³ in May.

Ms Christina Choi, our Executive Director of Investment Products, is serving a second term as Chair of the Committee on Investment Management. She led the committee's exchange-traded funds (ETFs) workgroup which issued a final report on good practices for ETFs in May. She also leads the committee's core experts group which supports IOSCO's Financial Stability Engagement Group⁴. The core experts group is preparing a consultation on liquidity management tools, in particular, anti-dilution liquidity management tools.

FSB and other work

Ms Choi also co-chairs the Open-ended Funds Working Group under the Financial Stability Board (FSB) Standing Committee on Supervisory and Regulatory Cooperation, which is revising the 2017 FSB policy recommendations to address financial stability risks arising from liquidity mismatches in open-ended funds. She presented the group's work to the IOSCO Board at the IOSCO Annual Meeting in June.

During the quarter, Mr Rico Leung, our Executive Director of Supervision of Markets, and SFC representatives participated in meetings of the FSB Standing Committee on Standards Implementation and the Regional Consultative Group for Asia.

Throughout the quarter, we engaged with overseas regulators via supervisory colleges and on-site reviews as part of the supervision of global systemically important financial institutions.

¹ Mr Kenneth Lai, Director of Enforcement, is Vice-Chair.

² The programme focused on the standards developed by the International Sustainability Standards Board and published as the International Financial Reporting Standards Sustainability Disclosure Standards on 26 June 2023.

³ Ms Julia Leung is a member of the Management Committee of the IOSCO Asia Pacific Hub.

⁴ The Financial Stability Engagement Group coordinates IOSCO's role in addressing financial stability matters and liaises with the FSB. The SFC is a member of this group, including its Steering Group.

Regulatory Engagement

Advancing Mainland-Hong Kong cooperation

In April, we joined the Financial Secretary of the HKSAR's visit to Beijing where we met with senior officials from Mainland authorities⁵ to exchange views on issues of mutual regulatory concern and ways to enhance cooperation between the Mainland and Hong Kong financial sectors.

In June, the SFC held the 13th high-level meeting with the China Securities Regulatory Commission (CSRC) to exchange views on the current state of the capital markets, recent achievements in cross-boundary regulatory and enforcement cooperation, and ongoing market development and regulatory cooperation initiatives. We and the CSRC reached consensus on further enhancing and expanding the Mainland-Hong Kong mutual market access schemes, including Stock Connect, Wealth Management Connect and Mutual

Recognition of Funds. We also agreed to further strengthen cooperation on the derivatives market and asset management industry, and explore new initiatives to promote the healthy development of the Mainland and Hong Kong capital markets.

During the quarter, we arranged a study tour for the CSRC's senior executives to visit the SFC, other Hong Kong regulatory authorities and industry associations to enhance their understanding of Hong Kong's financial markets and the latest regulatory developments.

We engaged with other Mainland authorities on a number of cooperation initiatives during the quarter to promote the inclusion of RMB-denominated securities under southbound trading of Stock Connect and further develop the initiatives under the Guangdong-Hong Kong-Macao Greater Bay Area Development Plan, including the Wealth Management Connect pilot scheme.



13th CSRC-SFC high-level meeting in June

⁵ Including the CSRC, People's Bank of China, China Banking and Insurance Regulatory Commission (now reformed as the National Administration of Financial Regulation), Ministry of Finance, Office of the Central Commission for Financial and Economic Affairs, Hong Kong and Macao Affairs Office of the State Council, Ministry of Science and Technology, and the Ministry of Industry and Information Technology.

Regulatory Engagement



Enforcement cooperation with the CSRC

During the quarter, our Enforcement Division and the CSRC's Enforcement Bureau held the 14th high-level meeting on enforcement cooperation, at which we reached consensus on collaboration on a range of issues. Further, we and the CSRC also exchanged views with the Hong Kong Police Force and the Independent Commission Against Corruption and they concurrently issued press releases after the meeting. This sent a positive signal to the markets of both jurisdictions of stepped-up enforcement collaboration between the enforcement agencies.

Significant progress was made in two areas: 1) We and the CSRC initiated the first coordinated investigation on a high impact case affecting both jurisdictions. Cooperation was smooth and laid a good foundation for establishing an effective, coordinated investigation mechanism. 2) We also made progress in exploring effective pathways for the securities regulators and police in both jurisdictions to jointly combat cross-boundary violations of securities laws.

During the quarter, enforcement officers from the CSRC participated in a two-month training programme in Hong Kong and shared their experience with our enforcement officers. The training helped staff of both sides better understand one another's enforcement framework and enhanced the efficiency of mutual investigatory assistance.

