

# Highlights

## Listing regulation

### Gatekeeping listing applications

For 2023, we processed a total of 270 listing applications, including 153 new applications. In the quarter ended 31 December, we processed 18 new listing applications, including one from a company seeking listing by way of a de-SPAC transaction<sup>1</sup>, one from specialist technology company and one from pre-profit biotech company.

### Corporate conduct review

In the quarter, we issued section 179 directions<sup>2</sup> to request information from six issuers, as part of our ongoing review of corporate disclosures.

### Listing market development

After the SFC approved relevant rule amendments, the Stock Exchange of Hong Kong Limited (SEHK) concluded its consultation on



Processed  
**153**  
New listing applications in 2023  
18 in last quarter

GEM listing reforms. A new alternative route for GEM admission and a streamlined mechanism for transfer to Main Board are introduced. Besides, SEHK added the main markets of the Saudi Exchange and the Indonesia Stock Exchange as recognised stock exchanges after consulting the SFC.

<sup>1</sup> A special purpose acquisition company (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.

<sup>2</sup> 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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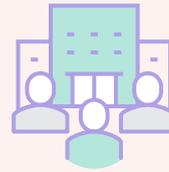
### Intermediaries

#### Increase in licensing applications

We received around 7,200 licence applications in 2023<sup>3</sup>, up by 16% from 2022, in which those for Type 9 licences increased 9%. In the quarter ended December, we received 1,581 licence applications, up 8% year-on-year. Six virtual asset trading platforms (VATPs) applied for a corporate licence.

#### Supervision

We inspected 52 licensed corporations on site to review their compliance with regulatory requirements.



Licence applications  
up **16%**  
in 2023

### Virtual assets (VA) and tokenisation

#### Guidance on VA activities, VA products and tokenisation

We refined our VA regulatory regime by enabling retail investors to access VA dealing and advisory services provided by SFC-regulated intermediaries. We further set out our requirements for intermediaries involved in distributing investment products with exposure to VAs.

We also guided the industry on tokenised securities-related activities and tokenisation of SFC-authorized investment products, to support the industry to experiment with tokenisation with greater certainty. In addition, we provided guidance on authorising investment funds with VA exposure of more than 10% of their net asset value for public offering in Hong Kong, including VA spot exchange-traded funds (ETFs).

#### Tackling VA-related fraud

To combat suspected fraudulent activities purportedly involving VA in a more timely way, we established a joint working group with the Hong Kong Police Force (Police) in October to enhance collaboration in monitoring and investigating illegal activities involving or purporting to involve VAs or VATPs. As a result of our concerted efforts, the Police expeditiously blocked access to websites of entities involved in suspected VA-related fraud at the SFC's request.

#### Education and alerts

We stepped up our publicity efforts including the launch of an advertising campaign spanning both online and offline channels, in order to alert the public to the risks of trading on unregulated VATPs as well as suspicious trading platforms or investment products related to VA.

<sup>3</sup> Calendar year

## Highlights

### Products

#### New integrated fund platform

The SFC has been working closely with Hong Kong Exchanges and Clearing Limited (HKEX) and related parties to set up an integrated fund platform for distributing retail funds. This platform is expected to drive business opportunities, increase participation and promote investor access to Hong Kong's retail fund market.

#### World's largest Saudi ETF authorised

We authorised Asia's first and the world's largest ETF investing in Saudi Arabian listed stocks. Tracking the FTSE Saudi Arabia Index, the ETF was listed on SEHK in November 2023 and provides investors with equity market exposure to Saudi Arabia.

#### Increase in net fund inflows into Hong Kong-domiciled funds

As at 31 December, assets under management of Hong Kong-domiciled funds increased 4.7% from the previous quarter and 4.9% from a year ago to \$1,353.7 billion (US\$173 billion). Net fund inflows of about \$33.5 billion (US\$4.3 billion) were recorded in the quarter, up 179.0% from



**Authorised Asia's  
1<sup>st</sup> & world's largest ETF  
in Saudi stocks**

the previous quarter. In 2023, net fund inflows amounted to \$87.1 billion (US\$11.1 billion), up 92.9% year-on-year.

#### Product authorisations and registrations

During the quarter, we authorised 32 unit trusts and mutual funds (including 15 Hong Kong-domiciled funds) and 66 unlisted structured investment products for public offering in Hong Kong. As at 31 December, 244 open-ended fund companies were registered, up by 118% year-on-year. 57 were newly registered in the quarter.

### Markets

#### China treasury bond futures

The SFC announced the upcoming launch of China treasury bond futures contracts in Hong Kong. This important risk management tool can facilitate further participation by offshore

institutional investors in the Mainland treasury bond market. We are working closely with HKEX on its launch.

