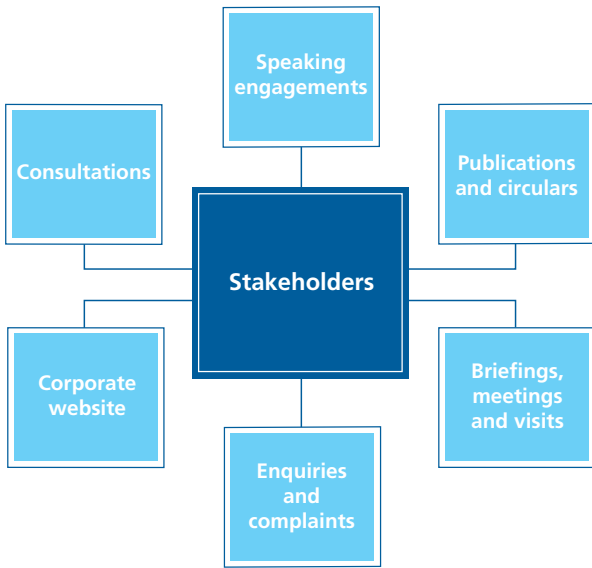


Stakeholder communication

We strive to help stakeholders understand our work and provide them with up-to-date regulatory information through timely, concerted and effective outreach. We use multiple channels to engage with a wide range of stakeholders.



Industry

In March, we organised the SFC Regulatory Forum 2018 attended by around 900 participants from the financial industry, listed companies and regulatory and professional bodies. This biennial event is a platform for us to discuss the latest regulatory developments with our stakeholders (see sidebar on pages 76-77).

We maintain an open and productive dialogue with industry associations, professional bodies and other market participants. We also regularly organise meetings and briefings to keep industry participants informed about regulatory developments.

When we propose rules under the Securities and Futures Ordinance (SFO), we consistently exceed statutory requirements for public consultation. We consult the public on proposed non-statutory codes and guidelines, as well as amendments to them, before they are implemented. We issue consultation papers containing detailed proposals and hold both formal and informal discussions with relevant stakeholders to seek their views as part of the consultation process.

Publications and other communications

| | 2017/18 | 2016/17 | 2015/16 |
|---|---------|---------|---------|
| Press releases | 138 | 134 | 114 |
| Consultation papers | 11 | 4 | 5 |
| Consultation conclusions | 8 | 2 | 9 |
| Industry-related publications | 15 | 13 | 11 |
| Codes and guidelines ^a | 10 | 4 | 3 |
| Circulars to industry | 83 | 74 | 68 |
| Corporate website average daily page views ^b | 67,664 | 59,952 | 51,020 |
| General enquiries | 7,494 | 6,532 | 7,033 |

^a Includes updates to previous versions.

^b The average number of webpages browsed per day during the reporting period.

Stakeholder communication



SFC Chairman Mr Carlson Tong at the HSBC Financial Dialogue Series 2018

After completing our analysis, we issue a consultation conclusions paper summarising the main comments received and setting out our conclusions. We published 11 consultation papers and eight consultation conclusions in the year.

During the year, our senior executives took part in 83 speaking engagements on various topics within our remit. We supported 13 seminars or events organised by industry bodies.

In October 2017, our senior executives spoke at a full-day programme we organised with the Hong Kong Monetary Authority (HKMA) to discuss regulatory issues related to financial technology (Fintech) development. The programme was part of Hong Kong Fintech Week sponsored by InvestHK. We also engaged with a wide range of stakeholders including financial institutions, industry organisations and start-ups through the SFC Fintech Contact Point¹, which handled 112 enquiries during the year.

Our publications aim to update the industry on our regulatory work, topical issues and other developments. This year, we published 15 thematic publications, including periodic newsletters, market reviews and surveys.

We launched two new publications during the year. The *SFC Regulatory Bulletin: Listed Corporations*, launched in July 2017, provided guidance on the manner in which we perform some of our functions under the Securities and Futures (Stock Market Listing) Rules and the SFO regarding listed corporations and other listing matters. In December 2017, the first edition of the *SFC Compliance Bulletin: Intermediaries* reminded the industry of the importance of managing conflicts of interest in selling practices and asset management.

Circulars and frequently-asked questions are posted on the SFC website to help the industry better understand our regulatory requirements. This year, we issued 83 industry circulars informing industry participants about various matters, including anti-money laundering, over-the-counter derivatives transactions, investment product distribution, securities margin financing and regulated activities involving cryptocurrency-related products and derivatives.