Communications and Education

Industry outreach

Roundtables and meetings

To foster a close dialogue with the securities industry, we hold regular meetings with industry associations to share regulatory updates and supervisory initiatives. In a June meeting, we discussed with broker associations the updated risk management guidelines for futures brokers and trends in the demographics of our licensees. We also invited representatives from the Hong Kong Police Force to provide tips on detecting investment scams.

Jointly with the Hong Kong Monetary Authority, we held two roundtables to facilitate communication between the banking industry and the virtual asset sector on the provision of banking services to licensed virtual asset trading platforms (VATPs).

Speaking engagements

During the quarter, our senior executives spoke at over 35 local and international events on a wide range of topics including virtual assets, sustainable finance and asset management. We were a supporting organisation for four industry events.

Our Chief Executive Officer (CEO) Ms Julia Leung spoke about the SFC's priorities at the April Bloomberg Policy Series as well as the June Caixin Summer Summit. She also shared the SFC's regulatory vision for Fintech and Hong Kong's new licensing regime for VATPs at the SEC Thailand Public Conference 2023 and at an event organised by the Hong Kong Economic and Trade Office in Bangkok, Office for Attracting Strategic Enterprises and InvestHK. Both events were held in Thailand in June.



Bloomberg Policy Series

In the same month, she discussed the strategy to reconnect with China in the post-COVID era as well as the need for a proportionate implementation of global climate reporting standards in Hong Kong at the ASIFMA China Capital Markets Conference. Separately, Ms Leung spoke at the Hong Kong Investment Funds Association's 16th Annual Conference, along with our Director of Licensing and Head of Fintech unit, Ms Elizabeth Wong and Director of Intermediaries Supervision, Mr Anthony Wong. In her keynote speech, Ms Leung urged the fund industry to "reflect, reset and refocus" in challenging times, and laid out the SFC's four-pronged game plan to build Hong Kong into an asset and wealth management hub. She outlined strategies to promote fund onshoring, connect with Mainland markets, diversify investment products and drive innovation. She also expressed support for fund tokenisation to promote industry efficiency.

In addition, Ms Wong explained the new VATP regime at a June conference organised by the South China Morning Post. She also attended the June meeting of the Panel on Financial Affairs to discuss initiatives to support the development of Fintech in Hong Kong. Besides, our Fintech unit spoke at several seminars organised by a range of stakeholders to facilitate understanding of the new regime.



Network of Family Office Service Providers Launch Ceremony

At an InvestHK event to mark the launch of the Network of Family Office Service Providers, Mr Wilson Lo, Senior Director of Licensing, spoke about our efforts to help the industry understand the regulatory requirements for family offices. The June event was attended by over 100 representatives of family office service providers. In addition, our executives presented at a Hong Kong Trustees' Association's seminar to provide an overview of the new RA 13¹ regime for over 150 participants from depositaries and related firms.

¹ Type 13 regulated activity is for depositaries of SFC-authorised collective investment schemes.

Communications and Education

Also in June, Senior Director and Head of International Affairs and Sustainable Finance Ms Christine Kung discussed the latest developments in corporate sustainability reporting at the EU-Hong Kong Policy Discussion Series co-organised by InvestHK and the European Union Office to Hong Kong and Macao.

Education

We stepped up our investor education efforts on VATPs including those through televised interviews by Radio Television Hong Kong (RTHK). We also launched a new round of investor education programmes with the Investor and Financial Education Council (IFEC), the SFC's wholly-owned subsidiary. Both initiatives sought to warn the investing public of the risks of trading on unregulated platforms, and that most platforms currently accessible by the public are not regulated by the SFC. A list published on our dedicated webpage provides a handy resource for the public to find information about the regulatory status of VATPs.



RTHK interview

The IFEC's annual campaign, Hong Kong Money Month, was launched in March under the theme "Be a Digital Hero". At a Money Month webinar, our Executive Director of Investment Products Ms Christina Choi spoke about the development of virtual asset products and protections for retail investors.



IFEC Hong Kong Money Month 2023

Other publications and communications

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

During the quarter, we released the SFC's *Annual Report 2022-23* which summarised our key regulatory work, corporate developments and financial information during the year. The June issue of the *Takeovers Bulletin* featured updates relating to takeovers in Hong Kong.

During the quarter, we issued 10 circulars providing guidance on a variety of matters, including the licensing regime for VATPs, financial returns, and anti-money laundering and counter-financing of terrorism. We also published 61 posts on the SFC's social media platforms to promote awareness and alert the public of a range of matters, including updates on mutual market access schemes and our sustainability-related initiatives.

Communications and Education

Publications and other communications

	Quarter ended 30.6.2023
Press releases	44
Consultation papers	2
Consultation conclusions	3
Industry-related publications	1
Codes and guidelines ^a	7
Circulars to industry	10
Corporate website average daily page views ^b	65,353
General enquiries	765

a Includes updates to previous versions.

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

