SECURITIES AND FUTURES COMMISSION
證券及期貨事務監察委員會

Quarterly Report
April - June 2026

Contents

This first Quarterly Report of the Securities and Futures Commission for financial year 2026-27 covers the period from 1 April to 30 June 2026.

Highlights

Maintaining market resilience and mitigating serious harm to our markets

Enhancing risk management and supervisory oversight

We completed a thematic review on the account opening practices of selected brokers for Chinese Mainland investors and identified control failures. We also issued a circular to provide guidance covering additional measures on account opening.

To address evolving cybersecurity risks enabled by frontier artificial intelligence (AI) models, we issued a circular reminding licensed corporations and virtual asset trading platforms (VATPs) to maintain robust cybersecurity frameworks.

We concluded the consultation on the Hong Kong investor identification regime for the exchange-traded derivatives market. We also launched a dedicated webpage to support its implementation.

Combatting suspicious activities and investment scams

We issued a press release and social media posts to remind the public to stay vigilant against sophisticated fraudulent schemes that exploit the name of the Investor Compensation Fund (ICF).

Alerting the public against fraudulent schemes exploiting ICF's name

We added two entities to the Alert List for Suspicious Virtual Asset Trading Platforms, and two unlicensed entities to the Unlicensed Entities Alert List.

To caution the public against latest investment scam tactics, we spoke at a press briefing hosted by the Hong Kong Police Force (Police) in April.

Commission Secretary and Chief Governance Officer Mr Paul Yeung (first right) shared anti-scam tips at a press briefing hosted by the Police

The SFC's official account on Rednote was also launched to enhance our public education efforts.

We collaborated with 16 other IOSCO[1] members during the "Global Week of Action Against Unlawful Finfluencers" in April to demonstrate our commitment to combatting unlawful activities of financial influencers.

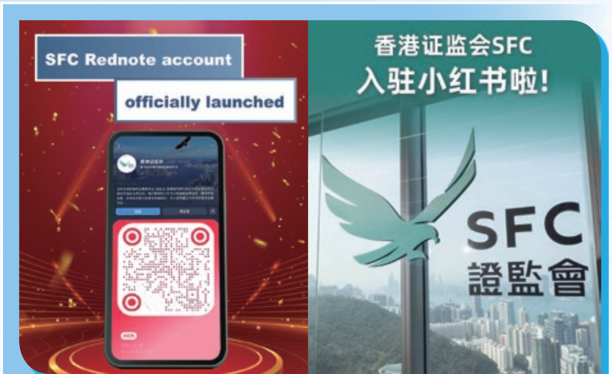
Cracking down on different misconduct

For the first time, the auditor of a defunct company is providing compensation to independent minority shareholders harmed by false and misleading financial statements. We reached an agreement with the auditor for it to set aside $1 billion to compensate eligible independent minority shareholders.

1st agreement reached with auditor for compensation

We fined two licensed corporations (LCs) for a total of $4.5 million and disciplined two individuals by suspending their licences or prohibiting them from re-entering the industry for periods ranging from eight months to life.

We initiated 12 new enquiries into listed company affairs and 48 new investigations into different forms of misconduct.



Launching the SFC's official account on Rednote

1 International Organization of Securities Commissions.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

Developing Hong Kong as a premier listing platform

The past quarter saw 47 new listings, raising about $100 billion in total, up 12% year-on-year (YoY). Nine A-share listed companies raised over $50 billion from their H-share listings. There were 559 active listing applications as at end-June, up 180% from last year.

47 new listings

$100 billion raised in this quarter

559 active listing applications as at end June

Since the launch of the Technology Enterprises Channel in May 2025, 130 applications were received from pre-profit biotech companies and 102 from specialist technology companies up to June. During the quarter, the listings of 15 specialist technology and biotech companies raised $18 billion, up 420% from the same period in 2025.

During the quarter, we processed 678 listing applications, of which 186 were new listing applications. We took an average of 28 business days to clear the applications.

Hong Kong as super-connector and offshore RMB hub

With the Mainland authorities' support, we approved the launch of Five-Year China Government Bond Futures, marking a milestone in advancing RMB internationalisation. Trading commenced in August[2].

During the first half, Stock Connect saw cumulative southbound (SB) net inflows of $301 billion, marking the longest streak of net inflows (ie, 34 months) on record. Daily SB trading accounted for 21.8% of Hong Kong market turnover.

Under Swap Connect, the aggregate notional amount of executed RMB interest rate swap transactions has surpassed RMB13.3 trillion. During the quarter, the average daily turnover reached RMB28.4 billion, up about 50% YoY.

Bolstering asset and wealth management hub

We revised our regulatory framework for listed structured funds in June to expand the product scope to include single-stock leveraged and inverse (L&I) products referencing Hong Kong-listed mega-cap stocks. We further enhanced the framework in July[3] to require L&I products with highly dynamic capacity to adopt a flexible leverage structure.

2 Post-reporting period.
3 Post-reporting period.

As at 30 June, the total capitalisation of SFC-authorised exchange-traded funds (ETFs) and L&I products listed on the Stock Exchange of Hong Kong Limited (SEHK) increased 43.1% YoY to $756.3 billion.

ETFs and L&I products

Total market capitalisation

▲ 43.1% YoY

as at 30 June

Average daily turnover

▲ 42.2% YoY

for quarter ending June

Gatekeeping securities industry

We received 2,456[4] licence applications, up 11% from the previous quarter and 9% from a year ago. As at 30 June, the total numbers of licensed corporations and individuals rose 4.9% and 5.3% year-on-year, respectively.

Applications for SFC licences

▲ 9% YoY

Boosting market liquidity and enhancing infrastructure

We have been working with People's Bank of China and the Hong Kong Exchanges and Clearing Limited (HKEX) to allow the acceptance of onshore bonds issued by the Ministry of Finance and Mainland policy banks held under northbound Bond Connect as eligible margin collateral at HKFE Clearing Corporation Limited and the SEHK Options Clearing House Limited.

The Uncertificated Securities Market regime is set to take effect in November following negative vetting at the Legislative Council this quarter. We received six applications to date to become Approved Securities Registrars.

We approved HKEX's proposed rule amendments for Phase 2 of reducing minimum spreads, which was implemented in August. We also continued to work with HKEX on board lot framework enhancements, T+1 settlement and after-hours trading.

Fostering global regulatory collaboration

We signed a memorandum of understanding with the Securities Commission Malaysia in July[5] to expand the scope of products eligible under the mutual recognition of funds and facilitate simplified dual IPO listings.

Our Chief Executive Officer Ms Julia Leung met with the China Securities Regulatory Commission Chairman Mr Wu Qing in June in Shanghai. They discussed enhancements to market connectivity, Hong Kong's support for Mainland capital market opening-up, and strengthening the city's position as an international financial centre.

4 The figure does not include applications for provisional licences.
5 Post-reporting period.

Leading financial market transformation through technology and ESG

Driving digital asset ecosystem development

We published the joint consultation conclusions together with the Financial Services and the Treasury Bureau on regulating virtual asset (VA) advisory and management service providers. We will finalise the legislative proposals for the new regimes covering VA dealing, custody, advisory and management services.

We have licensed a total of 13 VATPs. The total market capitalisation of the 11 VA spot ETFs has increased 55% to US$451 million since launch.

To further develop the product ecosystem, the SFC issued guidance in May to facilitate SFC-authorised funds in using and holding fiat-referenced stablecoins issued under the Stablecoins Ordinance, as well as tokenised deposits.

We issued a circular on the conduct requirements of VATPs and licensed corporations when offering services in HKMA[6]-regulated stablecoins.

Increasing market efficiency through tokenisation

To promote tokenisation for asset management, the SFC launched a framework to pilot secondary trading of tokenised SFC-authorised open-ended funds on SFC-licensed VATPs.

During the quarter, the SFC authorised one retail money market fund and one gold ETF with tokenised classes. Total assets under management (AUM) of 15 tokenised retail products[7] reached $10.3 billion, up 280% from a year ago.

15 tokenised retail products
AUM
$10.3 billion
▲280% YoY

Advancing Hong Kong's leading role in sustainable finance

The Green and Sustainable Finance Cross-Agency Steering Group, co-chaired by the SFC and the HKMA, published its first sector-based operational guide on transition finance for the information and communications technology sector.

Panel discussion at the launch of the first sectoral guidance for transition finance

6 Hong Kong Monetary Authority.
7 These include the introduction of tokenised classes to existing SFC-authorised funds.

Enhancing institutional resilience and operational efficiency

Driving efficiency via technology

To strengthen our regulatory and operational efficiency, AI was deployed to enhance the monitoring and risk assessment of listed companies and improve the detection of potential financial scams. We also established a Data and AI Steering Committee (DASC), chaired by our CEO, Ms Julia Leung, to oversee the SFC's data and AI transformation strategy and governance.

Promoting continuous staff learning

We organised a "Two Sessions" sharing session, which was attended by 250 staff members. Moderated by our Chairman Dr Kelvin Wong, the panel sharing featured four Hong Kong representatives to national bodies, who shared their insights on the National 15th Five-Year Plan.

Chairman Dr Kelvin Wong (third from left) and Executive Director of Supervision of Markets Mr Rico Leung (second from left) with four prominent speakers at the SFC's "Two Sessions" sharing

Upholding effective institutional governance

Ms Elisa Ng was appointed Executive Director (ED) of Investment Products for three years. Ms Lisa Chen was reappointed ED of Legal Services for three years.

Mr Bernard Man, SC, was appointed Non-Executive Director (NED) and Mr Vincent Chan was reappointed NED, both for two years. Mr Victor Dawes, SC, stepped down as NED on 31 July[8].

48 press releases

135 social media posts

Proactive industry communications

During the quarter, our senior executives spoke at over 20 local, Mainland and international conferences on topics including corporate governance, mutual market access and digital assets.

We issued 48 press releases and 135 social media posts to promote public awareness of our work, including policy updates, scam alerts and stakeholder engagement.

Social media posts promote public awareness of the latest market trends and issues

8 Post-reporting period.

Maintaining market resilience and mitigating serious harm to our markets

Resilience is crucial to strengthening our financial markets to withstand volatilities and achieving sustainable growth. We are committed to maintaining high standards of market integrity, resilience and investor protection, thereby reinforcing Hong Kong's status as a leading international financial centre and risk management hub.

Enhancing supervisory oversight and intermediaries' risk management

Stepping up efforts to address account opening lapses

We completed a thematic review on the account opening practices of selected brokers for Chinese Mainland investors and identified control failures, including the acceptance of forged documents during client onboarding, as well as lapses in know-your-client and anti-money laundering controls. We issued a circular in May to provide guidance to the industry, including additional measures on opening accounts for Chinese Mainland investors.

Strengthening measures against AI-enabled cyber threats

In light of evolving cybersecurity risks enabled by frontier artificial intelligence (AI) models, we issued a circular in June to remind licensed corporations (LCs) and licensed virtual asset trading platforms to maintain robust cybersecurity frameworks, covering patching and vulnerability management, detection and monitoring, as well as incident response and recovery. We also highlighted that senior management bears the primary responsibility to maintain cyber resilience and protect client assets.

49 on-site inspections in the quarter

Inspections of licensed corporations

	Quarter ended 30.6.2026	Quarter ended 31.3.2026	QoQ change (%)	Quarter ended 30.6.2025	YoY change (%)
On-site inspections commenced	49	45	8.9	62	-21.0

Managing systemic risks and enhancing regulation

Monitoring market operations to ensure resilience

Amid global market volatility this year, the SFC continues to closely monitor the conditions of the Hong Kong market, which remained resilient with orderly trading and normal operations across various segments. In addition, market trading became more active, with average daily turnover rising 4.6% to $289.5 billion in the second quarter of 2026, up from $276.7 billion in the first quarter.

Enhancing HKEX oversight and risk management

During the quarter, we continued to explore with Hong Kong Exchanges and Clearing Limited (HKEX) the enhancement of settlement infrastructure and available liquid resources, to improve the financial and operational resilience of clearing houses.

Extending investor identification regime to exchange-traded derivatives market

In June, we concluded our consultation on proposals to implement the Hong Kong investor identification regime for the exchange-traded derivatives market (HKIDR-DM). To support its implementation, we introduced a dedicated HKIDR-DM webpage, which serves as a comprehensive hub for industry-related information and investor education resources. We continue to closely collaborate with HKEX to ensure its systems are fully prepared for rollout.

Combatting suspicious activities and investment scams

Stepping up anti-scam public education

To caution the public against latest investment scam tactics, Commission Secretary and Chief Governance Officer Mr Paul Yeung spoke at a press briefing hosted by the Hong Kong Police Force on promoting anti-scam awareness in April.

Mr Yeung (first right) joined senior representatives from the Anti-Deception Coordination Centre, Hong Kong Monetary Authority and Investor and Financial Education Council to share anti-scam tips at a press briefing

We issued a press release and social media posts in May to remind the investing public to stay highly vigilant against sophisticated fraudulent schemes that exploit the name of the Investor Compensation Fund and target investors who have already suffered losses.

In view of an increase in investment scams that victimise senior citizens, we launched more targeted publicity initiatives. In June, Mr Yeung shared common scam red flags at a radio programme dedicated to the aged. Elderly-focussed anti-scam advertisements were also aired on radio from June to July for expanded awareness. Besides, we spoke at a webinar in April on financial firms' anti-scam measures hosted by the Private Wealth Management Association.

Mr Yeung (left) interviewed at Commercial Radio's programme Elderly Empire

Investor alerts against suspicious entities

As part of the SFC's ongoing efforts in combatting virtual asset (VA)-related fraud, we added two entities to the Alert List for Suspicious Virtual Asset Trading Platforms this quarter to warn the public of suspected VA-related fraud and unlicensed activities.

In May, we added two unlicensed entities, StableStock and HabitTrade, to the Unlicensed Entities Alert List upon receiving over 80 complaints (with no reported loss). Both claimed to offer Hong Kong initial public offering (IPO) subscriptions using stablecoins and/or Hong Kong stock trading services.

Supporting global action to combat unlawful finfluencers

We collaborated with 16 other IOSCO members during the "Global Week of Action Against Unlawful Finfluencers" in April to demonstrate our commitment to combatting unlawful activities of financial influencers (finfluencers). We issued a press release to highlight the SFC's enforcement actions, cooperation with social media platforms, social media surveillance and investor education campaigns aimed at tackling unlawful online financial service promotions.

