

The Golden Mean: Navigating Fast-evolving Capital Markets through Balanced Regulation

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Distinguished guests, ladies and gentlemen, good morning. Thank you to the Law Society of Hong Kong for bringing this globally significant conference to the city for the very first time. It is an honour for me, as a financial regulator, to join this meaningful dialogue with prominent legal regulators from around the world. Your theme, “New ways to regulate in a changing world?”, not a definitive statement but a question, captures exactly the mood and moment we are living in.

In my opinion, cross-sector regulatory dialogue is much needed to gather our collective resolve and expertise to uphold the principles of justice and integrity to tackle evolving challenges in the world today. Such exchange between financial and legal regulators is increasingly important as our markets are facing heightened risks, uncertainties and volatility.

The Securities and Futures Commission (SFC) of Hong Kong shares the legal regulators’ commitment to the rule of law, as we strive to ensure Hong Kong’s capital markets continue to thrive in a well-regulated environment that upholds integrity. This is pivotal in maintaining the trust of global investors in the city as an international financial centre (IFC).

Today, I want to offer three reflections that frame how we, at the SFC, adopt a balanced regulatory approach to help market participants and investors navigate a complex global environment. It is imperative that we play our dual roles effectively as both guardian and facilitator.

First, I will highlight the evolving challenges to Hong Kong’s capital markets; second, I will explain how the SFC’s balanced regulatory approach – the Golden Mean – helps navigate these challenges; and third, I will discuss the critical importance of industry engagement to our approach in building trust and resilience systems for the future.

Evolving challenges to capital markets: regulator’s perspective

First of all, I will share my perspectives on prevailing market challenges. Allow me to divide them broadly into challenges to market integrity and market stability.

Note: This is the text of the speech as drafted, which may differ from the delivered version.

Challenges to market integrity

For an open economy, integrity is critical to Hong Kong's reputation as a top financial centre, and upholding it is one of the SFC's key priorities.

Recent survey provides solid evidence of the city's accomplishments. According to the latest Global Financial Centres Index released in September, Hong Kong remains the world's top-three financial centre, with its Fintech ranking jumping to global No.1 and broad leadership in business environment, financial sector development and human capital.

However, these achievements are no reason for complacency, especially in strengthening the trust of global stakeholders in Hong Kong's market integrity. Some of our ongoing challenges stem from gatekeeping listed issuers' quality and emerging forms of market misconduct.

On one hand, as the world's top listing centre in terms of IPO funds raised this year, Hong Kong must enhance issuers' quality in order to safeguard investors' interests and maintain its appeal to international investors who increasingly demand accountability, transparency and strong board leadership. However, enhancing listing market quality, particularly the standards of corporate governance, is not without challenges.

Over the years, we have noted wide-ranging cases of issuers' misconduct, from insider dealing, false disclosures, accounting fraud to misappropriation of funds. These behaviours often stem from corporate governance lapses and internal control failures. We have seen boards allowing questionable deals without proper scrutiny, control frameworks failing to prevent shareholder losses, and reporting mechanisms that cloud the true financial state of companies.

This erosion of transparency and accountability severely damages public trust, as seen in a number of enforcement actions by the SFC and in collaboration with other regulators and agencies.

On the other hand, evolving financial fraud and scams are posing significant new risks. With advances in technology and social media reshaping investor behaviour, the spread of misinformation has become faster, cross-border scams more prevalent, and fund movements harder to trace.

In 2024, the Hong Kong Police Force (Police) recorded a fourfold increase in deception cases over five years. Also, scam-related complaints received by the SFC have been on a rising trend for the last three years, and this figure rose 17% year-on-year in the first half of 2025.

Challenges to market stability

In addition to the issues of integrity, threats to market stability also pose major challenges to our regulatory mission. This is because wide-ranging external risk factors threaten to exacerbate market volatility and systemic vulnerabilities.

