

Mission and Mandates

Mission statement

As a financial regulator in an international financial centre, the SFC strives to strengthen and protect the integrity and soundness of Hong Kong's securities and futures markets for the benefit of investors and the industry.

Mandates

Our work is defined and governed by the Securities and Futures Ordinance (SFO), which sets out our powers, roles and responsibilities. We have six statutory objectives:

- Maintain and promote a fair, efficient, competitive, transparent and orderly securities and futures industry
- Help the public understand the workings of the industry
- Provide protection for the investing public
- Minimise crime and misconduct in the industry
- Reduce systemic risks in the industry
- Assist the Government in maintaining Hong Kong's financial stability

In 2012, the SFO was amended to broaden our statutory investor education objective. As a result, we delegated our education function to a subsidiary, the Investor Education Centre, which provides financial education and information to consumers. Another subsidiary, the Investor Compensation Company Limited, was established in 2003 to manage and administer claims against the Investor Compensation Fund. It provides a measure of protection for investors in cases of broker default.

Regulatory functions

Our work can be divided into the following areas:

Intermediaries

We set standards and qualifying criteria for corporations and individuals operating in our markets under the SFO. To protect the investing public, we allow only "fit and proper" persons to be licensed.

We supervise licensed intermediaries to ensure financial soundness and compliance with business conduct requirements through off-site monitoring and on-site inspections. Our approach aims to detect risks early and through timely intervention prevent them from spreading. We promote the industry's awareness of emerging issues and encourage proper market conduct by providing appropriate guidance.

We work closely with local and overseas regulatory counterparts and participate in international supervisory fora to enhance cooperation and coordination.

Investment products

To develop Hong Kong as a full-service international asset management centre and preferred place for fund domicile, we formulate policies and support initiatives relating to the regulation of the asset management industry.

We maintain a robust regulatory regime for investment products offered to the public in Hong Kong under the SFO. We perform gate-keeping functions in authorising investment products and monitor compliance with disclosure and other requirements.

We require offering documents of retail investment products to be accurate and to provide adequate information for investors to make informed decisions.

Listings and takeovers

We oversee all listing and takeovers matters in Hong Kong, including vetting of listing applications, disclosure requirements for listed companies, corporate conduct and the listing-related functions of The Stock Exchange of Hong Kong Limited (SEHK).

Empowered by the Securities and Futures (Stock Market Listing) Rules and more generally under the SFO, we intervene in serious corporate cases at an early stage to carry out our statutory objectives. We may raise objections to listing applications or direct SEHK to suspend trading in a listed company's shares.

On a daily basis, we monitor company announcements to identify misconduct or irregularities. We facilitate the fair treatment of investors in corporate activities such as mergers, takeovers and share buy-backs.

Market infrastructure

We formulate policies to facilitate the development of market infrastructure and to build links with Mainland and international markets. We also collect quantitative information about the financial markets as a means to help reduce systemic risks.

We conduct day-to-day supervision and monitoring of exchanges and clearing houses, share registrars and authorised automated trading services providers.

Enforcement

Through our surveillance, investigative and disciplinary work, we combat misconduct and malpractice in the securities and futures markets. Where appropriate, we take action to remedy the effects of market misconduct by applying to the court for injunctive and remedial orders.

We work with other law enforcement agencies and overseas regulatory bodies on investigations where required.

Our major enforcement actions include criminal prosecution and market misconduct, civil and disciplinary proceedings.

Regulatory collaboration

To ensure our regulatory framework is aligned with global standards, we actively participate in the International Organization of Securities Commissions and other global rule-setting fora. We work closely with local and Mainland authorities to support Hong Kong's long-term strategic development amid the opening of Mainland financial markets.

Stakeholders

We maintain close communication with stakeholders to help them understand our work and the rationale behind it. When formulating policies, we consult the industry and the investing public through a variety of channels.

History and background

The securities and futures markets in Hong Kong were largely unregulated until 1974 when legislation was introduced to regulate the industry following a market crash the previous year. Under the legislation, regulation was conducted on a part-time basis by two separate commissions, one for securities and another for commodities trading.

Another major market crash in 1987 triggered the formation of the Securities Review Committee chaired by chartered accountant Ian Hay Davison. Its report, released in 1988, recommended the establishment of a single statutory body outside the civil service, headed and staffed by full-time professionals and funded primarily by the market.

It also proposed that this body be vested with broad investigative and disciplinary powers so it could properly carry out its regulatory functions.

In May 1989, the SFC was officially established as an independent statutory regulator. Further reviews to improve the regulatory regime were conducted after the 1997 Asian financial crisis. The SFO came into effect on 1 April 2003, consolidating and modernising the statutes previously regulating Hong Kong's securities and futures markets.

The SFC has been funded through fees and transaction levies since the early 1990s. It has not had any requirement for Government funding.