#### Stock Connect net buys in 2023

Stock Connect continued to account for an important share of stock market turnover. In 2023, daily turnover was up 8% for northbound (NB) trading and stable for southbound (SB) trading compared to 2022. Their shares of Mainland and Hong Kong stock market turnover both increased. Both NB and SB trading recorded net buys in 2023.



**Shares of Stock Connect  
trading in both Mainland  
and HK stock market  
turnovers**

## Highlights

### Enforcement

#### Disciplinary actions

We disciplined three corporations and four individuals during the quarter, resulting in total fines of \$9 million.

#### Market surveillance

We made 1,256 requests for trading and account records triggered by untoward price and turnover movements.

#### Tripartite operation with ICAC and AFRC

We conducted the first tripartite operation with the Independent Commission Against Corruption (ICAC) and the Accounting and Financial Reporting Council (AFRC) against two Hong Kong-listed companies on suspected fictitious corporate transactions totalling \$193 million. The investigations are ongoing.

### Regulatory enhancements

#### Consulting on market sounding guidelines

We launched a consultation on proposed guidelines for market soundings. They aim to guide intermediaries in their compliance with the general principle to conduct their business activities honestly, fairly and in the best interests of their clients and the integrity of the market during market soundings.

#### Enhancing position limit regime

The enhanced position limit regime took effect. The amendments aim to clarify regulatory requirements related to funds, facilitate compliance and provide more flexibility to the market. We also published an FAQ and updated the related guidance note to help market participants understand the enhancements.

#### Consulting on uncertificated securities market (USM) regime

We launched a consultation on the proposed amendments to the code and guidelines for approved securities registrars under the USM environment. We aim to publish a consultation conclusion paper in the first quarter of 2024.

#### Amending clearing rules for OTC derivatives

With the legislative process completed for our proposed amendments to the Clearing Rules for the over-the-counter (OTC) derivative transactions, they will take effect on 1 July 2024. The amendments are in line with the global interest rate benchmark reform.

## Highlights

### Regulatory enhancement

#### International work at IOSCO

Our Chief Executive Officer Ms Julia Leung and senior executives participated in a meeting of the IOSCO<sup>4</sup> Board in Madrid, Spain. Members discussed and reached decisions on issues around sustainable finance, digital assets, financial stability, and retail investor protection. We also participated in meetings of the IOSCO Committee on Emerging Risks, Fintech Task Force, Sustainable Finance Task Force and Financial Stability Engagement Group during the quarter.

#### Cooperation with Mainland

We reached consensus with the China Securities Regulatory Commission on further enhancing the Mainland-Hong Kong mutual market access schemes at the 14th high-level meeting in Tianjin. We also agreed to further explore new initiatives to promote healthy capital market development. In addition, we joined the Hong Kong delegation to the third Belt and Road Forum for International Cooperation in Beijing.

### Sustainability

#### Advancing corporate sustainability disclosures

The Green and Sustainable Finance Cross-Agency Steering Group, co-chaired by the SFC and the Hong Kong Monetary Authority (HKMA), set up a new working group<sup>5</sup> on sustainability disclosures to advance the development of a comprehensive Hong Kong roadmap on adopting the IFRS Sustainability Disclosure Standards as appropriate. In support of this work, the SFC held its inaugural Forum on Sustainability Disclosures, which was attended by over 200 industry leaders and policymakers.

#### Supporting voluntary code for ratings and data product providers

To promote the IOSCO recommended best practices for ESG<sup>6</sup> ratings and data product providers<sup>7</sup> in Hong Kong, we support and sponsor the development of a voluntary code of conduct for these providers via an industry-led working group. The SFC sits as one of the observers to the working group.

<sup>4</sup> International Organization of Securities Commissions.

<sup>5</sup> Co-chaired by the Financial Services and the Treasury Bureau and the SFC.

<sup>6</sup> Environmental, social and governance.

<sup>7</sup> IOSCO's Final Report on Environmental, Social and Governance Ratings and Data Product Providers (November 2021).

### Communications

#### Enhancing information transparency

To disseminate information in a clear, transparent and timely manner, we enhanced the SFC website to consolidate all investor alerts and make them more easily accessible. In addition, we informed the public of updates to the Alert List through press releases and social media posts. Five suspicious virtual asset trading platforms and seven suspicious investment products were added to the Alert List.

#### Investor education campaign in motion

To raise the public's awareness towards financial scams and investment risks, we launched an

advertising campaign on multiple channels – radio, buses and online banners. We launched the SFC's official YouTube channel in October to broaden our reach to the public. We also supported the anti-scam carnival organised by the Police's Anti-Deception Coordination Centre.

#### Reaching out to financial industry

We co-hosted the "Conversations with Global Investors" seminar with the HKMA and the Hong Kong Academy of Finance. The seminar featured leading investors in panel sessions and was attended by 300 global and local public and private-sector leaders.