Combatting misconduct of all forms

We fined two LCs for a total of $4.5 million and disciplined two individuals by suspending their licences or prohibiting them from re-entering the industry for periods ranging from eight months to life.

We adopt a front-loaded approach to combat corporate misconduct, by monitoring listed companies' announcements and disclosures to identify potential misconduct and irregularities. These include behaviour that appeared to be unfairly prejudicial to the interests of shareholders. In 11 cases, we issued section 179 directions to gather additional information during the quarter.

During the quarter, we also initiated 12 new enquiries into listed company affairs under section 179 of the SFO, and 48 new investigations into different forms of misconduct under section 182 of the SFO.

12 new enquiries into listed companies

First-ever auditor compensation for listed company shareholders

For the first time, auditors of a defunct company are providing compensation to independent minority shareholders harmed by false and misleading financial statements. We reached an agreement with PricewaterhouseCoopers Hong Kong (PwC HK), under which it agreed to set aside $1 billion to compensate eligible independent minority shareholders of China Evergrande Group (China Evergrande) for losses arising from materially false and misleading financial statements.

This followed our findings that China Evergrande had manipulated and overstated its annual revenue and profits for fiscal years 2019 and 2020. We also found that there had been serious breaches of auditors' professional duties, including a failure to exercise adequate professional scepticism and acquiescence in China Evergrande management's manipulation of audit samples and site inspections.

The case underscores our view that auditors are essential gatekeepers of market trust and that failures to uphold audit standards undermine investor confidence and market integrity.

Counteracting insider dealing and market manipulation

Following a 16-day criminal trial, the Eastern Magistrates' Court convicted movie producer Wong Pak Ming, the former chairman and controlling shareholder of Pegasus Entertainment Holdings Limited (Pegasus), of insider dealing in the shares of Pegasus. The Court found that Wong counselled or procured his sister to trade the company's shares ahead of the announcement of his disposal of his controlling stake. Consequently, Wong's sister bought over nine million Pegasus shares and earned profits of more than $1 million. Wong was sentenced to five months' imprisonment and fined $99,720. He was also ordered to pay the SFC's investigation costs. He began serving his custodial sentence after the Court revoked his bail at his own request.

SFC enforcement action over fund misappropriation

The SFC has taken legal action against key figures involved in a fraudulent scheme to misappropriate funds connected with Target Insurance (Holdings) Limited (Target Holdings) and Nerico Brothers Limited (NBL).

Enforcement against Target Holdings' directors

The SFC is seeking a share buy-out order against Ng Yu, the former chairman, executive director and non-executive director of Target Holdings, and disqualification orders against him and 10 other former directors. It is alleged that Ng was a party to a fraudulent scheme to misappropriate more than US$150 million from Target Insurance Company Limited (a subsidiary of Target Holdings) via purported investments placed with NBL. The other respondents were alleged to have been negligent in allowing the funds to be transferred and failed to put in place sufficient safeguards and oversight mechanisms to prevent the loss of the funds.

Disciplinary action against NBL management

We previously revoked NBL's licence for, among other things, misusing a client's funds and knowingly facilitating Ng's misappropriation scheme. We found that NBL's misconduct was directly attributable to the actions of Paul Wan Kai Leung, a former responsible officer, manager-in-charge and director of NBL. Wan also personally breached the SFO by knowingly giving false or misleading answers and explanations in his interviews with the SFC. As a result of his direct involvement in facilitating these breaches, we banned Wan from re-entering the industry for life.

Tackling corporate fraud and related misfeasance

We commenced proceedings in the Court of First Instance (CFI) seeking (i) a compensation order of $14.6 million against Wong Ho Yin, a former director of China Automotive Interior Decoration Holdings Limited and its subsidiary Giant Faith Holdings Limited (Giant Faith), and (ii) disqualification orders against Wong and So Lung Ying, a former general manager of Giant Faith, for alleged breaches of fiduciary duties involving purported fictitious transactions and wrongful payments.

We obtained from the CFI:

- worldwide injunctions over the assets of (a) Lo Kai Bong, the chairman, executive director and controlling shareholder of LET Group Holdings Limited and Summit Ascent Holdings Limited; and (b) Major Success Group Limited (which is wholly owned by Lo), prohibiting them from dealing with assets of up to $146.9 million. The injunctions are intended to preserve assets to satisfy any orders the Court may make at the conclusion of these proceedings;

- disqualification orders ranging from 12 to 33 months against four former directors of China Candy Holdings Limited, namely Li Yuna, Yvonne Hung, Fangus Chu Wai Wa and Ong King Keung, for failing to uncover material overstatements in the company's cash and bank balances in its 2016 interim and annual reports, and for failing to properly scrutinise and follow up on issues identified by external professionals; and

- a two-year disqualification order against Poon Tsz Hang, former financial controller and company secretary of Qunxing Paper Holdings Company Limited (Qunxing), for failing to discharge his duties in overseeing the company's accounting, finance and internal control functions, in connection with a material overstatement of turnover and an understatement of bank borrowings in Qunxing's IPO prospectus and financial statements between 2007 and 2011.

Acting against intermediary misconduct

- We reprimanded and fined XHK Limited (XHK) $2.5 million for regulatory failures in its preparation of financial returns, maintenance of required liquid capital and handling of client and non-client money. XHK made accounting errors in its financial returns submitted to the SFC between 2020 and 2021. It had also transferred up to $206 million of client money from its segregated accounts to its overseas brokers' accounts without client authorisation, among other acts of misconduct.

- We reprimanded and fined Impression Investment Limited (Impression) $2 million for failing to diligently supervise its staff and maintain effective internal controls over staff trading activities. Liu Shan, a former director, and another staff member of Impression engaged in extensive unauthorised personal trading. We prohibited Liu from re-entering the industry for eight months due to his violations including same-day trading and IPO subscriptions alongside funds he managed. We also considered Impression's failures attributable to Liu's neglect.

Enforcement activities

	Quarter ended 30.6.2026	Quarter ended 31.3.2026	QoQ change (%)	Quarter ended 30.6.2025	YoY change (%)
S179[a] inquiries commenced	**12**	5	140.0	14	-14.3
S181[b] inquiries commenced (number of letters sent)	**45 (841)**	38 (967)	-13.0	45 (1,446)	-41.8
S182[c] directions issued	**48**	42	14.3	62	-22.6
Investigations started	**48**	43	11.6	67	-28.4
Investigations completed	**48**	47	2.1	43	11.6
Individuals and corporations charged in criminal proceedings	**0**	0	0.0	0	0.0
Criminal charges laid	**0**	0	0.0	0	0.0
Notices of Proposed Disciplinary Action[d] issued	**3**	7	-57.1	9	-66.7
Notices of Decision[e] issued	**5**	7	-28.6	12	-58.3
Individuals and corporations subject to ongoing civil proceedings[f]	**202**	194	4.1	265	-23.8
Compliance advice letters issued	**56**	72	-22.2	60	-6.7
Cases with search warrants executed	**18**	12	50.0	23	-21.7

a 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 in relation to fraud or other misconduct.
b Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including information identifying the ultimate clients, the particulars and instructions relating to the transactions.
c Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.
d A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.
e A notice which sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.
f As of the last day of the period.

Bolstering surveillance and enhancing cross-boundary enforcement cooperation

Our surveillance of untoward price and turnover movements resulted in 841 requests for trading and account records from intermediaries during the quarter. In addition, we received and assessed 178 notifications from intermediaries regarding suspicious equity and derivative trading.

During the quarter, we identified high shareholding concentration in four listed companies and issued corresponding announcements to alert investors to the potential risks associated with trading in the shares of those companies, which were predominantly held by a limited number of shareholders.

4 **alerts of high shareholding concentration**

We issued restriction notices to seven brokers prohibiting them from dealing with, or processing any withdrawals or transfers of assets held in certain accounts. Issuing the notices was considered necessary to ensure that funds would be available to meet any potential Court order, and desirable in the interests of the investing public or in the public interest.

Enhancing investigatory toolkit

We continued to enhance our investigatory toolkit to support increasingly complex and technology-woven cases. Key initiatives included the continued evaluation and development of next-generation evidence review platforms, strengthening digital evidence handling capabilities, exploring tools for virtual asset tracing, and AI-assisted evidence review. These enhancements aim to empower the case teams to improve the efficiency, accuracy and consistency of evidence processing, review and analysis.

Mainland-related enforcement collaboration

During the quarter, we continued to foster effective enforcement cooperation with the China Securities Regulatory Commission (CSRC). In June, we convened the 17th high-level meeting with the CSRC in Hong Kong to exchange views on enforcement priorities and share experience from recent major cross-boundary cases. Discussions focused on enhancing information exchange and cooperation to tackle cross-boundary securities crimes and misconduct, reinforcing our shared commitment to investor protection and market integrity.

Enhancing the global competitiveness and appeal of Hong Kong capital markets

To strengthen Hong Kong's competitiveness and position as a leading fundraising and asset management hub, we strive to enhance capital market liquidity and efficiency, whilst deepening regulatory cooperation with the Chinese Mainland and global markets.

Enhancing listing market competitiveness and efficiency

Developing Hong Kong as a premier listing platform

Hong Kong's initial public offering (IPO) market remained active during the quarter, with 47 new listings raising about $100 billion in total, up 12% from a year ago. There were 559 active listing applications in the pipeline as at end-June 2026, representing a 180% increase from a year ago, reflecting the city's appeal as a listing venue.

As at end-June, more than 18 Mainland leading enterprises had listed in Hong Kong and raised more than $170 billion in total since the China Securities Regulatory Commission's (CSRC) announcement in April 2024 to further support listings in Hong Kong. They operate in wide-ranging traditional and new-economy sectors.

During the quarter, nine A-share listed companies completed their H-share listings in Hong Kong. They raised over $50 billion in total, of which $23 billion was raised by a leading Mainland enterprise.

559 active listing applications as at end-June 2026

▲ **180%** YoY

The Technology Enterprises Channel (TECH) has gained strong traction in enhancing Hong Kong's appeal as a fund-raising hub for innovative enterprises, with 130 applications from pre-profit biotech companies and 102 from specialist technology companies received from its launch in May 2025 to June 2026. During the quarter, the listings of 15 specialist technology and biotech companies raised $18 billion, up 420% from a year ago.

678 listing applications processed in the quarter

SFC average processing time: **28** business days[1]

1 For the 179 cleared cases of listing applications.

Listing applications and takeovers activities

	Quarter ended 30.6.2026	Quarter ended 31.3.2026	QoQ change (%)	Quarter ended 30.6.2025	YoY change (%)
Listing applications	**186**	192	-3.1	121	53.7
Takeovers and share buy-backs transactions	**117**	75	56.0	117	0.0

Gatekeeping IPO applications

During the quarter, we processed 678 listing applications and cleared 179 of them. 186 of the processed ones were new applications, including 22 from pre-profit biotech companies and 30 from specialist technology companies.

The cleared listing applications took us an average of 28 business days to process. Under the enhanced timeframe for new listing application process, up to end-June, we cleared 313 listing applications received after the SFC-SEHK joint statement in October 2024. A majority (95%[2]) of these applications were cleared within 40 business days.

Attracting overseas firms to list in Hong Kong

An Indonesian-incorporated company completed a secondary listing of Hong Kong Depositary Receipts on the SEHK in June, marking the first Indonesian issuer's listing in Hong Kong. This followed the addition of the Indonesia Stock Exchange to the list of Recognised Stock Exchanges in 2023, through ongoing collaboration between the SFC and SEHK to support secondary listings in Hong Kong.

Strengthening Hong Kong's role as super-connector

Stock Connect inflows remained strong

Southbound (SB) trading has brought around $5.4 trillion of cumulative net inflows into the Hong Kong securities market from the launch of Stock Connect in 2014 to June 2026. These inflows have continued for 34 consecutive months — the longest streak on record. During the first half, SB inflows totalled $301.0 billion whilst the average daily SB trading was $123.1 billion, or 21.8% of turnover in the Hong Kong market (compared to $121.1 billion, or 24.2% of market turnover in 2025). The average daily NB trading was RMB345.3 billion, or 6.4% of turnover in the Mainland market (compared to RMB212.4 billion, or 6.2% of market turnover in 2025).

Stock Connect

1H 2026 Cumulative southbound net inflows

$301 billion

Average daily southbound trading

21.8% of Hong Kong market

2 As noted in the Joint Statement on Enhanced Timeframe for New Listing Application Process dated 18 October 2024, the time taken for the application process may be lengthened where the applicants and their sponsors provided materially incomplete responses or failed to satisfactorily address regulators' comments. In addition, given the recent significant surge in the numbers of new listing applications and applications being processed during the period, the review time for certain applications may have been modestly extended beyond 40 business days, taking into account the quality of relevant applications and the complexity or regulatory issues involved in individual cases.

Update on Mutual Recognition of Funds (MRF)

During the quarter, Hong Kong funds and Mainland funds recorded net redemptions of about RMB6.6 billion and net subscriptions of about RMB1.2 million respectively under the Mainland-Hong Kong MRF scheme.

As at end-June, 39 Mainland funds had been authorised by the SFC and 46 Hong Kong funds approved by the CSRC. Cumulative net subscriptions amounted to about RMB109.2 billion for Hong Kong funds and about RMB657.6 million for Mainland funds as at end-June.

Building offshore RMB and risk management hub

Introducing Five-Year China Government Bond Futures

With the Mainland authorities' support and reflecting the SFC's close collaboration with them in recent years, we approved HKEX's proposal to launch Five-Year China Government Bond (CGB) Futures, which commenced trading in August[3]. This marks a milestone in Hong Kong's drive to advance RMB internationalisation, strengthening its role as an offshore RMB centre and development as a fixed income and currency hub. As international investors continue to steadily increase their holdings in CGBs, particularly via Bond Connect, CGB futures provide them with an effective offshore hedging tool to manage RMB bond risk, whilst facilitating greater participation in the Mainland bond market.

Swap Connect turnover growing further

The trading volume of Swap Connect has grown since its debut in mid-2023, with active participation from both Mainland and overseas investors. As of end-June, 98 overseas investors had participated in the scheme and the aggregate notional amount of executed RMB interest rate swap transactions had surpassed RMB13.3 trillion. During the quarter, the average daily turnover under the scheme reached RMB28.4 billion, up about 50% year-on-year.

