

Regulatory Engagement

Stepping up global regulatory collaboration

IOSCO

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. During the quarter, our Director of Enforcement Mr Kenneth Lai was appointed a member of the IOSCO MMoU¹ Monitoring Group Steering Committee for 2023-24.

In October, our Chief Executive Officer Ms Julia Leung and senior executives participated in a meeting of the IOSCO Board in Madrid, Spain. Members discussed and reached decisions on issues around sustainable finance, crypto and 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.

Ms Christina Choi, our Executive Director of Investment Products, is serving a second term as Chair of the Committee on Investment Management, and leads the committee's core expert group. The group helped prepare the final Guidance on Anti-dilution Liquidity Management Tools to effectively implement the Recommendations for Liquidity Risk Management for Collective Investment Schemes, published in December.

In addition, we hosted a three-day event for IOSCO's Committee on Investment Management during the quarter. It was attended by over 30 representatives from IOSCO members. Two roundtables on valuation were held with academics, auditors and fund industry participants to discuss how asset managers may deal with valuation uncertainty, as well as related industry practices and recent market developments. These were followed by meetings of committee members to discuss the IOSCO report on liquidity management tools for open-ended funds and the workplan.



Meeting of IOSCO's Committee on Investment Management in Hong Kong

As a core member of the Steering Group for the Fintech Taskforce of IOSCO, we took an active part in drafting the IOSCO Policy Recommendations for Crypto and Digital Asset Markets and the IOSCO Policy Recommendations for Decentralized Finance. The two documents were published in November and December respectively.

To enhance regulatory cooperation, our Director of Licensing and Head of Fintech unit Ms Elizabeth Wong discussed policy developments in crypto-assets at an IOSCO-FSI² conference on securities trading issues and market infrastructure. She also spoke on virtual asset regulation at a PIFS³-IOSCO Virtual Seminar for Senior Securities Regulators.

FSB

Ms Christina Choi also co-chairs the Open-ended Funds Working Group under the Financial Stability Board (FSB) Standing Committee on Supervisory and Regulatory Cooperation. FSB issued in December its revised policy recommendations to address structural vulnerabilities from liquidity mismatch in open-ended funds.

In November, Mr Rico Leung, our Executive Director of Supervision of Markets, and other senior SFC representatives participated in a meeting of the FSB Regional Consultative Group for Asia held in Hong Kong. The group discussed recent financial market developments and their impact on the region, vulnerabilities arising from non-bank financial intermediation, and promoting effective regulation and supervision of crypto-asset related risks.

¹ Multilateral Memorandum of Understanding.

² Financial Stability Institute.

³ The Program on International Financial Systems.

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During the quarter, Mr Leung and SFC representatives also participated in a meeting of the FSB Standing Committee on Standards Implementation to discuss the progress on country and thematic peer reviews.

Supervisory colleges

To maintain effective supervision of global systemically important financial institutions, we actively participated in supervisory colleges held in London and New York to share intelligence and exchange views with other global regulators regarding the business, conduct and financial risks and issues of these firms.

Advancing Mainland-Hong Kong cooperation

In December, we held the 14th regulatory high-level meeting with the China Securities Regulatory Commission (CSRC) in Tianjin to discuss the latest development of the capital markets, recent achievements in cross-boundary regulatory 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 and Wealth Management Connect. We also agreed to further explore new initiatives to promote the healthy development of the Mainland and Hong Kong capital markets.

In November, Ms Julia Leung spoke at the 2023 Financial Street Forum to introduce Hong Kong's listing regime, post-listing regulation and enforcement action, as well as the regulatory reforms launched by the SFC in recent years.

During the quarter, we visited the CSRC, National Administration of Financial Regulation and State Administration of Foreign Exchange in Beijing to exchange views on the latest economic and market conditions. We also discussed the development of various mutual market access schemes, including enhancements to ETF Connect, inclusion of real estate investment trusts under Stock Connect and expansion of the Cross-boundary Wealth Management Connect pilot scheme. In addition, we joined the Hong Kong delegation to the third Belt and Road Forum for International Cooperation held in Beijing in October.

In November, we held the 15th regular high-level meeting on enforcement cooperation with the CSRC in Chengdu. During the meeting, in addition to exchanging views on enforcement priorities, trends and progress and taking stock of successful outcomes in enforcement cooperation this year, we had in-depth discussions on enhancing coordination and cooperation mechanisms to more effectively combat cross-boundary securities crimes and misconduct. We also shared investigation progress on important cases involving cross-boundary investigatory assistance to facilitate cooperation on work related to anti-money laundering. Also, senior representatives of the SFC, the CSRC, the Economic Crime Investigation Department of the Mainland Ministry of Public Security and the Commercial Crime Bureau of the Hong Kong Police Force met to discuss strengthening law enforcement cooperation against securities and economic crimes under respective legal remits.



The 14th Mainland and Hong Kong Regulatory High-level Meeting

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At the same time, we held a three-day joint enforcement training event with the CSRC, which marked the first in-person joint training since the pandemic. The training was attended by more than 50 enforcement officers from the SFC, the Independent Commission Against Corruption, the Hong Kong Police Force and the Accounting and Financial Reporting Council, as well as more than 90 enforcement officers from the CSRC, its regional offices and Mainland public security authorities. The training covered wide-ranging topics, including cross-divisional collaboration on intelligence analysis and investigation, investigative methods and strategies for tackling listed company fraud and disclosure offences, market manipulation and intermediary misconduct.

In November, we held the 15th bilateral regulatory meeting with the Financial Supervisory Commission of Taiwan, China, where views on regulatory development of virtual assets, exchange-traded funds and sustainable finance were exchanged.



The 15th Mainland and Hong Kong high-level meeting on enforcement cooperation and four-party meeting across the boundary