

Highlights

Key figures for 2017-18

8,461

requests for trading and account records

280

cases initiated for investigation

97

individuals and corporations subject to ongoing civil proceedings

\$483 million

in fines on licensees

8,294

new licence applications

301

risk-based on-site inspections of intermediaries

309

listing applications reviewed

401

takeovers-related transactions and applications

As of 31 March 2018:

2,799

authorised collective investment schemes including

758

Hong Kong-domiciled funds

44,358

licensees and registrants including

2,702

licensed corporations

83

industry circulars

112

Fintech-related enquiries

83

senior executives' speaking engagements

2,689

complaints against intermediaries and market activities

The following tables highlight our work during 2017-18. More details are provided in subsequent chapters.

Regulation	
Listing regulation	Issued conclusions jointly with The Stock Exchange of Hong Kong Limited (SEHK) to a consultation on proposed enhancements to SEHK's decision-making and governance structure for listing regulation
Senior management accountability	Fully implemented the Manager-In-Charge regime for licensed corporations on 16 October 2017
Online platforms	Concluded a consultation on proposed guidelines on the design and operation of online platforms and the application of the suitability requirement
Asset management	Concluded a consultation on proposed enhancements to asset management regulation and point-of-sale transparency
Public funds	Launched a consultation on proposed amendments to the Code on Unit Trusts and Mutual Funds which seek to ensure that regulations for public funds remain robust and aligned with international standards and market developments
Cybersecurity	Concluded a consultation on proposals to reduce and mitigate hacking risks in internet trading and issued guidelines on cybersecurity baseline requirements along with a circular on good industry practices
OTC derivatives	Concluded a consultation on the proposed regulatory capital regime for licensed corporations engaged in over-the-counter (OTC) derivatives activities
Position limits	The position limit regime for futures and options contracts took effect on 1 June 2017
Anti-money laundering	Introduced revised guidelines incorporating provisions in the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Ordinance 2018

Listings, takeovers and corporate conduct	
Listing applications	Reviewed 309 listing applications received via SEHK
Takeovers matters	Supervised 401 takeovers-related transactions and applications
Listing Policy Panel	Signed an addendum to the Memorandum of Understanding Governing Listing Matters following which a new Listing Policy Panel was established
Belt and Road	Issued a statement on listing applications of infrastructure project companies
Corporate transaction valuations	Issued a guidance note on directors' duties regarding valuations in corporate transactions together with a statement on the liability of valuers and a circular to financial advisers
Industry guidance	The inaugural issue of the <i>SFC Regulatory Bulletin: Listed Corporations</i> provided guidance on the manner in which the SFC performs some of its functions under the Securities and Futures (Stock Market Listing) Rules

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Intermediary licensing, conduct and practices	
Licensing	<p>The number of licensees and registrants in Hong Kong reached a record high of 44,358, of which 2,702 were licensed corporations</p> <p>Published a new <i>Licensing Handbook</i> and revamped the licensing section of the SFC website</p>
On-site inspections	Conducted 301 risk-based on-site inspections and noted over 1,400 incidents of breaches of the SFC's rules
Sandbox	Launched the SFC Regulatory Sandbox to provide a confined regulatory environment for qualified firms to operate regulated activities under the Securities and Futures Ordinance
Cryptocurrencies	Issued statements and circulars on the potential regulatory implications of fundraising using initial coin offerings or cryptocurrencies
Sponsors	Issued a report on deficiencies in sponsor work
Sale of in-house products	A joint circular with the Hong Kong Monetary Authority (HKMA) reminded firms about their expected standards for managing conflicts of interest arising from the sale of in-house products in the same financial group
Industry guidance	<p>The inaugural issue of the <i>SFC Compliance Bulletin: Intermediaries</i> provided guidance on the SFC's regulatory and supervisory priorities</p> <p>Issued 83 circulars to the industry covering a wide range of topics including best execution, client facilitation and anti-money laundering</p>



Markets and products	
Stock Connect	<p>Stock Connect now covers 1,500 Mainland stocks and 460 Hong Kong stocks, representing more than 80% of the two markets' combined market capitalisation</p> <p>The daily quotas under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect were expanded fourfold to RMB52 billion for northbound trading and RMB42 billion for southbound trading, effective from 1 May 2018</p>
Funds	<p>The total number of authorised collective investment schemes rose to 2,799, of which 758 were Hong Kong-domiciled funds</p> <p>Formally adopted a revamped process for applications for the approval of post-authorisation changes and authorisation of revised offering documents for SFC-authorized funds</p>
Mutual recognition of funds	Signed a memorandum of understanding (MoU) with Autorité des Marchés Financiers on mutual recognition of funds, allowing eligible French and Hong Kong public funds to be distributed in the other market through a streamlined vetting process

Enforcement	
Surveillance	Made 8,461 requests for trading and account records from intermediaries as a result of surveillance of untoward price and turnover movements
Investigations	Completed 254 investigations and laid 54 criminal charges against 11 individuals and three corporations and secured convictions against nine persons and five corporations
Disciplinary actions	Disciplined 15 corporations, two responsible officers and 14 licensed representatives, resulting in total fines over \$483 million
Notable cases	Fined HSBC Private Bank (Suisse) SA a record sum of \$400 million for material systemic failures in the sale of structured products in the run-up to the global financial crisis in 2008
	Reprimanded and fined three companies of the Credit Suisse group a total of \$39.3 million over a series of internal control failures
	The Market Misconduct Tribunal (MMT), in its heaviest financial sanction to date, ordered Gu Chujun (former chairman and chief executive officer of Greencool Technology Holdings Limited) to disgorge approximately \$481 million of profit
	The MMT ruled that Mayer Holdings Limited and nine of its former directors and senior executives failed to disclose inside information as soon as reasonably practicable and fined them a total of \$10.2 million
Guidance on cooperation	Issued an updated Guidance Note on Cooperation with the SFC to highlight the benefits of cooperating in our investigations and enforcement proceedings

Stakeholder communication

SFC Regulatory Forum 2018	This year's Regulatory Forum, a full-day, biennial event to promote dialogue with a wide range of stakeholders, focussed on initiatives to enhance Hong Kong's competitiveness as a capital raising centre with around 900 participants from the financial industry, listed companies and regulatory and professional bodies in attendance	
Financial technology (Fintech)	Organised a full-day programme jointly with the HKMA to discuss regulatory issues related to Fintech development Held a forum for around 180 industry experts and representatives from licensed corporations to share their observations and good practices on algorithmic trading	
Industry publications	Published 15 thematic publications including the <i>Enforcement Reporter</i> , <i>Takeovers Bulletin</i> and two new bulletins	

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Regulatory collaboration	
International	Hosted the second EU-Asia Pacific Forum on Financial Regulation in Hong Kong
Mainland China	Reached an agreement with the China Securities Regulatory Commission (CSRC) on the introduction of an investor identification regime for northbound trading under Stock Connect
Local	Conducted joint search operations with the Independent Commission Against Corruption to combine our enforcement powers and investigative tools
MoUs	Entered into an MoU with the Hong Kong Police to formalise and strengthen cooperation in combating financial crime
	Entered into MoUs with the CSRC on supervisory and enforcement cooperation on matters concerning futures and on personnel exchanges
	Entered into an MoU with the Financial Conduct Authority providing for consultation, cooperation and information exchange in the supervision of regulated entities which operate on a cross-border basis in Hong Kong and the UK
Fintech	Signed separate Fintech cooperation agreements with the financial regulators in the UK, Australia, Dubai, Malaysia and Switzerland

