

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.

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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.



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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.