

Highlights

Key figures for 2021-22

7,308

requests for trading and account records

220

cases initiated for investigation

168

individuals and corporations subject to ongoing civil proceedings

\$410.1 million

in fines imposed on licensees

7,163

new licence applications

As of 31 March 2022:

48,401

licensees and registrants

including

3,231 licensed corporations

262

on-site inspections of intermediaries

111

press releases

85

circulars to the industry

67

Fintech-related enquiries

4,041

complaints against intermediaries and market activities

As of 31 March 2022:

2,849

authorised collective investment schemes

including

866 Hong Kong-domiciled funds

306

listing applications received

385

takeovers-related transactions and applications

Highlights

| Regulatory enhancements | |
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| Capital market transactions | Released consultation conclusions on conduct requirements for bookbuilding and placing activities in capital market transactions in Hong Kong to clarify intermediaries' roles and set out expected standards |
| Competency requirements | Concluded a consultation on proposals to update the competency framework for intermediaries and individual practitioners |
| Depositaries of SFC-authorized funds | Concluded a consultation on proposals to introduce a new regulated activity (RA 13) for depositaries of SFC-authorized collective investment schemes (CIS) and further consulted on the approach to defining RA 13 and amendments to subsidiary legislation and SFC codes and guidelines |
| Investment-linked assurance schemes (ILAS) | Conducted a holistic review of ILAS in collaboration with the Insurance Authority and consultations with other stakeholders and issued a circular to provide enhanced guidance on ILAS product design |
| Investor identification | Issued consultation conclusions on implementing an investor identification regime at the trading level for the securities market in Hong Kong and an over-the-counter (OTC) securities transactions reporting regime for shares listed on the Stock Exchange of Hong Kong Limited (SEHK) |
| Anti-money laundering | Released consultation conclusions on proposed amendments to the SFC's anti-money laundering and counter-financing of terrorism guidelines to align them with the Financial Action Task Force's standards and provide additional guidance for the implementation of risk-based measures |
| OTC derivatives clearing regime | Launched a joint consultation with the Hong Kong Monetary Authority (HKMA) on the addition of new calculation periods for the regime Published a joint consultation conclusions paper with the HKMA on the annual update to the list of financial services providers |
| Pooled retirement funds | Concluded a consultation on amendments to the Code on Pooled Retirement Funds which took effect in December 2021 |

| Market development | |
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| Special purpose acquisition companies (SPACs)¹ | Listing Rules amendments to implement the new regime took effect on 1 January 2022 and as at 31 March, 11 SPACs had filed listing applications and one was listed |
| A-share index futures | Launched in October 2021, the MSCI China A 50 Connect Index Futures contract provides an additional risk management tool for hedging exposures to the Mainland's A-share market |
| Exchange-traded funds (ETFs) | ETFs were cross-listed on SEHK and the Shanghai Stock Exchange for the first time Mainland and Hong Kong exchanges and clearing houses jointly announced their agreement on arrangements to include eligible ETFs in Stock Connect Authorised the first three ETFs tracking the MSCI China A 50 Connect Index Authorised the first carbon emission allowances futures ² ETF in Hong Kong |
| Uncertificated securities market | The Securities and Futures and Companies Legislation (Amendment) Ordinance 2021 was enacted to enable the implementation of an uncertificated securities market in Hong Kong |
| Wealth Management Connect | The Cross-boundary Wealth Management Connect Pilot Scheme commenced in October 2021 with 19 banks in Hong Kong initially eligible to provide related services |
| Mutual Recognition of Funds (MRF) | The Hong Kong-Thailand MRF arrangement came into effect in June 2021, allowing eligible Hong Kong and Thai public funds to be distributed in the other market through a streamlined process |
| Equity-linked investments (ELIs) | Authorised the first retail ELIs linked to eligible US-listed stocks |
| Leveraged and inverse (L&I) products | Authorised the first batch of L&I products tracking Taiwan's equity indices, the first crude oil futures inverse product and the first gold futures inverse product |
| Grant scheme | The Government's grant scheme was launched to subsidise the setting up of open-ended fund companies (OFCs) and listing of real estate investment trusts in Hong Kong |

1 A SPAC raises funds through a listing for the purpose of acquiring a business (a de-SPAC target) at a later stage (a de-SPAC transaction) within a pre-defined time period.
2 Commonly known as carbon futures.

Highlights

| Market development | |
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| OFC | Introduced a statutory re-domiciliation mechanism and registered the first private Cayman Islands corporate fund as a re-domiciled private OFC in Hong Kong |
| Virtual assets | <p>The Government concluded a consultation on a legislative proposal for the SFC to regulate centralised virtual asset exchanges under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance</p> <p>Issued a joint SFC-HKMA circular to provide guidance for intermediaries who wish to distribute virtual asset-related products and engage in virtual asset dealing and advisory services</p> |
| Digitalised licensing platform | Launched the next generation, fully-digitalised licensing platform and mandated that all licensing applications, notifications and regulatory filings be submitted via WINGS ³ |
| Annual licensing fee waiver | Waived the annual licensing fees for over 48,000 intermediaries and licensed individuals for the 2022-23 financial year, saving them an estimated \$240 million |

| Supervision | |
|------------------------------|---|
| Listing applications | Received 306 listing applications including from 14 weighted voting rights companies and 33 pre-profit biotech companies |
| Takeovers matters | Supervised 385 takeovers-related transactions and applications |
| Corporate conduct | <p>Published a joint statement with SEHK in May 2021 on our joint efforts to combat misconduct and improper behaviour in new listings</p> <p>As part of our front-loaded approach to preventing corporate misconduct, we issued section 179⁴ directions to gather additional information in 53 cases and issued letters to listed companies detailing our concerns in four cases</p> |
| Review of SEHK's work | Published a report on our review of SEHK's performance in its regulation of listing matters during 2019 and 2020 |
| Inspections | Conducted 262 on-site inspections of intermediaries and noted more than 1,400 breaches of our rules |