We maintain a watchful eye on global macro risks at all times, including geo-economic fragmentation and shifts in monetary policies. These risks could abruptly change the course of global capital flows and destabilise Hong Kong's highly open markets.

Our market resilience has stood the test of time as an effective shield against unexpected external shocks. Just in early April, when global trade tensions escalated, our markets withstood the extreme volatility without any systemic failure: exchanges maintained normal operations, trading spreads remained tight, and all exchange participants met settlement obligations. However, it is a near certainty that our risk management capabilities will come under test time and again in the future.

Furthermore, along with the rise of new technology come new challenges to stability. Digitalisation, algorithmic trading and heightened market connectedness pose profound risks to systemic stability by amplifying vulnerabilities and accelerating the transmission of shocks. While innovations undoubtedly drive market efficiency, it remains an ongoing challenge for financial regulators to enhance monitoring mechanisms, transparency mandates, and resilience frameworks to mitigate systemic risks.

A balanced regulatory approach in fostering sustainable development

In the context of these evolving challenges, my second point is about how the SFC addresses them through a balanced approach.

As we know, the key to Hong Kong's success as a trusted international financial centre lies in its firm commitment to the rule of law, open economy, as well as balanced regulatory regime.

In meeting those challenges, the answer lies, in my view, in what Aristotle called the Golden Mean – the virtuous balance between competing extremes. It is not a mechanical midpoint but a context-dependent judgment. Guided by practical wisdom, or phronesis, the virtue is in balance, not in extremes. For regulators, this Mean aligns our dual roles of investor protection and market development. This Mean allows us to strike a fine balance between discipline and enablement, so they reinforce each other. This Mean enables us to create space for innovation and its responsible growth, wealth creation and market development.

Safeguarding investors

One prong of our balanced approach is, necessarily, safeguarding investors and managing risks. As Hong Kong's capital market regulator under the Securities and Futures Ordinance, we maintain market integrity and stability through governance enhancements, high-impact enforcement actions, robust market surveillance and investor education.

As mentioned a moment ago, we demand good corporate governance from our issuers to enhance listing market quality, as accountability and transparency underpin integrity and mitigate misconduct risks. By upholding high standards of corporate governance, companies can improve their performance with rigorous internal controls and board oversight. In this regard, the SFC has partnered with the Stock Exchange of Hong Kong Limited to enhance the Corporate Governance Code, effective this July.

Moreover, the SFC remains steadfast in delivering high-impact enforcement actions that punish wrongdoings, deter criminality, and restore investor confidence. We dismantle criminal syndicates, freeze illicit assets, pursue rigorous legal actions against bad actors, seek compensations for investors, and scrutinise intermediaries' internal controls. Recent landmark cases illustrate the outcome of our enforcement resolve, as we secured meaningful compensations for investors and record sentences for market manipulators.

In addition, we proactively educate and alert the public against suspected fraud and suspicious trading platforms or products, while dedicating additional resources to anti-scams publicity campaigns. We also collaborate and share intelligence with the Police and other law enforcement agencies in order to tackle the rising trend in scams.

Going hand in hand with these efforts is our continued strengthening of risk management capabilities, which are essential to mitigating systemic vulnerabilities. Our surveillance efforts enable us to detect anomalies such as market manipulation. Our regular stress tests are vital to assessing the exchanges and intermediaries' abilities to manage major risks. We are also striving to step up our surveillance capabilities, particularly in fast-growing segments such as derivatives.

Fostering growth opportunities

The other prong of our balanced regulatory approach is facilitating sustainable market development. In addition to maintaining integrity and stability, we actively pursue strategies to future-proof our financial ecosystem by increasing its breadth, depth and diversity.

This is evident in our espousal of innovation to sustain the growth of both markets and the real economy. An adaptive listing regime is pivotal in promoting innovation, helping to meet the fund-raising needs of fast-growing technology enterprises.