As a result of the robust turnover, the SFC and the People's Bank of China (PBoC) approved an increase in the Swap Connect inter-CCP margin limit[4] from RMB4 billion to RMB6 billion to enhance the clearing capacity of Swap Connect, effective early July. To further enrich the product suite under Swap Connect, we are working with the PBoC, OTC Clear and Shanghai Clearing House to include the interbank 7-day fixing depositary institutions repo rate (FDR007) as a reference rate.

HKD-RMB dual counter trading

After Hong Kong's securities market attained the technical capability to accommodate RMB counters under SB Stock Connect, we are working closely with HKEX on the operational arrangements to support the Government's initiative to allow stamp duty on RMB-counter stock transactions to be paid in RMB.

Mainland-Hong Kong MRF scheme – fund flows[a] (RMB million)

	Three months ended 30.6.2026			Three months ended 31.3.2026			Three months ended 30.6.2025		
	Subscription	Redemption	Net subscription/ (redemption)[b]	Subscription	Redemption	Net subscription/ (redemption)[b]	Subscription	Redemption	Net subscription/ (redemption)[b]
Mainland funds	91	90	1	75	96	(22)	21	50	(30)
Hong Kong funds	26,395	32,992	(6,597)	28,197	37,599	(9,402)	12,021	44,132	(32,111)

a Based on data from the State Administration of Foreign Exchange.
b Figures may not add up to total due to rounding.

3 Post-reporting period.
4 The inter-CCP (central counterparty) margin limit aims to manage the overall exposure of cross-boundary transactions.

Reinforcing Hong Kong's position as asset and wealth management hub

Fast-tracking authorisation of simple funds

During the quarter, we authorised 11 FASTrack-eligible funds within the 15-day timeframe[5], reducing the average processing time by more than 50% since the FASTrack was implemented.

Average processing time with FASTrack

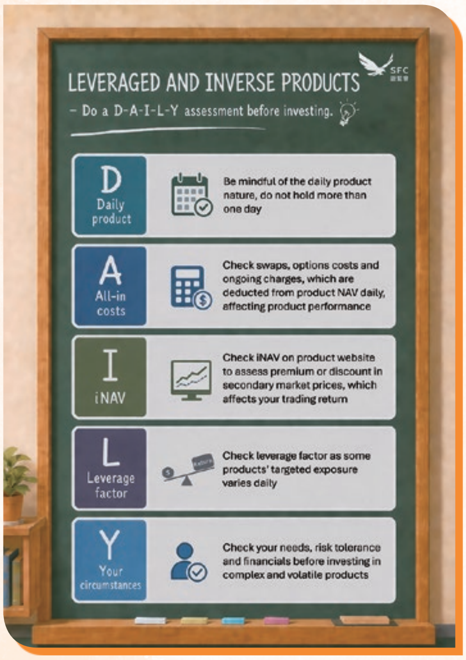
50%+ since launch

Expanding ETF and L&I product markets

To support the continued development of Hong Kong's leveraged and inverse (L&I) products market, we revised our regulatory framework for listed structured funds in June to expand the product scope to include single stock L&I products referencing highly liquid Hong Kong-listed mega-cap stocks. In light of the evolving market environment, we also strengthened investor safeguards and required L&I products with highly dynamic capacity dependent on evolving market conditions to adopt a flexible leverage structure, providing product providers greater flexibility in managing their products while drawing investors' attention to their nature as daily trading instruments.[6]

Educating investors on daily nature of L&I products

To raise investor awareness, we worked with the Investor and Financial Education Council in June to publish investor education posts on its social media platforms, reminding investors about the key risks of single stock L&I products. In July, we issued an infographic themed "D-A-I-L-Y" to provide investors a checklist and urge them to conduct a daily assessment when trading L&I products.[7]



5 Under the Fund Authorisation Simple Track (FASTrack), we pledge a 15-day authorisation timeframe for simple funds from jurisdictions with an MRF arrangement with Hong Kong. These jurisdictions currently include Australia, France, Ireland, Luxembourg, Mainland, Malaysia, the Netherlands, Switzerland, Taiwan China, Thailand, the United Arab Emirates and the UK.
6 Post-reporting period.
7 Post-reporting period.

Authorised ETFs and L&I products

Average daily turnover

42.2%YoY

Total market capitalisation

43.1%YoY

As at end-June, 221 exchange-traded funds (ETFs) and 29 L&I products authorised by the SFC were listed on the Stock Exchange of Hong Kong Limited (SEHK), up 16.8% from a year ago in aggregate. Their total market capitalisation rose 43.1% year-on-year to $756.3 billion (US$97.0 billion).

During the quarter, these ETFs and L&I products recorded net inflows of $144.8 billion (US$2.7 billion) and an average daily turnover of $51.9 billion (US$6.7 billion), representing 17.9% of Hong Kong's stock market turnover. In particular, single stock L&I products showed strong growth, with a market capitalisation of $133.5 billion (US$17.2 billion), increasing 380-fold since launch in March 2025.

As at end-June, 31 ETFs were eligible for SB trading under Stock Connect. During the quarter, SB ETF trading had an average daily turnover of $5.2 billion (US$659.6 million), contributing 6.9% to the total turnover of eligible Hong Kong ETFs.

Hong Kong-domiciled funds' AUM and fund flow surge

As at end-June, there were 1,082 Hong Kong domiciled funds, up 1.5% from the previous quarter and up 9% from a year ago. Their assets under management (AUM) increased 8.6% from the previous quarter and increased 21.6% year-on-year to $2,537.1 billion (US$323.4 billion). Net fund inflows reached about $12.3 billion (US$1.6 billion) in the quarter.

Number of Hong Kong-domiciled funds as at end-June

9%YoY

AUM

21.6%YoY

Authorising investment products

During the quarter, we authorised 39 unit trusts and mutual funds (including 26 Hong Kong-domiciled funds) and 116 unlisted structured investment products (including a new gold-linked investment, the first since 2017) for public offering in Hong Kong.

Sustained growth of open-ended fund companies (OFCs)

As at end-June, there were 752[8] registered OFCs, of which 38 were newly registered during the quarter. The number of registered OFCs increased 29.9% year-on-year.

Number of OFCs

▲29.9% YoY

Driving Integrated Fund Platform (IFP) development

We have been supporting the development of IFP – a new financial infrastructure to facilitate retail fund distribution in Hong Kong. As of end-June, a total of 55 firms (including fund distributors, asset managers and transfer agents) had joined the IFP. Following the launch of the fund repository[9] and the order routing Service[10] in prior phases, we are working closely with HKEX and other parties to implement the platform and nominee services as the next phase, which is expected to be launched in 2026.

SFC-authorised ETFs and L&I products[a,b]

	As at 30.6.2026	As at 31.3.2026	QoQ change (%)	As at 30.6.2025	YoY change (%)
Number of SFC-authorised ETFs and L&I products[c]	250	242	3.3	214	16.8
Market capitalisation[d] ($ billion)	756.3	651.2	16.1	528.5	43.1

	Quarter ended 30.6.2026	Quarter ended 31.3.2026	QoQ change (%)	Quarter ended 30.6.2025	YoY change (%)
Average daily turnover ($ billion)	51.9	45.1	15.1	36.5	42.2
Net fund flow[d] ($ billion) – Net inflow (outflow)	21.1	68.5	N/A	(6.8)	N/A

a Based on data from HKEX.
b The statistics only cover authorised ETFs and L&I products listed and traded on HKEX's securities market.
c Multiple counters of an ETF and L&I product are counted as one product.
d Market capitalisation and fund flow statistics are calculated based on the units/shares of all authorised ETFs and L&I products held in Hong Kong.

8 This figure includes 708 private OFCs.
9 An online database on the IFP providing one-stop access to information on SFC-authorised funds, enabling distributors and investors to easily access and compare fund offerings.
10 This service enhances connectivity between fund distributors and transfer agents on the IFP, improving the process for order placements, including fund subscriptions and redemptions.

ETF Connect – Southbound trading and fund flows of eligible Hong Kong ETFs^

Quarter ended	Number of eligible Hong Kong ETFs as at period end	Market capitalisation as at period end ($ million)	Southbound trading average daily turnover ($ million)	As a % of eligible ETFs' total turnover (%)	Fund inflow/ (outflow) of eligible Hong Kong ETFs ($ million)
30.6.2026	**31**	314,293	5,173	6.9	(17,532)
31.3.2026	**23**	334,810	7,069	9.2	24,325
30.6.2025	**17**	298,365	3,212	5.0	(12,122)

^ Based on data from HKEX.

Authorised collective investment schemes

	As at 30.6.2026	As at 31.3.2026	QoQ change (%)	As at 30.6.2025	YoY change (%)
Unit trusts and mutual funds – Hong Kong domiciled	**1,082**[a,b]	1,066	1.5	993	9.0
Unit trusts and mutual funds – non-Hong Kong domiciled	**1,455**[c]	1,458	-0.2	1,431	1.7
Investment-linked assurance schemes	**318**	319	-0.3	320	-0.6
Pooled retirement funds	**31**	31	0.0	32	-3.1
MPF schemes	**23**	23	0.0	23	0.0
MPF pooled investment funds	**194**	195	-0.5	198	-2.0
Paper gold schemes	**16**	16	0.0	15	6.7
REITs	**11**	11	0.0	11	0.0
Total	**3,130**	3,119	0.4	3,023	3.5

a This figure includes 121 approved pooled investment funds (retail APIFs) which MPFs may invest into and may also be offered to the public in Hong Kong.
b This figure includes 241 Hong Kong-domiciled ETFs and L&I products.
c This figure includes 9 non-Hong Kong-domiciled ETFs and L&I products.

Authorised unlisted structured investment products

	As at 30.6.2026	As at 31.3.2026	QoQ change (%)	As at 30.6.2025	YoY change (%)
Unlisted structured investment products^	504	440	14.5	414	21.7

^ On a "one product per key facts statement" basis, including equity-linked investments and deposits, and gold-linked investments.

Registered OFCs

	As at 30.6.2026	As at 31.3.2026	QoQ change (%)	As at 30.6.2025	YoY change (%)
OFCs	752^	715	5.2	579	29.9

^ This figure includes 708 private OFCs.

SFC-authorised renminbi (RMB) investment products

	As at 30.6.2026
Unlisted products	
Unlisted funds primarily investing in onshore Mainland securities markets[a] or offshore RMB bonds, fixed-income instruments or other securities	61
Unlisted funds (non-RMB denominated) with RMB share classes	531
Paper gold schemes denominated in RMB	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	39
Unlisted structured investment products issued in RMB[b]	503
ILAS with policy currency in RMB	8
Listed products	
ETFs primarily investing in the onshore Mainland securities markets[a] or offshore RMB bonds, fixed-income instruments or other securities	46
ETFs (non-RMB denominated) with RMB trading counters and/or RMB share classes	73
RMB leveraged and inverse products	1
RMB gold ETFs[c]	1
RMB REITs	1

a Refers to onshore Mainland investments made through the Qualified Foreign Investor scheme, Stock Connect, Bond Connect and the China Interbank Bond Market.
b The number is on a "one product per key facts statement" basis.
c Only includes gold ETFs denominated in RMB.

Authorised unit trusts and mutual funds domiciled in Hong Kong – fund flows by type[a] (US$ million)

For the quarter ending June, Hong Kong-domiciled funds reported overall net inflows of $12.3 billion (US$1.6 billion), which was primarily attributed to equity funds and money market funds.

	Three months ended 30.6.2026			Three months ended 31.3.2026			Three months ended 30.6.2025		
	Subscription	Redemption	Net subscription/ (redemption)[b]	Subscription	Redemption	Net subscription/ (redemption)[b]	Subscription	Redemption	Net subscription/ (redemption)[b]
Bond	3,389	6,229	(2,840)	5,465	7,894	(2,429)	5,427	9,082	(3,655)
Equity	12,269	9,000	3,269	12,124	7,619	4,505	4,033	4,331	(298)
Mixed	6,497	5,513	984	6,331	3,338	2,994	1,823	2,208	(385)
Money market	91,968	93,503	(1,535)	85,839	84,495	1,344	72,877	59,385	13,491
Feeder funds[c]	15	7	8	20	11	9	2	16	(15)
Index[d]	38,233	37,213	1,020	45,884	40,194	5,690	34,228	35,603	(1,375)
Guaranteed	0	1	(1)	0	2	(2)	0	1	(1)
Commodity and virtual asset	840	171	670	409	84	325	215	240	(26)
Total[b]	153,211	151,637	1,574[e]	156,071	143,636	12,435	118,605	110,867	7,737

a Based on data reported by funds domiciled in Hong Kong.
b Figures may not add up to total due to rounding.
c The subscription and redemption amount of feeder funds whose master funds are authorised by the SFC have been excluded to better reflect the total fund flows.
d Including equity and fixed income index tracking funds, ETFs and L&I products.
e This figure includes net fund outflows of $8.2 billion (US$1.0 billion) reported by retail approved pooled investment funds which MPFs may invest in and may also be offered to the public in Hong Kong.

Unit trusts and mutual funds authorisation – processing time by fund application streams

	Three months ended 30.6.2026	
Fund application streams^	No. of funds authorised during the quarter	Processing time
FASTrack	11	11.45 business days (ie, 0.57 month)
Standard	17	1.38 months
Non-standard	11	2.23 months
Total	39	

^ New fund applications are processed under three different application streams. The SFC aims to grant authorisation for application, if successful, within the following target timeframe for the respective application streams: (i) FASTrack: within 15 business days; (ii) Standard: within 1-2 months; and (iii) Non-standard: within 2-3 months.

Gatekeeping securities industry

Increasing number of licensees under SFO

During the quarter, we received 2,456[11] licence applications, including 2,371 individuals and 85 corporations, up 11% from the previous quarter and 9% year-on-year.

As at end-June, there were 51,733 licensees and registrants, including 3,517 licensed corporations (LCs), 48,106 individuals and 110 registered institutions (RIs). During the quarter, the number of new licensees and registrants totalled 3,797[12], comprising 3,730 individuals, and 67 LCs and RIs.

Amongst the LCs approved during the quarter, Type 9 (asset management) regulated activity[13] (RA) accounted for 85% and Type 4 (advising on securities) RA for 71%. Compared to end-March, the number of firms licensed for Type 9 RA increased by 47 (or 2%) to 2,454.

