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

Synopsis

Remarks at Media Briefing on SFC's Strategic Action Plan

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Turning strategic direction into market outcomes

I will walk you through how we intend to translate the strategic direction into concrete outcomes.

Following the Chief Executive's announcement of the first five-year plan and the 2026 Policy Address last week, the SFC has formulated short-term actionable initiatives and medium-to-long-term work plans around five policy directions. Our work plans are closely aligned with the 10 measures jointly announced by the SFC and the China Securities Regulatory Commission (CSRC) on 3 August this year.

I will now elaborate on the three priorities set out by the Chairman.

1. Strengthening the ecosystem for the renminbi (RMB), fixed-income, currency and commodities markets

Our efforts will focus on four areas.

First, we will enhance the market infrastructure for the fixed income and currency markets. This can help ensure that the regulatory framework, market infrastructure and trading environment support the market's sustainable development. In early July, the China Foreign Exchange Trade System and Hong Kong Exchanges and Clearing Limited (HKEX) jointly announced that they would develop an electronic fixed-income and currency trading platform in Hong Kong. We will work with the Hong Kong Monetary Authority (HKMA) and other stakeholders to ensure the platform develops in a steady and orderly manner. In the long term, we will continue to work with the HKMA and HKEX to explore greater connectivity and interoperability between the Central Clearing and Settlement System and the Central Moneymarkets Unit. We will also support the development of internationally aligned standards and practices for the issuance and trading of fixed income products, while promoting primary issuance and secondary market trading of RMB bonds.

Second, we will broaden the RMB product suite. We will encourage more exchange-listed products and asset classes to be denominated, traded and settled in RMB, including RMB-denominated gold, currency and commodity futures products. Our goal is to include RMB counter trading in Southbound trading by 1 July next year.

Third, we will strengthen risk-management capabilities. In August this year, Hong Kong's fixed income, currency and commodity market ecosystem took an important step forward with the launch of the five-year China Government Bond (CGB) futures contract. Swap

Note: The original remarks were delivered in Chinese and the English version is a translation.

Connect will also expand with additional reference rates, supporting the development of more RMB hedging tools and helping market participants manage currency and interest-rate risks more effectively.

Fourth, we will create more opportunities for the use of RMB bonds as margin collateral, thereby expanding demand. Under the SFC's guidance, OTC Clear has broadened its scope of collateral. Since the beginning of 2025, OTC Clear has started accepting onshore CGBs and policy bank bonds held via Bond Connect as collateral for all cleared derivatives transactions. Today, CGBs and policy bank bonds account for 19% of total margin collateral at OTC Clear. In parallel, Hong Kong Securities Clearing Company and The Stock Exchange Options Clearing House are actively preparing to accept CGBs as margin collateral, with the arrangement expected to commence in November this year.

For the ecosystem to realise its full potential, products, liquidity, risk-management tools and infrastructure must evolve in tandem. Our next task is to ensure these connections deliver greater benefits. This means introducing a wider range of products, deepening market liquidity, broadening participation, providing better risk management tools, and building more efficient infrastructure.

2. Expanding mutual market access

Our second area of focus is expanding market connectivity, with both the Mainland and international markets being equally important. On Mainland connectivity, we will continue enhancing the various Connect schemes and prepare for the launch of REIT Connect, which we currently aim to implement in the first half of next year. The joint announcement with the CSRC on 3 August this year places great emphasis on the coordinated, two-way development of the Mainland and Hong Kong markets. It supports either A-share listing followed by an H-share listing, or an H-share listing followed by an A-share listing, while respecting the choices of issuers. Turning to Stock Connect, one priority is the expansion of ETF[1] Connect. Since its launch in 2022, the programme has been very well received by Mainland investors. Southbound trading now accounts for as much as 40% of ETF turnover. We will continue to expand the range of products covered by ETF Connect.

As you may recall, 60/40 ETFs have grown significantly following the enhancement of ETF Connect's eligibility criteria in July 2024. Under the enhanced criteria, a Hong Kong ETF investing in Hong Kong equities may be included in Southbound trading provided that international equities account for no more than 40% of its portfolio. This has significantly broadened the range of products available to Mainland investors while further strengthening Hong Kong's role as a platform connecting Mainland capital with global markets. We have seen strong market interest since the enhancement. Today, 10 of the 31 Southbound-eligible Hong Kong ETFs are 60/40 ETFs and we are seeing more such products in the pipeline.

Looking ahead, the direction of ETF Connect expansion is to broaden the participation of long-term capital. This will help broaden Hong Kong's investor base, support market liquidity and further strengthen Hong Kong's role as the preferred platform for Mainland investors seeking asset allocation and international investment opportunities. We can pursue this in three areas.

[1] Exchange-traded funds.

