

# Regulatory Engagement

## Strengthening global regulatory collaboration

We maintain a close working relationship with our regulatory counterparts to develop global policy initiatives and promote international cooperation and capacity building.

### IOSCO and FSB

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 and the Committee on Enforcement and the Exchange of Information<sup>1</sup>. During the quarter, we participated in meetings of the Committee on Emerging Risks, the Assessment Committee, Fintech Task Force, Sustainable Finance Task Force, and the Financial Stability Engagement Group.

In September, our Chief Executive Officer Ms Julia Leung and senior executives participated in a meeting of the IOSCO Board to discuss decentralised finance and private finance. In the same month, we hosted the IOSCO Assessment Committee meeting which discussed the importance of implementation monitoring in areas such as sustainability reporting and crypto assets. The Committee also progressed its current reviews about the technological challenges related to effective market surveillance and IOSCO's core Principles 6 and 7, which focus on identifying, monitoring, mitigating and managing systemic risks, as well as reviewing the regulatory perimeter.



IOSCO Assessment Committee meeting in Hong Kong

Ms Christina Choi, our Executive Director of Investment Products, is serving a second term as Chair of the IOSCO's Committee on Investment Management. She also leads the committee's core experts group and co-chairs the Financial Stability Board (FSB) Open-Ended Funds Working Group. During the quarter, IOSCO published a consultation report on proposed guidance for anti-dilution liquidity management tools. FSB also published a consultation report on revisions to its 2017 policy recommendations to address structural vulnerabilities from liquidity mismatch in open-ended funds. In July, IOSCO and FSB jointly organised a launch event for these reports, which was attended by over 300 market participants from around the world.

During the quarter, Mr Rico Leung, our Executive Director of Supervision of Markets, and other SFC representatives participated in a meeting of the FSB Standing Committee on Standards Implementation to discuss its 2024 work priorities.

### Other work

In July, we hosted a visit by the representatives of the Takeovers Regulation Panel of South Africa. During the visit, the two sides shared experiences and exchanged views on supervising takeovers in the two jurisdictions.

## Advancing Mainland-Hong Kong cooperation

During the quarter, we continued to work closely with our Mainland counterparts and relevant authorities to push forward various cooperation initiatives.

In July, we visited China Securities Regulatory Commission (CSRC), People's Bank of China, National Administration of Financial Regulation (NAFR) and State Administration of Foreign Exchange in Beijing to discuss further development of various mutual market access schemes, including ETF<sup>2</sup> Connect expansion, inclusion of REITs<sup>3</sup> under Stock Connect, and enhancements to the Mutual Recognition of Funds arrangement and the Cross-boundary Wealth Management Connect (WMC) pilot scheme.

<sup>1</sup> Mr Kenneth Lai, Director of Enforcement, is Vice-Chair.

<sup>2</sup> Exchange-traded funds.

<sup>3</sup> Real estate investment trusts.

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In September, enhancements to the WMC pilot scheme<sup>4</sup> were jointly announced by relevant authorities and financial regulators of the Mainland, Hong Kong and Macao. Implementation details are being formulated to roll out the enhancements as soon as practicable.

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.

In addition, we received delegations of the Shenzhen Stock Exchange, Beijing Stock Exchange, Guangzhou Futures Exchange and China Association for Public Companies, who discussed with us the coordinated development of Mainland and Hong Kong securities and futures markets.

In July, we had bilateral meetings with the CSRC and NAFR to exchange supervisory information of licensed firms whose parents are regulated by the CSRC or NAFR.

During the quarter, our Enforcement Division continued to maintain close cooperation with the Enforcement Bureau of the CSRC. In addition to providing mutual assistance in significant cases, the two enforcement units actively discussed and formulated the operating mechanism for cross-boundary enforcement cooperation. This is pursuant to the memorandum of understanding signed in February 2023 regarding the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (MoU). The implementation of the MoU provisions will improve the efficiency of information exchange in enforcement cooperation and reinforce our joint efforts to combat cross-boundary securities violations.

We also actively discussed and comprehensively optimised some key processes in handling requests for investigatory assistance. Significant improvement is expected in the accuracy and efficiency of handling requests from investigators in both enforcement units.



CEO visit to Shenzhen Stock Exchange (left: President of Shenzhen Stock Exchange Ms Sha Yan)



CEO visit to Shanghai Stock Exchange (left: President of Shanghai Stock Exchange Mr Cai Jianchun)

<sup>4</sup> See Products on pages 12-15.