

Corporate Developments

Fostering a positive and supportive workplace culture and caring for the wellbeing of our staff help make our workforce more productive and engaged. To ensure our regulatory effectiveness, we use our resources prudently and regularly upgrade our systems and technology infrastructure to keep in step with market developments.



People

We are committed to making the SFC an employer of choice. The Employees Retraining Board (ERB) recognised our efforts to promote staff learning and development with an “ERB Manpower Developer” award for the seventh consecutive year.

Professional development

Our Chief Executive Officer (CEO) communicates important organisational matters and regulatory developments and addresses staff questions at regular CEO sharing sessions. We also arrange internal Commission Connection sessions to share new policy initiatives with our staff.

We strive to provide staff with career development opportunities. This year, we enhanced our human resources systems and fine-tuned our merit-based internal policies for performance evaluation, career progression and reward management to better align with our current regulatory approach. Building on these changes, an increasing number of staff are driving their career development within the SFC and broadening their work exposure and skills by transferring and advancing across functional areas.

Executives are also offered annual secondment opportunities with the Financial Services and Treasury Bureau, Financial Services Development Council and China Securities Regulatory Commission (CSRC).



Retirement planning workshop organised by the SFC Women's Network

We arrange visits to regulatory counterparts in Beijing and Shanghai as well as joint workshops with them. This year, one staff was seconded to the CSRC and two CSRC counterparts seconded to us under the SFC-CSRC memorandum of understanding.

Locally, we held joint training workshops with participants from the Hong Kong Monetary Authority, Hong Kong Police Force, Immigration Department and Independent Commission Against Corruption¹.

We also invited other local and overseas regulators, industry professionals and consultants to share with us their views and updates on a wide range of topics. This year, these talks focussed on emerging trends related to financial technology and the regulatory response.

During the year, our employees spent an average of 24.3 hours on structured learning including seminars, workshops, training programmes and online courses.

Our Graduate Trainee Programme is an essential component of our people development strategy. In its eleventh year, we recruited four graduate trainees. Additionally, we placed 38 interns in various divisions for summer, winter or full-year terms.

Engaged workforce

One of the SFC's core values — “People Count” — underpins our commitment to cultivating a supportive culture and a positive working environment.

This year, we incorporated mental wellbeing as an essential element of a more holistic Health, Safety and Wellbeing Policy and updated our Employee Handbook accordingly.

We promote good employment practices and a sense of belonging. To foster team spirit, staff participate with fellow regulators in inter-organisational activities such as tennis and basketball tournaments and dragon boat races. We also support staff volunteering and provide family-friendly work arrangements and staff activities to encourage work-life balance.

Members of the SFC Women's Network joined representatives of financial institutions in meetings to discuss best practices to advance women's professional development and inspire them for leadership roles.

¹ See Enforcement on pages 65-72.

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Training and e-learning

	2019/20	2018/19	2017/18
Percentage of employees who participated in internal training [^]	93%	99%	89%
Average hours of internal training per employee [^]	24.3	30.6	31
Number of employees who undertook e-learning	881	195	185

[^] Including lectures, workshops and seminars.

Employee statistics

	As at 31.3.2020		As at 31.3.2019		As at 31.3.2018	
	Actual	Budget	Actual	Budget	Actual	Budget
Professional	736	805	727	779	701	759
Support	185	183	183	186	186	185
Total	921	988	910	965	887	944

	As at 31.3.2020	As at 31.3.2019	As at 31.3.2018
Male	312	303	289
Female	609	607	598
Average years of service	8.8	8.3	8
Female staff at Senior Manager grade or above	60%	60%	61%

For staff, the network organised educational talks on personal and leadership development as well as retirement planning.

To keep our operations sufficiently resourced at all times while safeguarding health and safety, we temporarily introduced a split-team arrangement starting from February 2020 for staff to work in the office on two-week rotations.

Quality workplace

To meet our projected operational needs, we secured an eight-year lease at a new office premises which will significantly reduce our rental expenses. Our relocation from Central to Quarry Bay is in progress.

The new office provides an open layout which increases capacity and space efficiency. Workstations are equipped with height-adjustable desks to help

improve staff health and productivity. Office access controls safeguard against unauthorised entry to our premises. Access rights are properly assigned and closely managed.

We have a business resumption plan in place to address readily identifiable risks, including technical problems, fires, natural disasters and other emergencies.

Communications

We regularly communicate with the industry and the public through multiple channels², including senior executives' speaking engagements, consultations, industry briefings, circulars, publications, annual and quarterly reports and press releases. We address public complaints and enquiries about Hong Kong's securities and futures markets.

² See Stakeholders on pages 76-79.

Recognition for public service

Victor Wong received The Ombudsman’s Awards 2019 for Officers of Public Organisations for his outstanding work in handling complaints from the public.

Prior to joining the SFC in 2010, Wong spent eight years working at the Office of The Ombudsman. The experience he gained there has helped him deal with public complaints more effectively in his current role. “The nature of both jobs is similar,” Wong explained. “The most important thing is to be a good listener and be positive, polite and patient.”