2,456 new licence applications received

▲ **9%** YoY

Licensees and registrants under the SFO

	As at 30.6.2026	As at 31.3.2026	QoQ change (%)	As at 30.6.2025	YoY change (%)
Licensed corporations	3,517	3,470	1.4	3,353	4.9
Registered institutions	110	109	0.9	108	1.9
Licensed individuals	48,106	47,454	1.4	45,690	5.3
Total	51,733	51,033	1.4	49,151	5.3

Licensing applications under the SFO

	Quarter ended 30.6.2026	Quarter ended 31.3.2026	QoQ change (%)	Quarter ended 30.6.2025	YoY change (%)
Applications to conduct new regulated activity	7,692	6,904	11.4	6,678	15.2
Applications for SFC licences^	2,456	2,203	11.5	2,246	9.3

^ Figures do not include applications for provisional licences. During the quarter, we received 1,295 provisional licence applications compared with 1,037 in the same quarter last year.

11 The figure does not include applications for provisional licences.
12 Including provisional licensed representatives.
13 Each licensed corporation may have multiple RA licences.

Boosting market efficiency and enhancing infrastructure

Expanding the use of CGB as collateral

We have been working with the PBoC and HKEX to allow the acceptance of onshore bonds issued by the Ministry of Finance and Mainland policy banks held under northbound Bond Connect (Bond Connect bonds) as eligible margin collateral at HKFE Clearing Corporation Limited (HKCC) and the SEHK Options Clearing House Limited (SEOCH). HKCC and SEOCH are also working to accept offshore bonds issued by the Ministry of Finance as eligible margin collateral. Both initiatives are targeted for launch by end-2026.

Preparing to launch Uncertificated Securities Market (USM) regime

With the Legislative Council's negative vetting process having ended during the quarter, the USM regime is now set to be implemented on 16 November 2026.

Under the USM regime, prescribed securities that are first listed after the USM launch date will have to be participating securities for the USM from the time of listing. For prescribed securities that are already listed, they will have to become participating securities within a five-year transition period. Once securities become participating securities, they may be held and transferred electronically. There will also be restrictions on the issue of new certificates and use of paper instruments of transfer. Issuers of prescribed securities will need to ensure that the register of holders of their prescribed securities is kept and maintained by an approved securities registrar (ASR) at all times. To date, six share registrars have applied to become ASRs, and the SFC is now at an advanced stage of reviewing these applications.

Over 3,500 market participants joined four seminars and discussion panels on new USM regime

USM launch date

16 November 2026

To enhance awareness and understanding of the USM regime and its implications for different market participants, we have stepped up our education and publicity efforts. During the quarter, we explained the features of the new regime and its implications for investors at a radio interview. In addition, we reached out to over 3,500 market participants in four seminars and discussion panels. We continued to enrich our dedicated USM webpage. We also issued a detailed guidance note for issuers explaining their obligations under the USM regime, and expanding on the changes needed to their articles or other terms of issue.

Executive Director of Supervision of Markets Mr Rico Leung (middle) interviewed on Commercial Radio

Updating OTC derivatives regime

The SFC and Hong Kong Monetary Authority's joint consultation on standardising the calculation periods under Hong Kong's over-the-counter (OTC) mandatory clearing regime received broad support and was published in June 2026. The proposal provides greater regulatory certainty to derivative dealers in identifying future calculation periods to ensure compliance with the Securities and Futures (OTC Derivative Transactions – Clearing and Record Keeping Obligations and Designation of Central Counterparties) Rules. The proposed amendments will be subject to legislative process for implementation in March 2027.

Reducing minimum spreads

The SFC has observed HKEX's Phase 1 implementation of minimum spread reduction since August 2025. In light of the favourable results, we had approved HKEX's proposed rule amendments for Phase 2. In August, Phase 2 was implemented, reducing the minimum spread by 50% for eligible securities priced between $0.50 and $10 and further lowering trading costs.

Enhancing board lot framework

In June, HKEX concluded its consultation on enhancing the board lot framework and will proceed with the proposals in phases, including standardising board lot sizes to eight, reducing the value floor and introducing a value ceiling. We will continue to work closely with HKEX on its implementation.

In parallel, taking into account the SFC's comments, HKEX plans to enhance the odd lot trading mechanism by introducing an automatic matching arrangement to improve trading efficiency.

Shortening settlement cycle to T+1

We are in close collaboration with HKEX on reducing Hong Kong's securities settlement cycle from T+2 to T+1. Subsequent to HKEX's public consultation on the proposed T+1 settlement model during the quarter, we continued to oversee HKEX's development of the implementation framework and its efforts to enhance market readiness for transitioning to T+1. HKEX will publish the consultation conclusions in due course.

Lowering HKEX's collateral costs

We received highly positive feedback from market participants after HKEX implemented enhancements to increase the interest rebates for cash collateral and reduce the charges for using non-cash collateral. We are working with HKEX on measures to further improve collateral efficiency and lower the transaction costs.

Developing advanced trading and post-trade platforms

To support the modernisation of market infrastructure, we continued to oversee the developments of HKEX's Orion Derivatives Platform (ODP) and Orion Cash Platform (OCP). During the quarter, we completed a review of the ODP implementation approach and reached a consensus with HKEX on a two-stage migration to the new platform. For OCP, we worked with HKEX to facilitate the rollout of new OCP services and engaged with it on the next stages of development.

After-hours trading enhancement

To improve the accessibility of the derivatives market and strengthen Hong Kong's position as a risk management centre, we approved HKEX's proposals to enable after-hours trading (AHT) for stock index futures and options on trading days that are mutual bank holidays in the US and the UK, shorten the time break between day trading and AHT sessions, and widen the AHT price limits for three major index futures.[14] These enhancements took effect on 20 July.[15]

14 Hang Seng Index futures, Hang Seng China Enterprises Index futures and Hang Seng TECH Index futures.
15 Post-reporting period.

Streamlining introduction and delisting of stock options

To enhance market efficiency, we had ongoing discussions with HKEX on potential streamlining of the processes for introducing and delisting stock options. This will help strengthen the overall competitiveness of the Hong Kong market.

Automated trading services

As of end-June, there were 54 automated trading services (ATS) providers authorised under Part III of the Securities and Futures Ordinance (SFO)[16], whilst 38 corporations, including 10 dark pool operators, were licensed under Part V of the SFO to provide ATS.

Bolstering global regulatory collaboration

Strengthening connectivity with Southeast Asia

Leveraging on the 2009 framework for Hong Kong-Malaysia mutual recognition of Islamic funds, we signed a memorandum of understanding (MoU) with the Securities Commission Malaysia (SC) in July 2026[17] to expand the scope of eligible products under the MRF framework (including non-Islamic ETFs and L&I products, and real estate investment trusts) and facilitate a simplified dual IPO listing framework. This represents a significant step in advancing the connectivity between the two capital markets.

SFC CEO Ms Julia Leung (third from right), with The Honourable Christopher Hui (second from right), Secretary for Financial Services and the Treasury of the HKSAR Government, and SFC Chairman Dr Kelvin Wong (first from right), at the MoU signing ceremony

Following the MoU signing, the two regulators co-hosted industry roundtables on cross-listings of companies and investment products. The roundtables in Kuala Lumpur, Malaysia, were attended by senior executives of the Hong Kong and Malaysian exchanges[18], more than 120 Malaysian industry stakeholders, and a delegation of 33 Hong Kong industry leaders comprising asset managers, market makers and investment bankers.

ATS providers

	As at 30.6.2026	As at 31.3.2026	QoQ change (%)	As at 30.6.2025	YoY change (%)
Under Part III	54	54	0.0	53	1.9
Under Part V	38	38	0.0	37	2.7

16 Under the SFO, two regimes regulate ATS providers. Typically, those that offer facilities similar to those of a traditional exchange or a clearing house are authorised under Part III of the SFO. Intermediaries which provide dealing services with ATS as an added facility are licensed under Part V of the SFO.
17 Post-reporting period.
18 SEHK and Bursa Malaysia Securities Berhad.

CEO Ms Julia Leung (right) and Executive Director of Supervision of Markets Mr Rico Leung (left) at IOSCO Committee 2 Plenary meeting

Leading international standard-setting efforts

We work closely with our overseas regulatory counterparts to develop global regulatory initiatives, contribute to the work of international standard-setting bodies, and enhance international cooperation and capacity building. Our leadership positions within the committees and working groups of the International Organization of Securities Commissions (IOSCO) and the Financial Stability Board (FSB) allow us to shape international policy.

IOSCO

In April, we hosted the plenary meeting of the IOSCO Committee on Regulation of Secondary Markets (Committee 2) in Hong Kong, which focused on significant developments and regulatory responses to an evolving trading environment in secondary markets[19]. Additionally, we hosted a roundtable with industry stakeholders to facilitate the exchange of perspectives on emerging trends and challenges facing global capital markets.

Our Chief Executive Officer (CEO) Ms Julia Leung and senior executives attended the IOSCO Annual Meeting virtually in May to discuss IOSCO's strategic objectives and 2027 workplan. Ms Leung chaired the Asia-Pacific Regional Committee Plenary meeting and presented at the Presidents Committee and SupTech[20] Strategy Group meeting, reinforcing our role in driving international regulatory collaboration.

During the quarter, we also participated in a number of IOSCO meetings including those of the Financial Stability Engagement Group, Financial Stability Coordination Group, Committee on Emerging Risks, and the Monitoring Forum.

As a member of the IOSCO Policy Committee on Investment Management, we co-lead ongoing work on open-ended funds liquidity data, and contribute to the workgroup on emerging investment products and the FSB's money market fund reforms working group for effectiveness reviews. We also actively took part in supporting the publication of IOSCO's final report on valuing collective investment schemes to strengthen global standards for fund valuation, which was released in June.

FSB

Ms Leung attended the FSB Steering Committee meeting in Washington DC, US, in April to discuss enhanced engagement with the FSB Regional Consultative Groups (RCG), the FSB's role in policy implementation, and strategies on crisis preparedness.

Ms Christine Kung, our Senior Director and Head of International Affairs and Sustainable Finance, attended the FSB RCG of Asia meeting in Hanoi, Vietnam, in April. The meeting discussed the 2026 work programme and priority issues for Asia, including regional financial stability vulnerabilities, foreign exchange market strains, cross-border payment fraud and scams, and stablecoin-related risks.

19 These included measures related to extended trading hours, challenges concerning market liquidity and volatility, and ongoing initiatives to strengthen market resilience.
20 Supervisory Technology.

During the quarter, we attended the FSB Standing Committee on Standards Implementation meeting to discuss OTC derivatives implementation monitoring, the peer review on the PBF[21] mechanism and 2027 work priorities.

Regulatory collaboration with the Mainland

During the quarter, we maintained close and effective communications with our Mainland counterparts to further advance various Mainland-related cooperation initiatives.

In June, we met with CSRC Chairman Mr Wu Qing and other financial regulators and senior executives of market trading and clearing houses in Shanghai. We exchanged views on the latest developments in the Mainland and Hong Kong capital markets and enhancements to market connectivity. In addition, we explored how Hong Kong can better support the opening-up of Mainland's capital market and strengthen the city's as an international financial centre.

In June, the annual sharing session between our Legal Services Division and the CSRC's Department of Legal Affairs was held in Shenzhen, which provided a platform for exchanging views on the latest regulatory developments. We also organised visits to the National Financial Regulatory Administration, CSRC, and the PBoC in Beijing, where we discussed a range of regulatory cooperation initiatives, our latest policy measures and other matters concerning Hong Kong-licensed subsidiaries of Mainland-regulated financial institutions.

During the quarter, we received delegations from the Shenzhen Stock Exchange, Shanghai Research Center for Financial Stability and Development, and the Office of the Financial Affairs Committee of the CPC Shenzhen Municipal Committee.

HKSAR Financial Secretary, Mr Paul Chan (left) and CEO Ms Julia Leung (right) met with CSRC Chairman Mr Wu Qing (middle) in Shanghai

Moreover, we continued to support HKSAR Government-led initiatives on Mainland-Hong Kong financial cooperation. In addition to providing input on various cooperation frameworks, we attended the fourth meeting of Shenzhen-Hong Kong Financial Co-operation Committee in Shenzhen to discuss financial cooperation initiatives and explore new proposals to enhance mutual development of the two markets.

Other regulatory engagement

We actively participated in four supervisory colleges held in Zurich, New York and Paris in May and June, to share intelligence and exchange views with other global regulators regarding group strategy, crisis management, and artificial intelligence adoption by global financial institutions. We will continue to engage and collaborate with regulators worldwide to maintain effective supervisory oversight of these firms.

21 Public-sector backstop funding.

Leading financial market transformation through technology and ESG

Innovation and sustainability are essential to solidifying Hong Kong's standing as a leading international financial centre. By advancing the Fintech ecosystem and aligning with global sustainability disclosure standards, we are building robust, future-ready markets that reinforce Hong Kong's role as a global financial hub and a bridge between developed and emerging markets.

Fostering a robust digital asset ecosystem

Enhancing virtual asset regulatory framework

We are working on a suite of new regimes to complete the regulatory framework for Hong Kong's digital asset ecosystem to foster a robust and secure market under Pillar **A** (**A**ccess) of the SFC's **ASPIRe** roadmap.

Together with the Financial Services and the Treasury Bureau (FSTB), the SFC published in May the joint consultation conclusions on the legislative proposal to regulate virtual asset (VA) advisory and management service providers in Hong Kong. Having received broad market support, we will proceed to finalise the legislative proposals for the new regulatory regimes covering VA dealing, custody, advisory and management under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO), aiming to introduce a bill into the Legislative Council in 2026.

Meanwhile, the SFC continued to facilitate participation in the VA market, having licensed 13 virtual asset trading platforms (VATPs) as of end-June. Licence applications from six VATP applicants were under review.

Total of
13 licensed VATPs

Reviewing
6 VATP licence applications

Driving product ecosystem vibrancy

The digital asset product ecosystem continued to advance under Pillar **P** (**P**roducts) of the Roadmap. The total market capitalisation of all 11 ETFs had increased 55% to US$451 million as of end-June since the city's initial launch of VA spot ETFs in 2024. Their average daily turnover since launch stood at US$5.3 million. In addition, three of these ETFs are permitted to engage in staking through licensed VATPs.

11 VA spot ETFs

Market capitalisation

▲ **55%** since launch

To further develop the product ecosystem, the SFC issued guidance in May to facilitate SFC-authorised funds in using and holding fiat-referenced stablecoins issued under the Stablecoins Ordinance, as well as tokenised deposits.

