

Highlights

Listing regulation

Listing applications

We processed 39 new listing applications, including one from a special purpose acquisition company (SPAC)¹, one from a company with a weighted voting rights structure seeking listing by way of a de-SPAC transaction, and four from pre-profit biotech companies.

Corporate conduct

We issued section 179 directions² to request information in five cases, as part of our ongoing review of corporate disclosures.

Review of SEHK's work

We published a report on our review of the performance of the Stock Exchange of Hong Kong Limited (SEHK) in its regulation of listing matters during 2021 and identified areas for enhancement.



39
new listing
applications

¹ A SPAC raises funds through a listing for the purpose of acquiring a business (a de-SPAC target) at a later stage (a de-SPAC transaction) within a pre-defined time period.

² 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.

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Intermediaries

Licensing

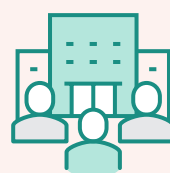
As at 30 September, there were 48,362 licensees and registrants, which included 3,236 licensed corporations. Among the corporate licences approved during the quarter, Type 9 (asset management) regulated activity (RA) accounted for 44% and Type 4 (advising on securities) for 36%.

Supervision

We inspected 63 licensed corporations on site to review their compliance with regulatory requirements.

Virtual assets

We issued a statement in August to warn virtual asset trading platforms (VATPs) of the legal and regulatory consequences of misrepresenting their SFC licence application status and launching non-compliant services and products. In September, we published another statement to warn the public of suspicious practices of an unregulated VATP, social media influencers and over-the-counter virtual asset money changers. We also stepped up our information dissemination in relation to VATPs by publishing on our website several VATP lists, including a dedicated list of suspicious VATPs



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and a list of applicants, in response to a suspected large-scale fraudulent scheme involving active marketing of virtual asset services without an SFC licence.

SFC-HKMA joint product survey

Our annual joint survey with the Hong Kong Monetary Authority (HKMA) showed that the total transaction amount of non-exchange traded investment products declined by 24% year-on-year in 2022, largely in line with the turnover decrease in other major stock markets, while a significant proportion of sales shifted from bond funds and equity funds to money market funds.

Markets

Stock Connect enhancements

We reached a consensus with the China Securities Regulatory Commission (CSRC) to introduce block trading (manual trades) to further enhance trading efficiency and promote the mutual development of the Mainland and Hong Kong capital markets.

Wealth Management Connect enhancements

We issued a joint announcement with the relevant authorities and financial regulators of the Mainland, Hong Kong and Macao on enhancements to the Wealth Management Connect scheme in the Guangdong-Hong Kong-Macao Greater Bay Area. These included expanding the scope of eligible products and allowing eligible brokers to participate in the scheme.

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Products

Product authorisations and registrations

During the quarter, we authorised 29 unit trusts and mutual funds (including 19 Hong Kong-domiciled funds) and 122 unlisted structured investment products for public offering in Hong Kong. As at 30 September, there were 187 registered open-ended fund companies, of which 36 were newly registered during the quarter.

Fund flows

As at 30 September, assets under management (AUM) of Hong Kong-domiciled funds decreased 3% from the previous quarter to \$1,299.8 billion (US\$166 billion). During the quarter, net fund inflows of about \$11.7 billion (US\$1.5 billion) were recorded.



\$11.7 billion
net fund inflows

Asset management survey

Our latest asset and wealth management activities survey showed that the AUM of Hong Kong's asset and wealth management business stood at \$30,541 billion as at end-2022, down 14% year-on-year. The decrease was similar to the drop for worldwide regulated funds and slightly outperformed major market indices.

Enforcement

Disciplinary actions

We disciplined five corporations and five individuals during the quarter and these actions resulted in total fines of \$28.9 million.

Market surveillance

We made 1,036 requests for trading and account records triggered by untoward price and turnover movements.

Cooperation with AFRC

We issued the first joint statement with the Accounting and Financial Reporting Council (AFRC) on combatting misconduct by listed issuers.

Joint operation with ICAC

We conducted a joint operation with the Independent Commission Against Corruption (ICAC) in a case of suspected market manipulation involving the shares of two Hong Kong-listed companies.

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Regulatory enhancements

Risk management guidelines

We concluded our consultation on risk management guidelines for licensed persons dealing in futures contracts. The guidelines set out a comprehensive risk management framework for futures brokers and will become effective on 25 February 2024.

Takeovers rules

Our proposed amendments to the Codes on Takeovers and Mergers and Share Buy-backs took effect on 29 September after public consultation. They mainly codified existing practices of the Takeovers Executive³ and clarified the Codes where necessary.

Enforcement

We published our consultation conclusions on proposed amendments to enforcement-related provisions of the Securities and Futures Ordinance, which will broaden the scope of the insider dealing provisions⁴.

OTC derivatives

We concluded a joint consultation with the HKMA on proposed amendments to the Clearing Rules⁵ for over-the-counter (OTC) derivative transactions. The amendments were in line with the global interest rate benchmark reform.

Regulatory engagement

International

Our Chief Executive Officer (CEO) Ms Julia Leung and senior executives participated in a meeting of the Board of the International Organization of Securities Commissions (IOSCO) which discussed decentralised finance and private finance. We also hosted the IOSCO Assessment Committee meeting, which progressed its current monitoring reviews about the technological challenges related to effective market surveillance and IOSCO's core principles on the perimeter of regulation and ways to address systemic risks.

Mainland

We visited the CSRC, People's Bank of China, National Administration of Financial Regulation and State Administration of Foreign Exchange in Beijing to discuss further developments of mutual market access schemes. We also visited Guangzhou, Shenzhen and Shanghai to meet with the local bureaux of the CSRC, stock exchanges, futures exchanges and clearing houses there to discuss cross-boundary regulatory cooperation and market development initiatives.

³ This refers to the Executive Director of the SFC's Corporate Finance Division or any delegate of the Executive Director.

⁴ The scope will be broadened to cover insider dealing perpetrated in Hong Kong with respect to overseas-listed securities or their derivatives, as well as insider dealing perpetrated outside of Hong Kong which involves Hong Kong-listed securities or their derivatives.

⁵ The Securities and Futures (OTC Derivative Transactions—Clearing and Record Keeping Obligations and Designation of Central Counterparties) Rules.



Highlights

Sustainability

Corporate sustainability disclosures

The Corporate Reporting Workstream of IOSCO's Sustainable Finance Task Force, co-chaired by our CEO, spearheaded IOSCO's review of the IFRS Sustainability Disclosure Standards published by the International Sustainability Standards Board. The review informed IOSCO's endorsement of those standards in July.

The Green and Sustainable Finance Cross-Agency Steering Group, co-chaired by the SFC and the HKMA, announced its key priorities including establishing world-class regulation through alignment with global standards. The Steering Group also set up a working group⁶ on sustainability disclosures to advance the development of a comprehensive Hong Kong roadmap on adopting the IFRS Sustainability Disclosure Standards as appropriate.

Communications

Virtual asset-related outreach

Our ongoing outreach and investor education efforts helped market participants better understand the new licensing regime for VATPs and reminded the public of the risks of trading on unregulated platforms. We used a mix of channels, including a media briefing, a televised interview, meetings with industry associations, as well as participation in conferences and seminars.

Industry outreach

We proactively explained our policy initiatives through industry events and other engagements. Our senior executives spoke at over 15 local and international events on virtual assets, asset management, mutual market access and other topics.

⁶ Co-chaired by the Financial Services and the Treasury Bureau and the SFC.