

Message from Chairman and CEO



Carlson Tong
Chairman

We remain squarely focussed on upholding fair and orderly markets to foster investor confidence.

In today's complex and increasingly interconnected markets, we are determined to tackle emerging regulatory challenges and keep pace with technological innovation to maintain healthy, sustainable market development. It is crucial that we press ahead with initiatives to strengthen the competitiveness of our markets and advance Hong Kong's position as an international financial centre (IFC) whilst ensuring appropriate investor protection.

Hong Kong as a leading IFC

Over the past few years, we prioritised three initiatives to lay the groundwork for Hong Kong's future development as a global financial centre connecting mainland China with the rest of the world.

First, we recognise that Hong Kong needs to attract a more diverse range of quality listings to enhance its competitiveness as a capital-raising centre, including emerging and innovative firms.

Second, Hong Kong has the potential to develop into a fully-fledged asset management centre. To help achieve this, we focus on enhancements to the local regulatory framework for funds, asset managers and service providers whilst expanding the potential markets for funds domiciled and managed in Hong Kong.

Thirdly, we are working on a number of initiatives to establish Hong Kong as the premier centre for managing Mainland risk via exchange-traded and other over-the-counter hedging tools, and as a booking hub for Asian derivatives.

With its unique relationship with the Mainland, Hong Kong clearly stands to benefit from greater cross-border connectivity and two-way capital flows. But

we must also ensure the needs of both Mainland and international investors are met amidst the Mainland's emergence as the world's second-largest economy and its integration with global capital markets.

Stock Connect is a game changer which provides unprecedented opportunities for Hong Kong. As a next step, we will pursue its further expansion as well as other mutual market access schemes, including Bond Connect, ETF¹ Connect and Mutual Recognition of Funds.

Responsive regulation for investor protection

As the financial industry becomes ever more complex and dynamic, we remain squarely focussed on upholding fair and orderly markets to foster investor confidence. Our position is clear—market development is founded on world-class regulatory standards.

We must adopt the right regulatory structure and approach to carry out our mandates. Our real-time, front-loaded approach emphasises earlier, more targeted intervention, allowing us to stay vigilant in getting ahead of threats to the integrity, safety and quality of our markets.

Using the full array of tools available to us, including the Securities and Futures (Stock Market Listing) Rules (SMLR), we now raise objections to listings or capital raisings and direct suspensions of listed companies' shares where necessary to safeguard the interests of investors. We also monitor licensed firms' financial and conduct risks and intervene quickly when we see problems. As a result of this real-time approach, we have already seen positive changes in market behaviour.

¹ Exchange-traded funds.



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Ashley Alder
Chief Executive Officer

Our recent guidelines on online distribution and advisory platforms for investment products and baseline cybersecurity requirements for internet brokers were examples of how we proactively introduce new proposals and reforms to tackle evolving market risks, facilitate market development and protect investors.

New technologies provide convenience for investors but come with risks. We keep a close watch on cryptocurrencies and initial coin offerings, intervening where appropriate. We also launched the SFC regulatory sandbox for qualified firms to conduct regulated activities utilising financial technologies.

Data analytics are important to keep in step with fast-moving markets. To this end, we have introduced new initiatives to help us analyse data for regulatory purposes and address new technological developments.

Collaboration

The globalisation of market-based finance and increasing capital market connectivity make it essential that we collaborate closely with other regulators.

In particular, our cooperation with the China Securities Regulatory Commission (CSRC) enables us to manage common risks. The strength of our relationship and continued alignment of our interests will be key as the scope of mutual market access programmes broadens over time.

Globally, we take an active part in the international regulatory community, particularly through chairmanship of the IOSCO Board and our involvement in the Financial Stability Board, to ensure that we contribute to global policymaking which may have an impact on our markets.

We will also maintain close communication and seek to formalise and strengthen cooperation with local regulators and law enforcement agencies.

In our own operations, cross-divisional collaboration is now the norm as the issues we deal with require us to address them as “One SFC”. We have set up multi-disciplinary taskforces and a Risk Review Group to assess the opportunities and risks we face.

Looking to the future

Effective regulation together with strong investor protection and extensive collaboration with regulatory counterparts will provide a solid foundation for far greater overlap between expanding pools of international and Mainland liquidity in the years to come. Our strategic priorities are set out in more detail in the next chapter.

In our day-to-day work, we maintain robust financial controls and prudent resource allocation and remain committed to corporate social responsibility efforts.

As ever, we are grateful to the Board and our staff for their commitment, hard work and professionalism in yet another challenging year.

Carlson Tong
Chairman

Ashley Alder
CEO