In light of the different nature and risk profile of relevant stablecoins from other virtual assets and to provide regulatory clarity, the SFC published in May a circular on the conduct requirements of VATPs and licensed corporations when providing services in stablecoins regulated by the Hong Kong Monetary Authority (HKMA). The circular clarified how the requirements in the Guidelines for Virtual Asset Trading Platform Operators and the joint circular on intermediaries' VA-related activities apply to licensed VATPs and licensed corporations which conduct activities in HKMA-regulated stablecoins, respectively.

Strengthening relationships

We advanced Pillar **Re** (**Re**lationships) by partnering closely with the digital asset industry. During the quarter, the SFC promoted Fintech development by speaking at more than five panel discussions, roundtables and other events arranged by professional bodies and the industry.

Executive Director of Intermediaries Dr Eric Yip spoke at the Hong Kong Web3 Festival 2026

At the Hong Kong Web3 Festival 2026, Dr Eric Yip, the SFC's Executive Director of Intermediaries, delivered a keynote speech. He highlighted the SFC's focus on completing the legislative process for four VA licensing regimes under AMLO. He also underscored the SFC's efforts to enhance market infrastructure and product frameworks, as well as positioning Hong Kong as a global standard setter through collaboration, technology and responsible innovation.

The SFC co-hosted the "HKMA x SFC Legal Roundtable" in April, convening regulators, legal experts as well as industry participants from technology and banking sectors to discuss the development of tokenised real-world assets in Hong Kong. They exchanged product ideas, observations, and views on key challenges. The SFC highlighted that, while the opportunities from tokenisation are explored, traditional finance structures remain sensible choices for the underlying vehicles, given the proven legal frameworks, investor safeguards, and support from established and regulated intermediaries.

Dr Yip at "HKMA x SFC Legal Roundtable"

The SFC also participated in the Hong Kong Trustees' Association's 35th Anniversary Conference and Cocktail Reception in June. As a panellist, Dr Yip shared the SFC's comprehensive, risk-based digital asset regime that balances innovation with robust investor protection under the "same business, same risks, same rules" principle.

Tokenisation to increase market efficiency

Piloting secondary trading of tokenised products

To further integrate the Web3 ecosystem with the traditional financial markets under Pillar **P** (**P**roducts) of the Roadmap, the SFC launched a new regulatory framework in April to pilot the secondary trading of tokenised SFC-authorised open-ended funds on SFC-licensed VATPs. The measure facilitates 24/7 trading for tokenised products and their further integration with the broader ecosystem through the potential use of regulated stablecoins and tokenised deposits for trading. Enabling investors to react to fast-changing market conditions, the initiative broadens trading venues and reinforces the development of blockchain-enabled financial infrastructure with robust guardrails.

The new framework covers fair pricing, orderly trading, liquidity provision and disclosure. The initial batch of products is expected to focus on tokenised money market funds.

Licensees under the AMLO

	As at 30.6.2026	As at 31.3.2026	QoQ change (%)	As at 30.6.2025	YoY change (%)
Licensed providers	13	12	8.3	11	18.2
Licensed individuals	146	141	3.5	111	31.5
Total	159	153	3.9	122	30.3

Licensing applications under the AMLO

	Quarter ended 30.6.2026	Quarter ended 31.3.2026	QoQ change (%)	Quarter ended 30.6.2025	YoY change (%)
Applications for SFC licences	17	10	70.0	19	-10.5

Supporting progress of Project Ensemble

The SFC has co-led with the HKMA the tokenisation initiatives for the asset management sector since the launch of Project Ensemble in 2024. The results and lessons learnt from the previous tokenisation experiments of the Ensemble Sandbox will be summarised in a report, which is tentatively scheduled for August 2026.

As a key partner and member of the Ensemble Architecture Community, the SFC will maintain close collaboration with the HKMA and the industry to advance the practical applications of tokenisation technology across a diverse range of asset classes, use cases, and sectors within the financial industry.

Expanding tokenised retail products

During the quarter, the SFC authorised one retail money market fund and one gold ETF with tokenised classes, bringing the total number of tokenised retail products to 15 as of end-June[1]. Total assets under management (AUM) of their tokenised classes reached $10.3 billion (US$1.3 billion), slightly down by 5% from end-March and up 280% from a year ago.

15 tokenised retail products

AUM

$10.3 billion

▲**280% YoY**

Advancing Hong Kong's leading role in sustainable finance

During the quarter, we actively contributed to international initiatives[2] and spoke at various public events, including IOSCO's Monitoring Forum on sustainable finance in Madrid, Spain, and the Asian Transition Finance Roundtable at Ecosperity Week in Singapore.

Locally, the SFC co-chairs the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group)[3] with the HKMA and actively participates in all of its working groups.

The Steering Group published its first sector-based operational guide[4] on transition finance for the information and communications technology sector in May. This report offers practical guidance to financial institutions and corporates to operationalise international frameworks and principles for climate transition strategy.

The SFC representative and Steering Group members at the launch of the first sectoral guidance for transition finance

1 These include the introduction of tokenised classes to existing SFC-authorised funds.
2 We are a member of the International Platform on Sustainable Finance, the United Nations Sustainable Stock Exchanges Initiative's Consultative Group, Transition Plans Advisory Group and Small and Medium Enterprises and Sustainability Advisory Group, and an official sector member of the International Transition Plan Network.
3 Established in May 2020, the Steering Group is co-chaired by the SFC and the HKMA. Other members include the Financial Services and the Treasury Bureau, Environment and Ecology Bureau, Insurance Authority, Mandatory Provident Fund Schemes Authority, Accounting and Financial Reporting Council and Hong Kong Exchanges and Clearing Limited.
4 Transition Finance Operational Reference Guide – Phase 1 Report: *Mobilising Finance for the Transition of the Technology Sector.*

Adopting global sustainability disclosure standards

The Steering Group introduced the Transition Plan Disclosure Pilot (Pilot) in April as part of its 2026-2028 Strategic Priorities[5]. In close collaboration with industry participants, the Pilot encourages the development and disclosure of credible, investor-focused climate transition plans aligned with global frameworks, including the TPT[6] framework and ISSB[7] Standards.

During the quarter, we also co-hosted a roundtable with the FSTB on sustainability disclosure standards in Hong Kong. Attended by the ISSB Vice-chair and a board member, Steering Group members and industry participants, the roundtable discussions focused on the progress of ISSB standard-setting and its implementation in Hong Kong.

Gatekeeping ESG funds

During the quarter, we continued to facilitate ESG[8] fund development while rigorously gatekeeping against greenwashing. As at 30 June, there were 179 SFC-authorised ESG funds with total assets under management of $1,206 billion (US$153.7 billion).

5 The Steering Group's 2026-2028 strategic priorities include (I) Strengthen Sustainable Finance and Disclosure Ecosystem; and (II) Develop strengths in Transition and Adaptation finance.
6 Transition Plan Taskforce.
7 International Sustainability Standards Board.
8 Environmental, Social and Governance.

Enhancing institutional resilience and operational efficiency

To foster the stable development of Hong Kong's capital markets, we strive to strengthen our own institutional resilience and operating efficiency. In addition to robust budgeting and internal controls, we are committed to upholding sound corporate governance, enhancing processes as well as stepping up communication and engagement efforts.

Enhancing operations via technology

Ramping up regulatory efficiency with AI

Several generative artificial intelligence (GenAI) initiatives and enhancements were introduced during the quarter to strengthen our regulatory work. To enhance listed company monitoring and risk assessment, we deployed an internal platform leveraging GenAI to automate the extraction and analysis of data from corporate announcements. It enables efficient visualisation of relationships across entities and events, supporting timely identification of emerging risks and follow-up actions.

To detect potential financial scams more effectively, we also enhanced our AI-powered social media monitoring platform, SENSOR. The upgrade expanded monitoring coverage across social media channels, incorporated video content monitoring and introduced capabilities to track financial influencers and potentially fraudulent websites.

We continued to digitalise and automate the operational workflows of our enforcement work, including the promotion of using internal GenAI tools responsibly to support drafting, knowledge retrieval, transcription and evidence review preparation.

More broadly, we enhanced commission-wide daily work efficiency at scale by upgrading our internal GenAI tool with multiple leading large language models. The upgrade has increased reasoning, content generation and problem-solving capabilities of the tool.

To ensure that data and AI initiatives are aligned with the SFC's priorities and adopted responsibly across the organisation, we established the Data and AI Steering Committee to oversee the SFC's data and AI transformation strategy and governance. Also, an internal AI governance framework was implemented to support the safe, transparent and trusted use of AI.

Increasing enforcement and cybersecurity capabilities

To strengthen our enforcement operations, we upgraded our core technology infrastructure to improve case administration, operational reporting, data accessibility and workflow consistency across investigation teams.

Finance

($ million)	Quarter ended 30.6.2026	Quarter ended 31.3.2026	Quarter ended 30.6.2025	YoY change (%)
Income	**1,406**	971	966	45.5
Expenses including depreciation	**583**	580	559	4.3
Surplus	**823**	391	407	>100.0

We also collaborated with a law enforcement agency to conduct a cybersecurity drill and a security assessment, through which we strengthened system security and enhanced inter-organisational collaboration for more effective incident response during cybersecurity events.

Sound financial and resource management

We recorded a surplus of $823 million for the quarter ending June 2026. Our income was $1,406 million, up 44.7% from the previous quarter and 45.5% from the same quarter of 2025.

Income grew significantly due to the higher average daily turnover in the Hong Kong securities market, which increased 18.3% to $258 billion from $218 billion in the same quarter last year. Our investments recorded a net gain of $395 million for the quarter, up from $183 million a year ago, mainly contributed by returns of investments on equity pooled funds.

Our expenditure for the quarter was $583 million, up 4.3% from a year ago.

As of 30 June, our total available for use and liquid reserves stood at $5.7 billion, of which $0.6 billion was allocated to the acquisition of the two additional office floors and future principal bank loan repayments.

As of June, we had 973 staff members, up from 953 a year ago.

Promoting continuous staff learning

We organised a "Two Sessions" sharing session for our staff in April to enhance their understanding of the latest national development policies. In a panel discussion moderated by our Chairman Dr Kelvin Wong, four prominent speakers[1], who serve as members of the Legislative Council (LegCo) and also Hong Kong representatives to national bodies, shared their insights on the Two Sessions[2] concluded in March 2026 and the National 15th Five-Year Plan. They also discussed the implications for Hong Kong's capital markets as well as how the SFC's work can support the national development agenda. About 250 SFC staff members attended the session.

Chairman Dr Kelvin Wong (third from left) and Executive Director of Supervision of Markets Mr Rico Leung (second from left) with four prominent speakers at the SFC's "Two Sessions" sharing session

1 Speakers included Dr Hon Starry Lee, member of the Standing Committee of the National People's Congress (NPC) and LegCo President; Hon Ronick Chan, NPC deputy; Hon Rock Chen, NPC deputy; and Dr Hon Johnny Ng, Chinese People's Political Consultative Conference (CPPCC) member.

2 The "Two Sessions" refer to the fourth annual session of the 14th NPC and the fourth session of the 14th CPPCC National Committee.

Upholding effective institutional governance

Appointment of directors

Ms Elisa Ng Ka-li was appointed Executive Director (ED) of Investment Products for three years, effective 8 June, and Ms Lisa Chen Ping was reappointed ED of Legal Services for three years, effective 22 May.

Mr Bernard Man, SC, was appointed Non-Executive Director (NED) for two years and Mr Vincent Chan Chun-hung was reappointed NED for two years, both effective 1 August. Mr Victor Dawes, SC, stepped down as NED on 31 July after serving for six years[3].

Appointment of regulatory committee members

Comprising a large number of members outside the SFC, our regulatory committees play a crucial role in institutional governance by bringing a wealth of diverse perspectives and professional experience. New appointments and reappointments to the following regulatory committees took effect from 1 April[4]:

- Academic and Accreditation Advisory Committee
- Disciplinary Chair Committee
- Investor Compensation Fund Committee
- Nominations Committee
- Products Advisory Committee
- Public Shareholders Group
- Securities Compensation Fund Committee
- SFC (HKEC Listing) Committee
- Share Registrars' Disciplinary Committee
- Takeovers and Mergers Panel
- Takeovers Appeal Committee

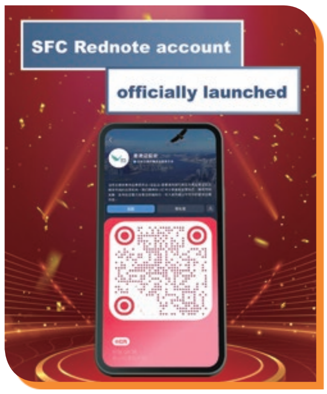
20+ senior executive speaking engagements

Communicating with stakeholders via multiple channels

To facilitate stakeholders' understanding of our work, we issued a variety of updates and publications in different formats.

We released the SFC's *Annual Report 2025-26* in June, to highlight remarkable progress across multiple asset classes over the past year (ending March 2026)—investment funds, digital assets and equities delivered broad-based quality growth to reinforce Hong Kong's status as a leading international financial centre. The report also elaborates the SFC's initiatives to boost investor confidence and support inclusive, sustainable prosperity through a balanced regulatory approach.

The SFC's *Annual Report 2025-26*



Launching the SFC's official account on Rednote

During the quarter, we issued 15 circulars to guide the industry on a wide range of topics, including updates on tokenised investment products, controls for account opening, as well as Anti-Money Laundering/Counter-Financing of Terrorism. We also published the quarterly *Takeovers Bulletin* in June.

3 Post-reporting period.
4 See the SFC's press release of 31 March 2026.

To extend the reach of our regulatory messages to a broader spectrum of Hong Kong investors, we launched the SFC's official account on Rednote (also known as Xiaohongshu) in April. The account received overwhelming responses, attracting over 20,000 followers by end-June.

A total of 135 posts were published on the SFC's social media platforms to promote public awareness of various matters, such as investor alerts, executive speeches and updates on policy initiatives.

48 press releases

135 social media posts

Social media posts promote awareness on a range of topics

Seizing opportunities to articulate regulatory messages to the industry and the public

We keep stakeholders up-to-date on regulatory developments and communicate our initiatives through industry events, publications and a variety of online and physical channels. During the quarter, our senior executives participated as speakers at over 20 local, Mainland and international conferences on wide-ranging topics including corporate governance, mutual market access and digital assets. Additionally, we served as a supporting organisation for five industry events.