(i) For **Mainland** investors, we have successfully secured the support of the National Financial Regulatory Administration (NFRA) to allow Mainland insurance funds to invest in Hong Kong-listed ETFs. The arrangement took effect under ETF Connect this Monday, 21 September. We also hope to facilitate investment by Mainland public funds in Hong Kong-listed ETFs.

(ii) In **Hong Kong**, we also encourage Mandatory Provident Fund schemes to increase their investment in ETFs authorised by the SFC.

(iii) **Internationally**, we are promoting connectivity with overseas ETF markets through mutual recognition of funds. This will encourage greater participation by regional and international institutional investors in our market, while giving Hong Kong investors convenient access to a wider range of investment opportunities. A pilot initiative saw a Hong Kong fund company list a Hong Kong equity ETF on the Saudi Exchange in late 2024. The memorandum of understanding on mutual recognition of funds signed with the Securities Commission Malaysia in July is another development in this area. We understand that the industry is actively making preparations.

It is equally important to include ETFs covering a wider range of asset classes. To enhance the international influence of Chinese assets, our joint announcement with the CSRC encouraged index providers in the two markets to cooperate on launching more indices based on Chinese assets and developing ETFs aligned with China's modern industrial system. Over the longer term, by broadening both distribution channels and investor access, we can create more opportunities for capital to flow efficiently between Hong Kong, the Mainland and international markets.

3. Improving market efficiency

The third area of work is enhancing market efficiency. Among the initiatives announced by the SFC today, I would like to spend a moment on our proposals to streamline prospectus disclosure requirements, on which we currently plan to consult the market in the first half of 2027. The current prospectus framework contains substantial overlaps between statutory disclosure requirements and the Exchange's Listing Rules. As a result, prospectuses can become lengthy and complex. We are therefore considering:

(i) consolidating disclosure requirements for listed securities under the Listing Rules, so that listing applicants would only need to follow the disclosure requirements in the Listing Rules, reducing duplication and improving efficiency; and

(ii) allowing information that is already publicly available to be incorporated by reference, supported by a central database to ensure that the information remains reliably and consistently accessible to the public. This would help streamline prospectuses and improve their readability and usefulness. It would also make it easier for issuers listing in Hong Kong and overseas to use the same set of disclosure materials to meet the regulatory requirements of different markets.

On Monday, 21 September, HKEX published its consultation paper on the second phase of its review of the competitiveness of Hong Kong's listing regime. HKEX proposes to give listed issuers greater flexibility in undertaking corporate transactions by relaxing the thresholds for major transactions, notifiable transactions and connected transactions, while maintaining appropriate investor protection through enhanced disclosure requirements and board accountability. We encourage the public to respond actively to the proposals.

Our objective is not less disclosure, but better disclosure: clearer, more focused and more useful to investors, while making transactions easier and more cost-effective.

Listing-regime reform tends to make news headlines. Another less discussed but equally important issue is how market participants can use capital and collateral more efficiently. We are studying this closely with HKEX. We will also work with HKEX's clearing houses to explore expanding the range of eligible non-cash collateral and reducing the relevant fees.

One year after the launch of the first phase of the initiative to reduce minimum trading spreads for 300 stocks, bid-ask spreads for these stocks have narrowed by 38% and execution time has improved by 26%. Initial observations of the second phase have also been encouraging. Together with other measures under study, including a move to a T+1 settlement cycle, board-lot reform and cross-margining arrangements between central counterparties, each of these initiatives will improve capital efficiency for market participants and bring Hong Kong more closely in line with major international markets.

Together, these measures can lower barriers in the market and strengthen Hong Kong's competitiveness as a trading and risk-management centre.

Market development must be built on trust

Finally, we believe that lasting competitiveness depends on trust. A market can be competitive in the long run only if it is fair, transparent and trusted. Maintaining the quality of the IPO market is essential.

Since the end of last year, we have rigorously scrutinised the quality of listing application documents and set clear expectations regarding sponsors' allocation of human resources. Although documents continue to be returned, we have seen improvements in staffing. Yet, we continue to see signs of potential manipulation by some listed companies to create false demand during public offerings. We will deal seriously with all companies and intermediaries involved in market misconduct. The SFC's regulatory and enforcement work is always guided by facts and evidence. We apply the same regulatory standards and principles consistently to all market participants, without distinction.

We have always sought to communicate our expectations clearly to the market in advance. We maintain close communication with industry organisations, as well as with the CSRC and the NFRA. In their joint statement, the securities regulators in the two jurisdictions reiterated the importance of strengthening functional coordination and supporting the development of world-class investment banks and fund management companies. Both sides are closely aligned in their expectations regarding intermediaries' internal controls, governance and compliance.

Therefore, while promoting market development, the SFC will continue to safeguard market integrity and stability, combat misconduct and uphold robust regulatory standards.