³ A web-based platform for SFC electronic forms and online submission services launched in January 2019.

⁴ 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.

| Supervision | |
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| COVID-related risks and operational resilience | Issued a circular with a report to set out regulatory standards and measures for preventing and responding to operational disruptions and managing the risks of remote working as well as other circulars to encourage licensed corporations to consider vaccination as a critical part of operational risk management and remind them to review their business continuity plans |
| Financial distress and staff availability | Provided detailed guidance on mitigating the risks and impact on investors of financial distress and the sudden unavailability of key staff as well as the need to plan for an orderly business closure |
| Spread charges | Shared key observations from a thematic review ⁵ of intermediaries' spread charges and related practices and their disclosure of transaction-related information |
| Non-exchange traded investment products | Published a report of the first joint SFC-HKMA annual survey on the sale of non-exchange traded investment products ⁶ |
| Foreign exchange activities | Issued a joint circular with the Australian Securities and Investments Commission on our collaborative thematic review of global financial institutions' foreign exchange business and operations in Hong Kong and Australia |
| Asset and wealth management | Released the Asset and Wealth Management Activities Survey for 2020 to provide a comprehensive overview of the industry in Hong Kong |

| Enforcement | |
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| Surveillance | Made 7,308 requests for trading and account records from intermediaries as a result of surveillance of untoward price and turnover movements |
| Investigations and prosecutions | Commenced 220 investigations and laid 28 criminal charges against three persons and one corporation and secured convictions against them |
| Notable disciplinary actions | Reprimanded and fined Citigroup Global Markets Asia Limited \$348.25 million for serious regulatory breaches over client facilitation activities |
| | Reprimanded and fined UBS AG and UBS Securities Asia Limited \$11.55 million for multiple regulatory breaches |
| Online investment scams | Conducted a joint operation with the Hong Kong Police Force, the Monetary Authority of Singapore and the Singapore Police Force against a syndicate suspected of operating cross-border ramp and dump manipulation schemes |
| Unregulated virtual asset platforms | Issued a statement to clarify that no entity in the Binance group is licensed or registered to conduct regulated activities in Hong Kong and warned investors against investing in stock tokens offered on unregulated platforms |

5 The thematic review was carried out concurrently by the SFC and the HKMA in 2020-21.

6 Such as CIS, debt securities, structured products, swaps and repos.

Highlights

Green and sustainable finance

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| Cross-Agency Steering Group⁷ | A preliminary feasibility assessment of carbon market opportunities for Hong Kong was published along with an announcement of the next steps to transition the financial ecosystem towards carbon neutrality |
| Management of climate-related risks by asset managers | Concluded a consultation on amendments to the Fund Manager Code of Conduct to require fund managers managing CIS to consider climate-related risks in their investment and risk management processes and provide investors with appropriate disclosures |
| Environmental, social and governance (ESG) funds | Published a circular with enhanced requirements for disclosures and annual assessments of ESG funds, especially those with a climate-related focus |
| Global summit on climate change | At the 26th UN Climate Change Conference of the Parties, Mr Ashley Alder, our Chief Executive Officer, spoke about sustainability disclosure and the significance of establishing the International Sustainability Standards Board |

Regulatory cooperation

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| Hong Kong | Conducted separate joint operations involving listed companies with the Hong Kong Police Force and the Independent Commission Against Corruption |
| Mainland | Held the ninth and tenth high-level meetings with the China Securities Regulatory Commission to discuss cross-boundary regulatory cooperation and market development initiatives |
| International | Mr Alder chaired virtual meetings of the Board of IOSCO ⁸ which discussed the response to the COVID-19 pandemic, non-bank financial intermediation, sustainable finance, crypto-assets and outsourcing |
| | Responded to 95 requests for information and bilateral meetings from overseas regulators and industry bodies |

Stakeholders

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| Regulatory Forum | Hosted the fourth SFC Regulatory Forum on 25 November 2021 for senior regulators and industry leaders to share insights on the future of Hong Kong's unique role as China's international financial centre and other regulatory and topical issues |
| New alert list | Introduced a new feature on our website to warn the public about unauthorised investment arrangements suspected to be CIS, which may not be offered to the public in Hong Kong |

⁷ Co-chaired by the SFC and the HKMA, the Hong Kong Green and Sustainable Finance Cross-Agency Steering Group also includes the Financial Services and the Treasury Bureau, the Environment Bureau, Hong Kong Exchanges and Clearing Limited, the Insurance Authority and the Mandatory Provident Fund Schemes Authority.

⁸ International Organization of Securities Commissions.