Chairman Dr Kelvin Wong spoke at HKIFA 19th Annual Conference

Dr Wong at the HKICPA x IFAC PAIB Conference, hosted by the Hong Kong Institute of Certified Public Accountants and the International Federation of Accountants

At the Hong Kong Investment Funds Association's (HKIFA) 19th Annual Conference, Chairman Dr Kelvin Wong emphasised active stewardship is a core duty for Hong Kong's asset managers and urged a shift of focus from quantity to quality. He called for more active engagement by asset managers to ensure corporate discipline and lasting impact.

Chairman Dr Wong spoke at Caixin Summer Summit 2026 (left) and Investor Day 2026 co-organised by CHKLC and HKIRA

In a keynote speech at the Caixin Summer Summit 2026, Dr Wong highlighted the importance to safeguard market trust and ensure risk management for Hong Kong's financial markets, while continuously driving innovation. At the APEC Workshop on "Promoting Integrity for Economic Prosperity", Dr Wong emphasised that markets with high integrity will create a powerful, self-sustaining virtuous circle, where trust underpins stability, liquidity and economic prosperity.

At the Investor Day 2026 co-organised by the Chamber of Hong Kong Listed Companies (CHKLC) and the Hong Kong Investor Relations Association (HKIRA), Dr Wong highlighted Hong Kong's priority to strengthen its function as a bridge between enterprises and capital amidst rising capital market uncertainties globally. At the Go Global Summit 2026, he elaborated how Chinese technology enterprises can leverage Hong Kong as a high-quality strategic hub to expand globally.

Speaking at the HKICPA × IFAC PAIB Conference, Dr Wong highlighted the importance of aligning Hong Kong's talent pipeline for Professional Accountants in Business (PAIBs) with rapidly changing market demand. In addition, he stressed the importance to uphold governance, integrity and audit excellence in Hong Kong's capital markets at Deloitte's Hong Kong CFO Forum.

Beyond the financial sector, Dr Wong addressed wide-ranging stakeholders across different sectors in the quarter. In particular, he gave keynote speeches at three university conferences^ on the SFC's strategic approaches to supporting digital innovation and Mainland enterprises' global expansion, as well as the challenges of stakeholder governance.

Speaking at the 2026 Lujiazui Forum in Shanghai in June, our CEO Ms Julia Leung highlighted the increasing significance of Hong Kong as the world's premier offshore RMB hub amid heightened geopolitical uncertainty. She anticipated the global demand for RMB assets, particularly China treasury bonds, will continue to grow as investors diversify exposure. She also called for closer cooperation between Shanghai and Hong Kong to strongly support the Nation's high-quality financial opening-up.

CEO Ms Julia Leung spoke at the 2026 Lujiazui Forum in Shanghai

^ Hong Kong Digital Finance Summit 2026 co-hosted by the Hong Kong University of Science and Technology, Tsinghua University, and Caijing Magazine; the HKU Corporate's Going Global Forum; and the Strategic Management Society Special Conference co-hosted with the Hong Kong Polytechnic University.

Executive Director of Intermediaries Dr Eric Yip (left) and Senior Director of Investment Products Ms Alexandra Yeong spoke at a panel discussion at HKIFA's 19th Annual Conference

In a panel discussion at the HKIFA's 19th Annual Conference, Executive Director of Intermediaries Dr Eric Yip shared his views on emerging market trends and investor demand which are reshaping the fund management industry. In the same panel, Senior Director of Investment Products Ms Alexandra Yeong noted that responsible innovation—expanding investor choice across traditional and digital assets—would define the next phase of asset management.

At the Law.com and Lexology Leadership in Law Hong Kong 2026 Conference, Executive Director of Legal Services Ms Lisa Chen reaffirmed the vital role of legal and governance leaders in sustaining the resilience that will protect Hong Kong's institutions in a keynote on emerging risk and the leadership habits that help reduce surprise.

Executive Director of Legal Services Ms Lisa Chen addressed at Law.com and Lexology Leadership in Law Hong Kong 2026 Conference

Publications and other communications

	Quarter ended 30.6.2026
Press releases	48
Policy statements and announcements	0
Consultation papers	0
Consultation conclusions	3
Industry-related publications	1
Codes and guidelines[a]	1
Circulars to industry	15
Social media posts[b]	135
Corporate website average daily page views[c]	66,667
General enquiries	1,245

a Includes updates to previous versions.
b Includes posts on the SFC's Facebook, LinkedIn, Rednote and WeChat pages, and the dedicated anti-scam Instagram page.
c The average number of webpages browsed per day during the reporting period.

Table 1 Breaches noted during on-site inspections

	Quarter ended 30.6.2026	Quarter ended 31.3.2026	QoQ change (%)	Quarter ended 30.6.2025	YoY change (%)
Failure to comply with Securities and Futures (Financial Resources) Rules	1	4	-75.0	1	0.0
Failure to safekeep client securities	4	9	-55.6	11	-63.6
Failure to maintain proper books and records	4	14	-71.4	5	-20.0
Failure to safekeep client money	6	13	-53.8	8	-25.0
Unlicensed dealing and other registration issues	3	2	50.0	1	200.0
Breach of licensing conditions	1	0	N/A	0	N/A
Breach of requirements of contract notes/ statements of account/receipts	6	15	-60.0	9	-33.3
Failure to make filing/notification	1	2	-50.0	5	-80.0
Breach of margin requirements	0	0	0.0	3	-100.0
Marketing malpractices	6	0	N/A	1	500.0
Dealing malpractices	4	2	100.0	1	300.0
Breach of Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission[1]	56	120	-53.3	105	-46.7
Breach of Corporate Finance Adviser Code of Conduct	0	2	-100.0	0	0.0
Breach of Fund Manager Code of Conduct	45	61	-26.2	59	-23.7
Breach of regulation of on-line trading	0	2	-100.0	0	0.0
Non-compliance with anti-money laundering guidelines	34	83	-59.0	58	-41.4
Breach of other rules and regulations of the Exchanges[2]	0	4	-100.0	0	0.0
Internal control weaknesses[3]	109	179	-39.1	165	-33.9
Others	11	32	-65.6	20	-45.0
Total	291	544	-46.5	452	-35.6

1 Commonly related to risk management, record keeping, client agreements, safeguarding of client assets and information for or about clients and reasonable advice.
2 The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited.
3 Comprised deficiencies in management review and supervision, operational controls over the handling of client accounts, segregation of duties, information management, adequacy of audit trail for internal control purposes, among other weaknesses.

Table 2 Takeovers activities

	Quarter ended 30.6.2026	Quarter ended 31.3.2026	QoQ change (%)	Quarter ended 30.6.2025	YoY change (%)
Codes on Takeovers and Mergers and Share Buy-backs					
General and partial offers under Code on Takeovers and Mergers	**15**	15	0.0	17	-11.8
Privatisations	**2**	0	N/A	7	-71.4
Whitewash waiver applications	**6**	2	200.0	7	-14.3
Other applications under Code on Takeovers and Mergers[1]	**87**	55	58.2	80	8.8
Off-market and general offer share buy-backs	**2**	0	N/A	1	100.0
Other applications under Code on Share Buy-backs[1]	**5**	3	66.7	5	0.0
Total	**117**	75	56.0	117	0.0
Executive Statements					
Settlement agreements[2]	**0**	1	-100.0	0	0.0
Takeovers and Mergers Panel					
Meetings for review of Codes on Takeovers and Mergers and Share Buy-backs	**0**	0	0.0	0	0.0
Hearings before the Panel (disciplinary and non-disciplinary)	**0**	0	0.0	0	0.0
Statements issued by the Panel[3]	**0**	0	0.0	0	0.0

1 Including stand-alone applications and those made during the course of a code-related transaction.
2 Pursuant to section 12.3 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.
3 Pursuant to section 16.1 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.

Table 3 Hong Kong-domiciled authorised funds

a) Number of funds by type	As at 30.6.2026	As at 31.3.2026	QoQ change (%)	As at 30.6.2025	YoY change (%)
Bond	**191**	191	0.0	180	6.1
Equity	**210**	208	1.0	197	6.6
Mixed	**109**	112	-2.7	110	-0.9
Money market	**101**	99	2.0	84	20.2
Feeder funds	**52**	49	6.1	50	4.0
Index[1]	**203**	196	3.6	184	10.3
Guaranteed	**2**	2	0.0	2	0.0
Commodity and virtual asset	**25**	22	13.6	16	56.3
Sub-total	**893**	879	1.6	823	8.5
Umbrella structures	**189**	187	1.1	170	11.2
Total	**1,082**	1,066	1.5	993	9.0

b) Assets under management by type	Total NAV (US$ million) as at 30.6.2026	Total NAV (US$ million) as at 31.3.2026	QoQ change (%)	Total NAV (US$ million) as at 30.6.2025	YoY change (%)
Bond	**40,304**	42,647	-5.5	43,091	-6.5
Equity	**71,710**	60,711	18.1	49,792	44.0
Mixed	**34,987**	30,835	13.5	25,969	34.7
Money market	**77,231**	78,074	-1.1	74,137	4.2
Feeder funds[2]	**139**	119	16.8	61	127.9
Index[1]	**96,987**	83,626	16.0	71,707	35.3
Guaranteed	**45**	44	2.3	28	60.7
Commodity and virtual asset	**2,043**	1,739	17.5	1,158	76.4
Total[3]	**323,446**	297,796	8.6	265,942	21.6

1 Including equity and fixed income index tracking funds, exchange-traded funds and leveraged and inverse products.
2 The NAV of feeder funds whose master funds are authorised by the SFC has been excluded from the total NAV figures in the "Feeder funds" category to better reflect the total asset under management.
3 Figures may not add up to total due to rounding.

Table 4 Non-Hong Kong-domiciled authorised funds

a) Number of funds by origin	As at 30.6.2026	As at 31.3.2026	QoQ change (%)	As at 30.6.2025	YoY change (%)
Luxembourg	**1,102**	1,103	-0.1	1,082	1.8
Ireland	**265**	266	-0.4	256	3.5
United Kingdom	**19**	19	0.0	19	0.0
Chinese Mainland	**41**	42	-2.4	44	-6.8
Bermuda	**1**	1	0.0	1	0.0
Cayman Islands	**21**	21	0.0	23	-8.7
Others	**6**	6	0.0	6	0.0
Total	**1,455**	1,458	-0.2	1,431	1.7

b) Assets under management by origin	Total NAV (US$ million) as at 30.6.2026	Total NAV (US$ million) as at 31.3.2026	QoQ change (%)	Total NAV (US$ million) as at 30.6.2025	YoY change (%)
Luxembourg	**1,546,338**	1,401,758	10.3	1,323,720	16.8
Ireland	**425,350**	404,461	5.2	303,051	40.4
United Kingdom	**49,760**	42,033	18.4	39,619	25.6
Chinese Mainland	**21,324**	18,256	16.8	16,243	31.3
Bermuda	**90**	90	0.0	75	20.0
Cayman Islands	**1,147**	1,038	10.5	1,108	3.5
Others	**620,519**	530,910	16.9	458,872	35.2
Total[1]	**2,664,527**	2,398,547	11.1	2,142,688	24.4

1 Figures may not add up to total due to rounding.

c) Number of funds by type	As at 30.6.2026	As at 31.3.2026	QoQ change (%)	As at 30.6.2025	YoY change (%)
Bond	391	391	0.0	375	4.3
Equity	770	768	0.3	766	0.5
Mixed	160	163	-1.8	161	-0.6
Money market	13	13	0.0	11	18.2
Feeder funds	3	3	0.0	3	0.0
Index[1]	26	26	0.0	25	4.0
Hedge	1	1	0.0	1	0.0
Commodity	1	1	0.0	1	0.0
Sub-total	1,365	1,366	-0.1	1,343	1.6
Umbrella structures	90	92	-2.2	88	2.3
Total	1,455	1,458	-0.2	1,431	1.7

d) Assets under management by type	Total NAV (US$ million) as at 30.6.2026	Total NAV (US$ million) as at 31.3.2026	QoQ change (%)	Total NAV (US$ million) as at 30.6.2025	YoY change (%)
Bond	633,177	621,405	1.9	543,937	16.4
Equity	1,021,266	896,636	13.9	856,409	19.2
Mixed	251,547	222,186	13.2	193,322	30.1
Money market	47,763	48,754	-2.0	16,808	184.2
Feeder funds[2]	0	0	0.0	0	0.0
Index[1]	580,631	454,364	27.8	431,492	34.6
Hedge	90	90	0.0	75	20.0
Commodity	130,053	155,111	-16.2	100,644	29.2
Total[3]	2,664,527	2,398,547	11.1	2,142,688	24.4

1 Including equity and fixed income index tracking funds and exchange-traded funds.
2 The NAV of feeder funds whose master funds are authorised by the SFC has been excluded from the total NAV figures in the "Feeder funds" category to better reflect the total asset under management.
3 Figures may not add up to total due to rounding.

Table 5 Complaints against intermediaries and market activities

	Quarter ended 30.6.2026	Quarter ended 31.3.2026	QoQ change (%)	Quarter ended 30.6.2025	YoY change (%)
Conduct of licensees	**466**	323	44.3	307	51.8
Conduct of registered institutions	**11**	11	0.0	1	1,000.0
Listed companies and disclosure of interests	**985**	709	38.9	297	231.6
Market misconduct[1]	**139**	145	-4.1	82	69.5
Product disclosure	**1**	3	-66.7	0	N/A
Unlicensed activities	**152**	54	181.5	108	40.7
Breach of offers of investments	**8**	5	60.0	1	700.0
Boiler rooms and suspicious websites	**65**	74	-12.2	52	25.0
Scams and frauds[2]	**238**	148	60.8	164	45.1
Other financial activities not regulated by the SFC[3]	**151**	106	42.5	86	75.6
Total	**2,216**	1,578	40.4	1,098	101.8

1 Primarily, alleged market manipulation and insider dealing.
2 Such as identity fraud and impersonation.
3 For example, bullion trading and banking services.

Condensed consolidated statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2026 $'000	30 Jun 2025 $'000
Income			
Levies	2(a)	**865,556**	741,540
Fees and charges	2(b)	**143,107**	40,270
Net investment income			
Investment income		**397,766**	146,376
Less: custody and advisory expenses		**(3,605)**	(2,655)
Recoveries from the Investor Compensation Fund	8(a)	**1,624**	1,570
Exchange gain		**1,306**	38,810
Other income		**450**	44
		1,406,204	965,955
Expenses			
Staff costs and directors' emoluments	8(b)	**441,994**	418,557
Depreciation			
Fixed assets		**41,221**	46,535
Right-of-use assets		**2,182**	2,255
Other premises expenses		**8,641**	9,724
Finance costs		**12,703**	22,071
Other expenses		**76,790**	60,145
		583,531	559,287
Surplus and total comprehensive income for the quarter		**822,673**	406,668

The notes on pages 51 to 55 form part of these condensed consolidated financial statements.