To conduct preliminary assessments of complaints in the first instance, Wong does background research and asks for clarification and additional information. This is the most critical part of his work, as it helps him understand the complainant’s point of view and collect the facts needed to evaluate the complaint.

Wong derives great satisfaction from helping people in a meaningful way. When investors contact him to verify the licences of firms which asked them to make investments, he directs them to the SFC’s public register of licensed persons and registered



Victor Wong, Manager, External Relations, Corporate Affairs

institutions as well as other public information which can prevent them from falling victim to fraudsters. “This award motivates me to work harder to give my best effort,” Wong said.

Our press office formulates and executes media strategies to enhance public understanding of our work. It proactively leads organisation-wide efforts to engage the media and explain our policies, initiatives and regulatory actions.

Our corporate website (www.sfc.hk) provides up-to-date information about the SFC. During the year, we made enhancements to facilitate access to information on the website.



Basketball Supervisory Cup



Dragon boat race

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Legal support

Our Legal Services Division³ handles criminal cases and manages civil litigation and Market Misconduct Tribunal (MMT) cases initiated by the SFC. It also defends judicial reviews and other cases brought against the SFC. (See table below.)

The division supports our day-to-day work by providing advice and guidance on legislative drafting and regulatory matters such as licensing issues, supervision of risky brokers, front-loaded regulation of listing matters, takeovers activities, investor compensation and enforcement investigations, as well as on administrative affairs including employment, data privacy and procurement contracts.

Landmark court cases

- 2010** | **Rontex International Holdings Limited**
Obtained a court order that the company commence civil proceedings to recover loss and damage suffered as a result of the directors' misconduct.
- 2012** | **Chan Pak Hoe**
Decision by the Court of Final Appeal that the appropriate sentence for insider dealing offences is immediate imprisonment and a financial penalty.
- 2013** | **Tiger Asia Management LLC**
Decision by the Court of Final Appeal that section 213^a orders under the Securities and Futures Ordinance (SFO) may be sought in the absence of a finding by a criminal court or the MMT.
Du Jun
Insider dealing case – the first case where the court made restoration orders under section 213 of the SFO for the benefit of investors.
- 2014** | **China Metal Recycling (Holdings) Limited**
An order was made to wind up a Hong Kong-listed company under section 212^b of the SFO.
- 2016** | **AcrossAsia Limited**
The first MMT case under the Part XIVA^c regime for breaches of the requirements to disclose inside information.
- 2018** | **Yiu Hoi Ying Charles**
The Court of Final Appeal set out the scope of the "innocent purpose defence" for insider dealing.
Young Bik Fung
The Court of Final Appeal upheld the lower court's finding of contraventions of section 300^d in relation to dealings in overseas-listed securities.

a Section 213 of the SFO gives the SFC the power to apply to the Court of First Instance for injunctions and other orders.

b Section 212 of the SFO permits the SFC to apply for an order to wind-up a company if it appears to the SFC that it is desirable in the public interest to do so.

c Part XIVA of the SFO (Disclosure of Inside Information) requires listed corporations to disclose inside information in a timely manner.

d Section 300 of the SFO prohibits the use of fraudulent or deceptive schemes in transactions involving securities.

³ Also see Our People on pages 34-35.

Technology

Our information technology (IT) strategy focuses on digitalisation, information sharing and risk-detection capabilities. To enhance operational efficiency and facilitate more user-friendly information submission, we added new functions to WINGS⁴, our integrated platform for electronic forms and submission services, to collect and manage survey data and licensed firms' self-reports of breaches or non-compliance.

To support our market supervision initiatives under Mainland-Hong Kong Stock Connect, the inclusion of investor identification in our systems during the year helped expedite our investigations into suspicious trading activities. We also adopted technologies incorporating advanced machine learning capabilities which organise large volumes of information from diverse sources for analysis, making our investigation and litigation work more efficient.

A new market monitoring tool was introduced to intelligently analyse listed companies' publications to identify irregularities which may indicate potential corporate misconduct. We plan to adopt more artificial intelligence-related technologies to build up our risk-detection capabilities.

Finance

As a publicly-funded organisation, we follow a disciplined approach to drawing up our budget. We appoint external investment managers to manage our reserves according to investment guidelines approved by the Financial Secretary. Each year, an independent external firm conducts an internal audit to assess the effectiveness of our controls and identify the key risks of our business processes⁵.

Funding

We are operationally independent of the Government and are funded mainly by transaction levies and fees from market participants. The current levy rate is 0.0027% for securities transactions, which is significantly lower than the initial rate of 0.0125% in 1989. We have not revised our fees and charges since 1994. A 50% discount was provided for annual licensing fees in 2019-20. We have offered waivers for annual licensing fees six times since 2009⁶. The current waiver is in effect for one year beginning 1 April 2020.



Moon cake workshop

4 Web-based INTeGrated Service.

5 See Corporate Governance on pages 12-33.

6 The previous waivers covered 2009-10, 2012-14, 2014-16, 2016-18 and 2018-19.

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Income

Total income for the year was \$1,591 million, down 10% from \$1,759 million last year. Owing to the lower securities market turnover in the current year, our levy income decreased 4% from last year to \$1,431 million. Our income from fees and charges increased 28% to \$163 million from \$127 million. Our investment income dropped as a result of the performance of our equity fund investments.