Government

By attending Legislative Council (LegCo) meetings, including meetings of the Panel on Financial Affairs and relevant Bills Committees, we provide legislators with details of our policy initiatives, explain the rationale behind our work and answer questions. We also respond to enquiries and complaints referred to us or raised by LegCo members and other government agencies.

¹ The SFC Fintech Contact Point was launched in March 2016 as a dedicated portal to receive enquiries and requests related to Fintech.



Hong Kong Fintech Week 2017

Through regular meetings and reports, we maintain close liaison with the Financial Services and the Treasury Bureau and provide updates on our regulatory initiatives. We also provide assistance and information to other government bureaux and departments on various issues.

Regulatory counterparts

We play an active role in international regulatory cooperation through our participation in both the International Organization of Securities Commissions and the Financial Stability Board².

To enhance regulatory cooperation, we maintain close contact with local, Mainland and overseas regulatory counterparts. During the year, we signed four memoranda of understanding (MoU) with other authorities and exchanges and held more than 40 MoU meetings. In addition, we signed five cooperation agreements with overseas regulators on the development and application of Fintech, and received visitors and delegates from Mainland and overseas authorities.

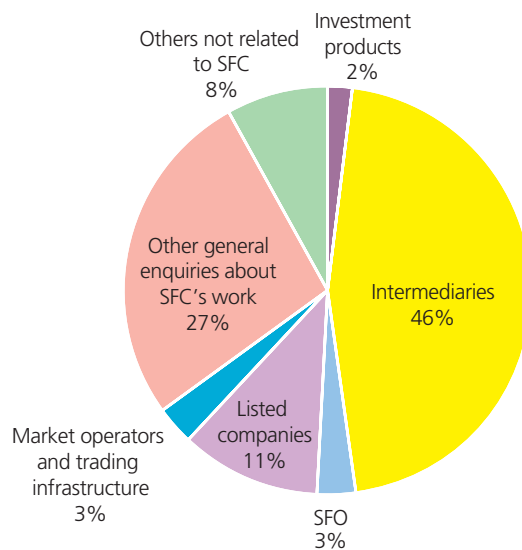
The public

We address public concerns and enquiries regarding the securities and futures markets. During the year, we received a total of 7,494 general enquiries by phone or in writing.

Complaints against intermediaries and market activities are first reviewed by our Complaints Control Committee, comprising senior executives from across the organisation, and are allocated to responsible divisions for assessment where appropriate.

We handled 2,689 complaints during the year. A total of 1,256 cases³ were allocated for further review and 516 were referred to Hong Kong Exchanges and Clearing Limited or other financial regulators and law enforcement agencies.

General enquiries



² See Global regulatory engagement on pages 69-72.

³ One case may comprise multiple complaints.

SFC Regulatory Forum 2018

The third SFC Regulatory Forum, our biennial event, took place on 14 March 2018. The event centred on initiatives to enhance the competitiveness of Hong Kong as a capital-raising centre amidst rapid technological innovation and increasing connectivity with the Mainland and other markets.

The event kicked off with opening remarks from our Chairman, Mr Carlson Tong, who emphasised the importance of attracting a greater variety of listed companies and collaborating more closely with both local and overseas regulators.

The keynote address by Mr Paul Chan, Financial Secretary of the Government of the Hong Kong Special Administrative Region, highlighted the Government's initiatives to promote the development of financial services and enhance Hong Kong's competitiveness as an international financial centre. Mr Chan stressed that Hong Kong needs to be innovative and proactive to remain competitive and maintain its growth momentum.

Hong Kong is not only a super-connector to mainland China – we have also been playing a very important risk management role from a policy perspective.

*Au King Lun, Chief Executive Officer,
Value Partners Group Limited*



The first of four panel discussions addressed ongoing reforms to listing regulation in Hong Kong in the context of the SFC's front-loaded, real-time approach and the evolving relationship between Hong Kong and Mainland capital markets. Our Chief Executive Officer Mr Ashley Alder stressed that effective regulation and reciprocal, balanced regulatory cooperation are vital to further market integration and expand global investment flows.

In this age of advanced technology, the industry needs to move fast to provide the public with the convenience they need and a better overall experience with financial services.

*Chu Gang, Chief Operating Officer and
Chairman of Capital Markets Committee,
China International Capital Corporation Limited*





Another panel considered the opportunities and challenges facing the asset management industry in view of recent cross-border initiatives. Panellists also weighed the potential for Hong Kong to develop as the region's premiere risk management centre and derivatives hub as the city plays an increasingly important role in connecting the Mainland and the rest of the world.