Condensed consolidated statement of financial position

As at 30 June 2026 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Jun 2026 $'000	Audited At 31 Mar 2026 $'000
Non-current assets			
Fixed assets	10	**4,657,161**	4,666,232
Right-of-use assets		**13,487**	14,114
Deposits and prepayments		**401,267**	401,258
Financial assets at amortised cost – debt securities	9(b)	**2,344,579**	2,031,757
		7,416,494	7,113,361
Current assets			
Financial assets at amortised cost – debt securities	9(b)	**1,203,109**	1,526,687
Financial assets at fair value through profit or loss – pooled funds	9(a)	**1,541,926**	1,358,664
Debtors, deposits and prepayments		**520,162**	420,344
Fixed deposits with banks	3	**1,717,647**	1,075,406
Cash held for Grant Scheme	4	**36,960**	41,297
Cash at bank and in hand	3	**84,721**	67,437
		5,104,525	4,489,835
Current liabilities			
Fees received in advance		**120,130**	103,549
Creditors and accrued charges		**305,414**	226,675
Bank loan	5	**198,262**	18,262
Lease liabilities		**5,891**	6,229
		629,697	354,715
Net current assets		**4,474,828**	4,135,120
Total assets less current liabilities		**11,891,322**	11,248,481
Non-current liabilities			
Bank loan	5	**1,420,052**	1,599,545
Lease liabilities		**8,207**	8,546
Provisions for reinstatement costs		**1,764**	1,764
		1,430,023	1,609,855
Net assets		**10,461,299**	9,638,626
Funding and reserves			
Initial funding by Government		**42,840**	42,840
Reserve for property acquisition		**579,925**	579,925
Accumulated surplus		**9,838,534**	9,015,861
		10,461,299	9,638,626

The notes on pages 51 to 55 form part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

	Unaudited			
	Initial funding by Government $'000	Reserve for property acquisition $'000	Accumulated surplus $'000	Total $'000
Balance at 1 April 2025	42,840	1,108,884	6,705,371	7,857,095
Surplus and total comprehensive income for the quarter	–	–	406,668	406,668
Balance at 30 June 2025	42,840	1,108,884	7,112,039	8,263,763
Balance at 1 April 2026	**42,840**	**579,925**	**9,015,861**	**9,638,626**
Surplus and total comprehensive income for the quarter	**–**	**–**	**822,673**	**822,673**
Balance at 30 June 2026	**42,840**	**579,925**	**9,838,534**	**10,461,299**

The notes on pages 51 to 55 form part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2026 $'000	30 Jun 2025 $'000
Cash flows from operating activities			
Surplus for the quarter		**822,673**	406,668
Adjustments for:			
Depreciation – Fixed assets		**41,221**	46,535
Depreciation – Right-of-use assets		**2,182**	2,255
Finance costs		**12,703**	22,071
Investment income		**(397,766)**	(146,376)
Exchange gain		**(1,284)**	(36,093)
Loss on disposal of fixed assets		**–**	1
		479,729	295,061
Increase in right-of-use assets		**(1)**	–
(Increase)/decrease in debtors, deposits and prepayments		**(87,739)**	11,255
Decrease in cash held for Grant Scheme		**4,337**	29,967
Increase in fees received in advance		**16,581**	53,703
Increase in creditors and accrued charges		**63,173**	1,360
Net cash generated from operating activities		**476,080**	391,346
Cash flows from investing activities			
Placement of fixed deposits other than cash and cash equivalents		**(339,808)**	(333,575)
Interest received		**28,199**	20,312
Pooled funds sold		**174,547**	1,538
Debt securities at amortised cost purchased		**(372,526)**	(2,052,969)
Debt securities at amortised cost redeemed at maturity		**384,236**	2,038,249
Fixed assets purchased		**(16,981)**	(15,842)
Net cash used in investing activities		**(142,333)**	(342,287)
Cash flows from financing activities			
Interest expense on bank loan		**(11,692)**	(22,106)
Principal element of lease payments		**(2,231)**	(2,242)
Interest element of lease payments		**(107)**	(164)
Net cash used in financing activities		**(14,030)**	(24,512)
Net increase in cash and cash equivalents		**319,717**	24,547
Cash and cash equivalents at the beginning of the quarter		**689,424**	545,364
Cash and cash equivalents at the end of the quarter	3	**1,009,141**	569,911

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2026 $'000	At 30 Jun 2025 $'000
Fixed deposits with banks	**924,420**	524,116
Cash at bank and in hand	**84,721**	45,795
	1,009,141	569,911

The notes on pages 51 to 55 form part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

1. Basis of preparation

We have prepared the condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated financial statements contain selected explanatory notes which provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Securities and Futures Commission (SFC) and its subsidiaries (together, the Group) since the annual financial statements for the year ended 31 March 2026. The condensed consolidated financial statements do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS Accounting Standards.

The condensed consolidated financial statements are unaudited and the financial information relating to the financial year ended 31 March 2026 included in this report as comparative information does not constitute the Group's statutory annual financial statements for that financial year but is derived from those financial statements.

The condensed consolidated financial statements of the SFC and its subsidiaries, the Investor Compensation Company Limited (ICC) and the Investor and Financial Education Council (IFEC), are made up to 30 June 2026. We eliminated all material intra-group balances and transactions in preparing the condensed consolidated financial statements.

We have applied the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2026 to the condensed consolidated financial statements.

There were no significant changes in the operations of the Group for the quarter ended 30 June 2026.

2. Recognition of income

We recognise income in the condensed consolidated statement of profit or loss and other comprehensive income when or as the Group satisfies a performance obligation by transferring promised services to the customers in an amount to which the Group expects to be entitled in exchange for these services. We record our income as follows:

(a) Levies

We recognise levies from the Stock Exchange of Hong Kong Limited (SEHK) and Hong Kong Futures Exchange Limited (HKFE) as income on the trade date which the transactions are entered by investors and executed in SEHK and HKFE which is at a point in time basis.

(b) Fees and charges

We recognise annual fees as income on a straight-line basis over the periods to which they relate as the services are performed over time. We record other fees and charges as income when the performance obligation is satisfied which is on a point in time basis. We record other fees and charges received in advance as a liability.

We also record interest income and gain/loss on financial assets at fair value through profit or loss in the condensed consolidated statement of profit or loss and other comprehensive income.

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

	Unaudited At 30 Jun 2026 $'000	Audited At 31 Mar 2026 $'000
Fixed deposits with banks	**1,717,647**	1,075,406
Cash at bank and in hand	**84,721**	67,437
Amounts shown in the condensed consolidated statement of financial position	**1,802,368**	1,142,843
Less: amounts with an original maturity beyond three months	**(793,227)**	(453,419)
Cash and cash equivalents in the condensed consolidated statement of cash flows	**1,009,141**	689,424

4. Cash held for Grant Scheme

A Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (the Grant Scheme) was established on 10 May 2021. The Grant Scheme is administered by the SFC and funded by the Hong Kong Special Administrative Region (the Government) to provide subsidies for qualified open-ended fund companies and real estate investment trusts to establish their operations in Hong Kong. The cash held for the Grant Scheme are solely restricted for the use of such subsidies and are therefore not available for general use by any of the entities within the Group. The unused balance will be reimbursed to the Government upon the end of the Grant Scheme. The corresponding amount due to the Government is included in creditors and accrued charges.

5. Bank loan

To finance the property acquisition transaction, the Group has obtained a 5-year term loan of $2,029,160,000 on 21 December 2023. The term loan carries a fixed interest rate of 4.7% per annum for the first two years and subsequently carries a floating interest rate of the Hong Kong Interbank Offered Rate for the interest period of one month (HIBOR for 1 month) plus 0.55% per annum, with a capped interest rate of the prime rate less 0.1% per annum. The term loan is secured by the Group's land and buildings. Subsequent to the quarter end, the Group has made a principal bank loan repayment of $180,000,000.

6. Foreign exchange risk

The Group's investment policy for our investment portfolio only allow investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi (RMB). The majority of the Group's financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. For the quarters ended 30 June 2026 and 2025, the exchange gain/loss was mainly driven by the revaluation of USD denominated financial assets and there was no RMB exposure.

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

7. Subsidiaries

The SFC formed the ICC on 11 September 2002 with an issued share capital of $0.2. On 20 November 2012, the SFC launched the IFEC as a company limited by guarantee and not having a share capital. Both companies are wholly owned subsidiaries of the SFC and are incorporated in Hong Kong.

The objective of the ICC is to facilitate the administration and management of the Investor Compensation Fund (ICF) established under the Securities and Futures Ordinance (SFO).

The objective of the IFEC is to improve the financial knowledge and capability of the general public and to assist them in making informed financial decisions.

As at 30 June 2026, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to $0.2 (as at 31 March 2026: $0.2).

8. Related party transactions

The Group has related party relationships with the ICF and the Unified Exchange Compensation Fund. In addition to the related party transactions disclosed elsewhere in these condensed consolidated financial statements, the Group has the following related party transactions and balances.

(a) Reimbursement from the ICF for all the ICC's expenses, in accordance with Section 242(1) of the SFO

During the quarter ended 30 June 2026, $1,624,000 was recovered from the ICF for the ICC's expenses (quarter ended 30 June 2025: $1,570,000). As at 30 June 2026, the ICC had an amount due from the ICF of $223,000 (as at 31 March 2026: $375,000).

(b) Remuneration of key management personnel

	Unaudited quarter ended	
	30 Jun 2026 $'000	**30 Jun 2025 $'000**
Directors' fee	**942**	942
Salaries, allowances and benefits	**7,715**	8,543
Retirement scheme contributions	**744**	854
	9,401	10,339

The total remuneration of key management personnel is included in the staff costs and directors' emoluments. Directors' emoluments are for services in connection with the management of the affairs of the SFC. Discretionary pay is not included above as the decision to pay is subject to the approval process at the end of the financial year and therefore is not determined until then.

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

9. Fair value measurement

(a) Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in Hong Kong Financial Reporting Standard 13 *Fair Value Measurement,* which is consistent with the hierarchy adopted in the consolidated financial statements for the year ended 31 March 2026.

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
At 30 June 2026 (Unaudited) Pooled funds	**1,541,926**	**1,541,926**	**–**	**–**
At 31 March 2026 (Audited) Pooled funds	1,358,664	1,358,664	–	–

The fair value of the investments in the pooled funds is determined based on publicly available quoted prices of the pooled funds in active markets.

During the quarter ended 30 June 2026 and the year ended 31 March 2026, there were no transfers between financial instruments in Level 1 and 2, and no transfers into or out of Level 3. The Group's policy is to recognise transfers between the different levels of the fair value hierarchy as at the end of the reporting period in which they occur.

(b) Fair value of financial assets carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2026 and 31 March 2026 except for the following financial instruments, for which their carrying amount, fair value and the level of their fair value hierarchy are disclosed below:

		Fair value			
	Carrying amount $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
At 30 June 2026 (Unaudited) Financial assets at amortised cost – debt securities	**3,547,688**	**3,485,366**	**–**	**3,485,366**	**–**
At 31 March 2026 (Audited) Financial assets at amortised cost – debt securities	3,558,444	3,498,251	–	3,498,251	–

The fair value of debt securities is based on current bid prices at the end of the reporting period without any deduction for transaction costs.

Notes to the condensed consolidated financial statements

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

10. Capital commitment

The Group had capital commitments contracted for but not yet incurred as follows:

	Unaudited At 30 Jun 2026 $'000	Audited At 31 Mar 2026 $'000
Land and buildings	**534,383**	534,383
Other fixed assets	**85,130**	81,999
	619,513	616,382

On 17 November 2023, a sales and purchase agreement was entered into between the SFC and its landlord with a consideration of $5.4 billion to acquire 12 office floors. Transaction of the nine office floors was completed in December 2023, one office floor was completed in December 2025 and the remaining two office floors will be completed by 2028. As at 30 June 2026, a down payment of $400,135,000 (as at 31 March 2026: $400,135,000) was included in deposits and prepayments. During the year ended 31 March 2026, transaction costs of $473,265,000 related to the additional floor possessed in December 2025 have been capitalised as fixed assets.

Investor Compensation Fund

Report of the Investor Compensation Fund Committee

The members of the Investor Compensation Fund Committee (the Committee) present their report together with the unaudited condensed financial statements for the quarter ended 30 June 2026.

Establishment of the Investor Compensation Fund

Part XII of the Securities and Futures Ordinance (Chapter 571) established the Investor Compensation Fund (the Fund) on 1 April 2003.

Financial statements

The financial performance of the Fund for the period ended 30 June 2026 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 57 to 62.

Members of the Committee

The members of the Committee during the period and up to the date of this report were:

Leung Chung Yin, Rico (Chairman)	
Chan, Chung Sze Vicky	(appointed on 17 July 2026)
Jenkins, Tom	
Yih, Dieter Lai Tak, JP	
Xu, Liang	(retired on 18 June 2026)

Interests in contracts

No contract of significance to which the Fund was a party and in which a Committee member of the Fund had a material interest, subsisted at the end of the reporting period or at any time during the reporting period.

On behalf of the Committee

Rico Leung
Chairman

14 August 2026

Condensed statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2026 $'000	30 Jun 2025 $'000
Income			
Interest income		**23,573**	27,820
Exchange gain		**393**	13,985
		23,966	41,805
Expenses			
Investor Compensation Company Limited expenses	2	**1,624**	1,570
Compensation expenses	4	**3**	–
Auditor's remuneration		**52**	52
		1,679	1,622
Surplus and total comprehensive income for the quarter		**22,287**	40,183

The notes on pages 61 and 62 form part of these condensed financial statements.

Condensed statement of financial position

As at 30 June 2026 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Jun 2026 $'000	Audited At 31 Mar 2026 $'000
Current assets			
Interest receivable		**26,853**	27,592
Fixed deposits with banks	3	**2,858,037**	2,835,124
Cash at bank	3	**378**	497
		2,885,268	2,863,213
Current liabilities			
Provision for compensation	4	**4,283**	4,280
Creditors and accrued charges		**174**	256
Amount due to the Investor Compensation Company Limited	5	**222**	375
		4,679	4,911
Net current assets		**2,880,589**	2,858,302
Net assets		**2,880,589**	2,858,302
Representing:			
Compensation fund		**2,880,589**	2,858,302

The notes on pages 61 and 62 form part of these condensed financial statements.