Over the years, Hong Kong's evolving listing regimes for biotechnology, specialist technology and weighted voting rights companies, coupled with the most recent Technology Enterprises Channel and enhancements to IPO price discovery, have provided fresh momentum for the city's listing market growth and diversification from traditional sectors. These efforts have also solidified Hong Kong's role in supporting the overseas expansion of Chinese Mainland enterprises.

A second notable example is our regulatory regime for digital assets – an emerging asset class exemplifying market innovation. With responsible innovation as our mantra, we ensure resilience and sustainability remain the very basis of any innovative initiatives. Since 2018, the SFC has championed a regulatory approach for digital assets focused on investor protection, adopting robust standards similar to those of the securities market while nurturing long-term growth potential.

In this light, our roadmap named "[ASPIRe](#)" unveiled earlier this year strikes a balance between investor protection and development of the digital asset ecosystem under clear frameworks. Our vision is to drive long-term stable and sustainable development through broader market participation, expanded product and service offerings, and infrastructure upgrades.

Proactive stakeholder engagement as key to balanced regulation

Coming to my third point, which is about proactive engagement with our stakeholders, including the legal professionals and regulators in this room today.

A balanced approach relies on constant dialogue. For the SFC, engagement is essential to attaining that Golden Mean in our regulatory approach. The SFC puts this engagement

philosophy into practice through open dialogues with the financial industry to ensure our frameworks effectively address market needs.

Over the past year, our proactive approach has yielded visible results. We effectively deepened mutual understanding with industry stakeholders through numerous seminars and fora as part of our regular engagement efforts.

A vivid example showcasing the constructive outcome is the recent [Roadmap for the Development of Fixed Income and Currency Markets](#) (FIC roadmap), jointly announced by the SFC and the Hong Kong Monetary Authority (HKMA) in September. As the fruit of extensive collaborative efforts by both regulators and market participants over more than a year through the SFC-HKMA joint task force, the FIC roadmap charts the way forward for Hong Kong's diversified market development.

Beyond our engagement with financial practitioners, it is of vital importance that we extend similar efforts towards the legal profession and other major stakeholders. As we know, legal professionals play a pivotal role in upholding the rule of law in our society, which is the backbone of Hong Kong's market regulation and financial success.

You shoulder the weighty responsibilities of guiding your clients to navigate within the legal boundaries and maintaining high ethical standards in markets, through your ample due diligence, independent judgement and comprehensive advice on legal, regulatory, transactional and other key matters. Your contribution to the nexus of contracts in the financial ecosystem is indispensable to its smooth functioning.

Therefore, the SFC is committed to maintaining a strong collaborative relationship with the Law Society of Hong Kong and the legal community. Through ongoing consultations on policy development, enforcement strategies and market evolution, we rely on you for critical legal perspectives to strengthen our regulation and support market developments.

Beyond the city's borders, the SFC's regulatory engagement with the China Securities Regulatory Commission and participation at the International Organization of Securities Commissions are also crucial to uphold market integrity and promote sustainable development.

To all the international legal regulators and stakeholders here today, I must say the SFC deeply values this valuable opportunity to exchange our views on how to accomplish our shared vision more effectively going forward.

Closing

In closing, I would like to share with you a few words of wisdom from Benjamin Franklin: laws too gentle are seldom obeyed; too severe, seldom executed. For the SFC, our mission is to find that Golden Mean where law, integrity, and development co-exist and reinforce each other. We believe this balanced regulatory approach has underpinned public trust in our markets for decades, and will continue to do so in the future.

However, regulation is a collective call, and we cannot accomplish our mission alone. Only through collaboration with our regulatory partners, the legal profession and other market stakeholders can we continue our journey as both a guardian and a facilitator. By addressing



shared challenges, harmonising standards, and promoting integrity together, I am confident we can navigate the complexities of today's fast-evolving global landscape.

With that, I wish you all a productive conference today. Thank you.