Mainland China will be the largest source of new listings and capital flows for Hong Kong in the years to come and the key strategy to drive this is to raise corporate governance standards in Hong Kong.

Yin Ke, Chief Executive Officer, CITIC Securities International Company Limited

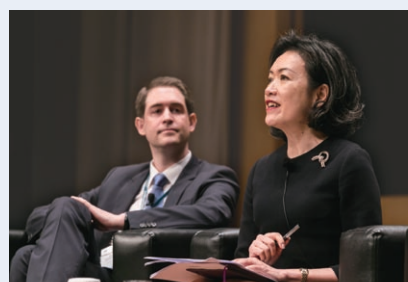
In the third panel, speakers discussed the role of regulation in changing corporate behaviour and the need for changes in listing regulation to deal with the most pressing problems, particularly shell manufacturing and backdoor listings, as well as the role of independent non-executive directors.

The last panel addressed our recent efforts to ensure intermediaries' compliance (eg, senior management responsibilities and accountability) and deter corporate fraud and market misconduct. The discussions also covered how we are keeping up with the pace of technological change in the financial services industry.

Around 900 leaders from the financial industry, listed companies, professional services firms and industry associations attended the full-day event. Videos of the proceedings and a summary of discussions were posted on the SFC website.

We need to make sure that valuations fairly reflect the value of the underlying assets and that there are protections for minority shareholders and all shareholders are treated equally.

Manuel Schlabbers, Chief Executive Officer, Accudo Capital Limited



Stakeholder communication

We launched a new system which provides a one-stop platform for storing and processing information about the complaints we receive. With the new system, we can more easily access information, compile statistics, generate management reports and track the progress of complaints.

To increase public understanding of Hong Kong's financial regulatory framework and our regulatory role, we received visitors from local and overseas institutions and our senior executives delivered key messages in media interviews. We issued 138 press releases to inform the public of the latest regulatory actions and other SFC news.

We published our *Annual Report 2016-17* and three quarterly reports to help stakeholders understand our work. Our reporting efforts were recognised

with a Gold prize in the Hong Kong Management Association's Best Annual Reports Awards 2017, and a Gold award, public sector category, in the Hong Kong Institute of Certified Public Accountants' 2017 Best Corporate Governance Awards.

The public can easily obtain up-to-date information about our work and regulations on our corporate website. This year we made enhancements to facilitate access to information. To provide easier access to licensing information, we published a comprehensive *Licensing Handbook* on our website and made webpages more user-friendly. We also enhanced our homepage and other sections to improve web accessibility for users with visual or hearing disabilities.

Handling complaints and enquiries with aplomb

We strive to responsibly and professionally address complaints and enquiries regarding the markets. Our efforts were recognised during the year when Sam Chiu, Manager, External Relations, Corporate Affairs, received The Ombudsman's Awards 2017 for Officers of Public Organisations for his outstanding work in this area.

Chiu, who handles public complaints and enquiries on a daily basis, says he always tries his best to help investors understand our rules and regulations. Putting himself in their shoes helps him better understand where they are coming from.

The work can be challenging in some cases where we cannot provide certain details of our work due to secrecy provisions in the law. Nonetheless, he adds, quality complaints are a valuable channel for us to learn about market misconduct and regulate the markets more effectively.

One of the most memorable cases Chiu handled during his seven years at the SFC began with a call he received about a broker failing to return client securities.

This led to immediate regulatory action including a restriction notice on the broker to preserve its clients' assets.

In receiving his award, Chiu credited the support of his supervisors and team members for helping him excel in his role.



When the public contacts us with complaints and enquiries, we have the responsibility to help them understand the markets we regulate.

Sam Chiu

Complaints against intermediaries and market activities

| | 2017/18 | 2016/17 | 2015/16 |
|--|--------------|--------------|--------------|
| Conduct of licensees | 357 | 411 | 338 |
| Conduct of registered institutions | 22 | 39 | 34 |
| Listed companies and disclosure of interests | 779 | 739 | 631 |
| Market misconduct ^a | 322 | 221 | 265 |
| Product disclosure | 12 | 8 | 9 |
| Unlicensed activities | 141 | 116 | 128 |
| Breach of offers of investments | 48 | 141 | 21 |
| Boiler rooms and suspicious websites | 319 | 330 | 310 |
| Scams and frauds ^b | 186 | 132 | 100 |
| Other financial activities not regulated by SFC ^c | 503 | 185 | 220 |
| Total | 2,689 | 2,322 | 2,056 |

^a Primarily, alleged market manipulation and insider dealing.

^b Such as identity fraud and impersonation.

^c For example, bullion trading, banking complaints.