Condensed statement of changes in equity

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

	Unaudited					
	Contributions from the Unified Exchange Compensation Fund $'000	Contributions from the Commodity Exchange Compensation Fund $'000	Contributions from the Securities Dealers' Deposits Fund $'000	Contributions from the Commodities Dealers' Deposits Fund $'000	Accumulated surplus $'000	Total $'000
Balance at 1 April 2025	994,718	108,923	5,470	617	1,638,763	2,748,491
Surplus and total comprehensive income for the quarter	–	–	–	–	40,183	40,183
Balance at 30 June 2025	994,718	108,923	5,470	617	1,678,946	2,788,674
Balance at 1 April 2026	**994,718**	**108,923**	**5,470**	**617**	**1,748,574**	**2,858,302**
Surplus and total comprehensive income for the quarter	**–**	**–**	**–**	**–**	**22,287**	**22,287**
Balance at 30 June 2026	**994,718**	**108,923**	**5,470**	**617**	**1,770,861**	**2,880,589**

The notes on pages 61 and 62 form part of these condensed financial statements.

Condensed statement of cash flows

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2026 $'000	30 Jun 2025 $'000
Cash flows from operating activities			
Surplus for the quarter		22,287	40,183
Adjustments for:			
Interest income		(23,573)	(27,820)
Exchange gain		(393)	(13,985)
		(1,679)	(1,622)
Increase in provision for compensation		3	–
Decrease in creditors and accrued charges		(82)	(83)
Decrease in amount due to the Investor Compensation Company Limited		(153)	(96)
Net cash used in operating activities		(1,911)	(1,801)
Cash flows from investing activities			
Withdrawal of fixed deposits other than cash and cash equivalents		209,504	228,925
Interest received		24,318	34,098
Net cash generated from investing activities		233,822	263,023
Net increase in cash and cash equivalents		231,911	261,222
Cash and cash equivalents at the beginning of the quarter		709,350	1,252,514
Cash and cash equivalents at the end of the quarter	3	941,261	1,513,736

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2026 $'000	At 30 Jun 2025 $'000
Fixed deposits with banks	940,883	1,513,355
Cash at bank	378	381
	941,261	1,513,736

The notes on pages 61 and 62 form part of these condensed financial statements.

Notes to the condensed financial statements

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

1. Basis of preparation

We have prepared the condensed financial statements in accordance with the Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The condensed financial statements contain selected explanatory notes which provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Investor Compensation Fund (the Fund) since the annual financial statements for the year ended 31 March 2026. The condensed financial statements do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS Accounting Standards.

The condensed financial statements are unaudited and the financial information relating to the financial year ended 31 March 2026 included in this report as comparative information does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements.

We have applied the same accounting policies adopted in the financial statements for the year ended 31 March 2026 to the condensed financial statements.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2026.

2. Investor Compensation Company Limited expenses

The Securities and Futures Commission (SFC) formed the Investor Compensation Company Limited (ICC) in September 2002 to perform functions on behalf of the Fund in relation to the compensation to investors and other functions under Part III and Part XII of the Securities and Futures Ordinance (SFO). The Fund is responsible for funding the establishment and operation of the ICC. For the quarter ended 30 June 2026, the ICC incurred costs of $1,624,000 for its operations (for the quarter ended 30 June 2025: $1,570,000).

3. Cash and cash equivalents

	Unaudited At 30 Jun 2026 $'000	Audited At 31 Mar 2026 $'000
Fixed deposits with banks	**2,858,037**	2,835,124
Cash at bank	**378**	497
Amounts shown in the condensed statement of financial position	**2,858,415**	2,835,621
Less: amounts with an original maturity beyond three months	**(1,917,154)**	(2,126,271)
Cash and cash equivalents in the condensed statement of cash flows	**941,261**	709,350

Notes to the condensed financial statements

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

4. Provision for compensation

Pursuant to Section 3 of the Securities and Futures (Investor Compensation-Compensation Limits) Rules, the maximum compensation limit is $150,000 per claimant for each default case occurring on or before 31 December 2019 or $500,000 per claimant for each default case occurring on or after 1 January 2020.

	Unaudited **$'000**
Balance at 1 April 2026	4,280
Add: compensation expenses during the quarter ended 30 June 2026	3
Balance at 30 June 2026	4,283

The provision of compensation as at 30 June 2026 was $4,283,000, which was related to a number of claims received in respect of two default cases (as at 31 March 2026: $4,280,000). The maximum liability of the Fund to these claims is the lower of the maximum compensation limit per claimant or the amount claimed. As at 30 June 2026, the provision was expected to be paid within one year.

5. Related party transactions

The Fund has related party relationships with the SFC, the ICC, and the Unified Exchange Compensation Fund. There were no related party transactions other than those disclosed in the condensed financial statements of the Fund for the quarters ended 30 June 2026 and 2025.

As at 30 June 2026, the Fund had an amount due to the ICC of $222,000 (as at 31 March 2026: $375,000).

6. Contingent liabilities

In addition to the provision for compensation made as described in note 4, there were 13 outstanding claims as at 30 June 2026 (13 outstanding claims as at 31 March 2026). The maximum liability in respect of these claims in aggregate was $2,464,000 (as at 31 March 2026: $2,464,000). This is determined based on the lower of the maximum compensation limit per claimant (as detailed in note 4) or the amount claimed.

7. Foreign exchange risk

The Fund's policy only allows investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi (RMB). All financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. For the quarters ended 30 June 2026 and 2025, the Fund's exchange gain/loss was mainly driven by the revaluation of USD denominated financial assets.

Report of the Securities Compensation Fund Committee

The members of the Securities Compensation Fund Committee (the Committee) present their report together with the unaudited condensed financial statements for the quarter ended 30 June 2026.

Establishment of the Unified Exchange Compensation Fund

Part X of the repealed Securities Ordinance (Chapter 333) established the Unified Exchange Compensation Fund (the Fund). However, when the Securities and Futures Ordinance (SFO) and its subsidiary legislation came into effect from 1 April 2003, a new single Investor Compensation Fund (ICF) was formed to ultimately replace the Fund and the Commodity Exchange Compensation Fund. Up to 30 June 2026, the Fund transferred $994,718,000 to the ICF. After the settlement of all claims against the Fund and its other liabilities, the Securities and Futures Commission will eventually transfer the remaining balance of the Fund to the ICF.

Part X of the repealed Securities Ordinance remains effective in respect of the operations of the Fund to the extent described in Section 74 of Schedule 10 of the SFO.

Financial statements

The financial performance of the Fund for the period ended 30 June 2026 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 64 to 69.

Members of the Committee

The members of the Committee during the period and up to the date of this report were:

Leung Chung Yin, Rico (Chairman)	
Chan, Chung Sze Vicky	(appointed on 17 July 2026)
Jenkins, Tom	
Wu, Phillip Chi Hang	
Yih, Dieter Lai Tak, JP	
Xu, Liang	(retired on 18 June 2026)

Interests in contracts

No contract of significance to which the Fund was a party and in which a Committee member of the Fund had a material interest, subsisted at the end of the reporting period or at any time during the reporting period.

On behalf of the Committee

Rico Leung
Chairman

29 July 2026

Condensed statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

	Unaudited quarter ended	
	30 Jun 2026 $'000	30 Jun 2025 $'000
Income		
Interest income	**597**	827
Expense		
Auditor's remuneration	**24**	24
Surplus and total comprehensive income for the quarter	**573**	803

The notes on pages 68 and 69 form part of these condensed financial statements.

Condensed statement of financial position

As at 30 June 2026 (Expressed in Hong Kong dollars)

	Note	Unaudited At 30 Jun 2026 $'000	Audited At 31 Mar 2026 $'000
Current assets			
Interest receivable		**366**	405
Fixed deposits with banks	3	**104,449**	103,905
Cash at bank	3	**335**	299
		105,150	104,609
Current liabilities			
Creditors and accrued charges		**10,184**	10,216
Relinquished trading rights payable to SEHK	4	**650**	600
		10,834	10,816
Net current assets		**94,316**	93,793
Net assets		**94,316**	93,793
Representing:			
Compensation fund		**94,316**	93,793

The notes on pages 68 and 69 form part of these condensed financial statements.

Condensed statement of changes in equity

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

	Unaudited						
	Trading rights deposits from SEHK (note 4) $'000	Excess transaction levy from SEHK $'000	Additional contributions from SEHK and the SFC $'000	Other contributions $'000	Accumulated surplus $'000	Contributions to the ICF $'000	Total $'000
Balance at 1 April 2025	47,400	353,787	630,000	6,502	46,539	(994,718)	89,510
Net contributions to SEHK	(200)	–	–	–	–	–	(200)
Surplus and total comprehensive income for the quarter	–	–	–	–	803	–	803
Balance at 30 June 2025	47,200	353,787	630,000	6,502	47,342	(994,718)	90,113
Balance at 1 April 2026	**46,100**	**353,787**	**630,000**	**6,502**	**52,122**	**(994,718)**	**93,793**
Net contributions to SEHK	**(50)**	**–**	**–**	**–**	**–**	**–**	**(50)**
Surplus and total comprehensive income for the quarter	**–**	**–**	**–**	**–**	**573**	**–**	**573**
Balance at 30 June 2026	**46,050**	**353,787**	**630,000**	**6,502**	**52,695**	**(994,718)**	**94,316**

The notes on pages 68 and 69 form part of these condensed financial statements.

Condensed statement of cash flows

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

	Note	Unaudited quarter ended	
		30 Jun 2026 $'000	30 Jun 2025 $'000
Cash flows from operating activities			
Surplus for the quarter		573	803
Adjustment for:			
Interest income		(597)	(827)
		(24)	(24)
Decrease in creditors and accrued charges		(32)	(32)
Increase/(decrease) in relinquished trading rights payable to SEHK		50	(100)
Net cash used in operating activities		(6)	(156)
Cash flows from investing activities			
Withdrawal of fixed deposits other than cash and cash equivalents		50,076	21,005
Interest received		636	902
Net cash generated from investing activities		50,712	21,907
Cash flows from financing activity			
Net contributions to SEHK		(50)	(200)
Net cash used in financing activity		(50)	(200)
Net increase in cash and cash equivalents		50,656	21,551
Cash and cash equivalents at the beginning of the quarter		54,128	79,466
Cash and cash equivalents at the end of the quarter	3	104,784	101,017

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 30 Jun 2026 $'000	At 30 Jun 2025 $'000
Fixed deposits with banks	104,449	100,658
Cash at bank	335	359
	104,784	101,017

The notes on pages 68 and 69 form part of these condensed financial statements.

Notes to the condensed financial statements

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

1. Basis of preparation

We have prepared the condensed financial statements in accordance with the Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. As the Unified Exchange Compensation Fund (the Fund) will eventually cease operations as a result of the Securities and Futures Ordinance which came into effect from 1 April 2003, we have prepared the condensed financial statements on a non-going concern basis. We expect that the operations of the Fund will be maintained until all claims and recoveries from liquidators in relation to the broker defaults that happened on or before 31 March 2003 have been fully settled. We have not provided for potential future claims and recoveries as these cannot be reliably estimated. We have also not provided in the condensed financial statements for all expenses expected to be incurred subsequent to the end of the reporting period and up to the date operations will cease and these are estimated to be immaterial.

The condensed financial statements contain selected explanatory notes which provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Fund since the annual financial statements for the year ended 31 March 2026. The condensed financial statements do not include all of the information required for a full set of financial statements prepared in accordance with HKFRS Accounting Standards.

The condensed financial statements are unaudited and the financial information relating to the financial year ended 31 March 2026 included in this report as comparative information does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements.

We have applied the same accounting policies adopted in the financial statements for the year ended 31 March 2026 to the condensed financial statements.

There were no significant changes in the operations of the Fund for the quarter ended 30 June 2026.

2. Equity securities received under subrogation

At the end of each reporting period, the fair value of the equity securities received under subrogation is remeasured, with any resultant gain or loss being included in "Recoveries". Dividend income, if any, is also included in "Recoveries".

As at 30 June 2026, the equity securities received under subrogation amounted to $15 (as at 31 March 2026: $10). The balances as at 30 June 2026 and 31 March 2026 are too small to present on the condensed statement of financial position which is expressed in thousands of dollars.

Notes to the condensed financial statements

For the quarter ended 30 June 2026 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

	Unaudited At 30 Jun 2026 $'000	Audited At 31 Mar 2026 $'000
Fixed deposits with banks	**104,449**	103,905
Cash at bank	**335**	299
Amounts shown in the condensed statement of financial position	**104,784**	104,204
Less: amounts with an original maturity beyond three months	**–**	(50,076)
Cash and cash equivalents in the condensed statement of cash flows	**104,784**	54,128

4. Trading rights deposits from SEHK/Relinquished trading rights payable to SEHK

According to Section 104 of the repealed Securities Ordinance, the Stock Exchange of Hong Kong Limited (SEHK) contributes to the Securities and Futures Commission (SFC) in respect of each trading right at the rate of $50,000. In the absence of claims or other provisions as set out in Section 106 of the repealed Securities Ordinance, the SFC must refund to SEHK the deposit within six months after the trading right was relinquished. During the quarter, there were no deposits received from SEHK in respect of new trading rights and no deposits refunded to SEHK in respect of relinquished trading rights. As at 30 June 2026, 13 trading rights totalling $650,000 were relinquished but not yet refunded (as at 31 March 2026: 12 trading rights totalling $600,000 were relinquished but not yet refunded).

The movement of trading rights deposits from SEHK during the quarter was as follows:

	Unaudited quarter ended	
	30 Jun 2026 $'000	30 Jun 2025 $'000
Balance at the beginning of the quarter	**46,100**	47,400
Add: new trading rights issued	**–**	50
Less: relinquished trading rights refunded	**–**	(350)
Adjustment for: net (increase)/decrease in relinquished trading rights payable to SEHK	**(50)**	100
Balance at the end of the quarter	**46,050**	47,200

5. Related party transactions

The Fund has related party relationships with the Investor Compensation Fund (ICF) and the SFC. There were no related party transactions during the quarters ended 30 June 2026 and 2025.

Securities and Futures Commission

54/F, One Island East
18 Westlands Road, Quarry Bay
Hong Kong

Telephone : (852) 2231 1222
Facsimile : (852) 2521 7836
Website : www.sfc.hk