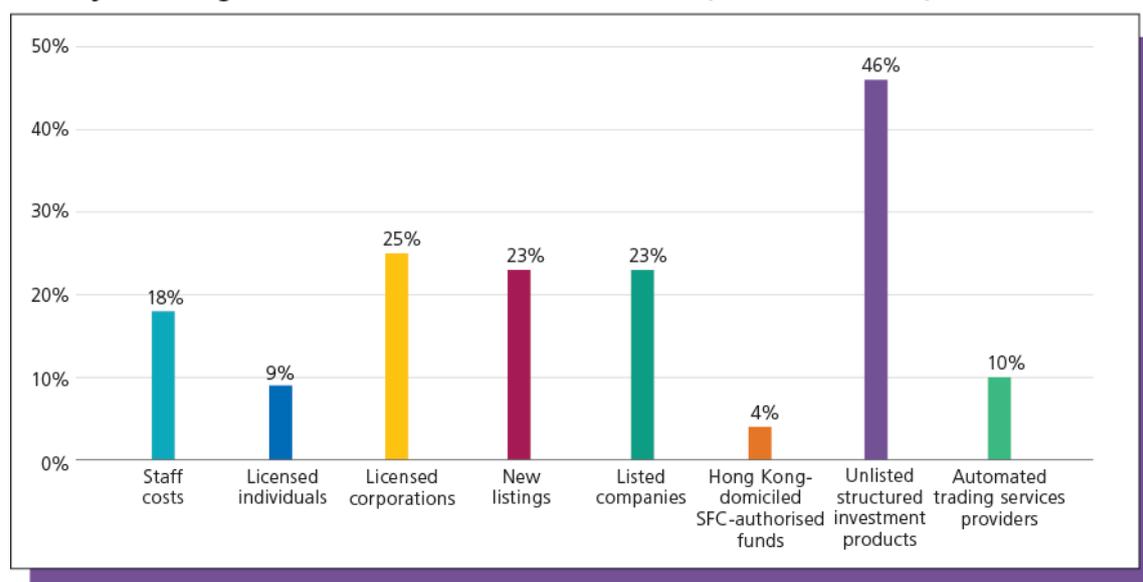
Expenditure

The costs of our operations totalled \$1,966 million, \$213 million below our original budget of \$2,179 million.

Over the past three years, our staff costs increased 18% while our regulatory work increased in both volume and complexity. The ratio of average expenses to income for the past three years was 104%. In the same period, the average increases in expenses and income were 5% and 9% respectively.

Owing to the decrease in income, we recorded a deficit of \$375 million for the year, compared to a deficit of \$95 million last year. As of 31 March 2020, our reserves stood at \$6.7 billion, of which \$3 billion was set aside for the possible future acquisition of office premises.

Three-year change in staff costs and market statistics (2016/17-2019/20)



Finance

(\$ million)	2019/20	2018/19	2017/18
Income	1,591	1,759	2,015
Expenses including depreciation	1,966	1,854	1,772
(Deficit)/Surplus	(375)	(95)	243

Income breakdown

	2019/20	2018/19	2017/18
Levies	90%	84.3%	76.9%
Fees and charges	10.2%	7.2%	7.6%
Net investment income and others [^]	-0.2%	8.5%	15.5%

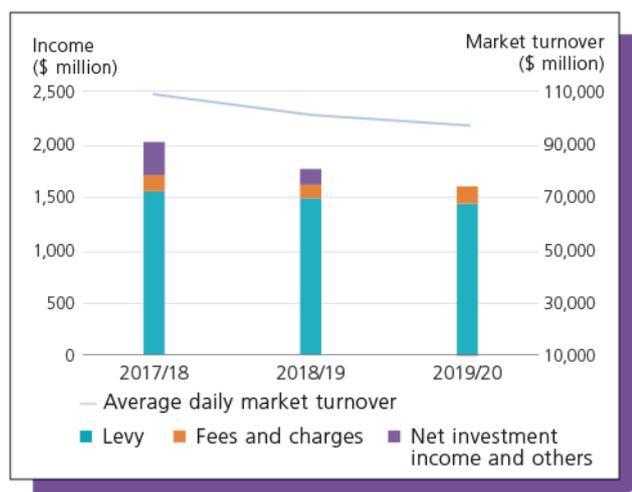
[^] Net investment income and others included foreign exchange gain or loss.

Expenditure breakdown

	2019/20	2018/19	2017/18
Staff costs	72.2%	73.1%	72.4%
Premises and related expenses [^]	2.3%	13.3%	14.2%
Other expenses	12.1%	11.7%	11.7%
Depreciation [^]	13.4%	1.9%	1.7%

[^] Operating lease expenses were recorded as depreciation in 2019/2020 due to a change in accounting policy.

Income vs market turnover (2017/18-2019/20)



Income and operating expenses (2017/18-2019/20)

