

# Corporate Developments

Building an efficient organisation driven by an effective and engaged workforce is crucial for us to carry out our regulatory work.

We strive to build a high-performing, effective and engaged workforce while ensuring our resources are used appropriately. We periodically upgrade our information technology infrastructure and adopt a centralised approach to data analysis.

## People

### Professional development

At the SFC, people development incorporates our core values – “professional”, “proactive” and “people count”. Enhancing the professional capabilities of our staff and equipping them with the right knowledge and skills is important for us to operate effectively.

During the year, we undertook a thorough review of our talent and performance management practices to foster a merit-based approach to performance evaluation, career development and reward management.

A new programme was launched during the year to equip our senior management with the knowledge and tools to lead strategically. We continued our Leading with Effectiveness and Professionalism (LEAP) programme which supports employee growth and helps build effective teams. By the end of the year, 81% of our people managers had completed the programme.

Our Chief Executive Officer (CEO) communicated important organisational matters, discussed regulatory initiatives and addressed staff questions at regular CEO sharing sessions. Other senior management shared new regulatory developments with staff at Commission Connection Series events.

A cross-divisional exchange programme helps staff broaden their work experience through short-term internal secondments and we organise briefing sessions to increase staff awareness of available resources for career development.

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Professional staff were offered annual secondment opportunities to the Financial Services Development Council, Financial Services and Treasury Bureau as well as the China Securities Regulatory Commission (CSRC). We signed a Memorandum of Understanding with the CSRC in March 2018 to facilitate personnel exchanges. We also arranged visits to regulatory counterparts in Shenzhen and Shanghai and workshops on Mainland capital markets-related themes.

We offer training based on identified learning and development needs. This year, we invited local and overseas regulators and industry professionals to present and discuss topics including financial products, regulatory changes and market developments on the Mainland and overseas. Two new e-modules on regulatory and legal topics were added to complement our training courses.

During the year, each employee spent an average of 31 hours on structured learning courses, including workshops, seminars and training programmes. Invitations to some of these programmes were extended to fellow regulators such as the Hong Kong Monetary Authority and Insurance Authority.

We recruited six graduate trainees in the ninth annual intake for our Graduate Trainee Programme and placed 44 summer and winter interns in various divisions.



To acknowledge and reward outstanding performance and encourage our staff to strive for continuous development, we recognised one individual and 13 teams in our annual Employee Awards for 2017.

For the twelfth consecutive year, the SFC was named a “Caring Organisation” for our encouragement and support of employee volunteering and for providing family-friendly work arrangements.<sup>1</sup> We also received the “Employees Retraining Board Manpower Developer” award for the fifth time for advocating the importance of learning and development.

### Training and e-learning

	2017/18	2016/17	2015/16
Percentage of employees who participated in internal training <sup>^</sup>	89%	95%	95%
Average hours of internal training per employee <sup>^</sup>	31	31	34.2
Number of employees who undertook e-learning	185	198	175

<sup>^</sup> Including lectures, workshops and seminars.

<sup>1</sup> See Corporate Social Responsibility on pages 82-90.

### Quality workplace

As an equal opportunity employer and an employer of choice, we provide a safe, quality work environment and promote good employment practices and a sense of belonging.

Our staff have opportunities to mingle by participating in inter-organisational, cross-divisional activities such as dragon boat races as well as in basketball and badminton tournaments with fellow regulators.

Our Women’s Network<sup>2</sup> organised seminars for all staff on topics including developing self-awareness and building executive presence. It also supported “Ring the Bell for Gender Equality” in celebration of International Women’s Day.

We provide an appropriate and friendly environment for post-natal employees where practicable.



### Information technology

We have begun centralising all electronic data submissions in a single online portal to make the process more user-friendly for the industry. Our information technology infrastructure was upgraded<sup>3</sup> and our network security was strengthened against malware and ransomware threats. A new version of our intranet was launched to improve collaboration and efficiency. We also enhanced our search functions to improve access to information.

To meet rising demand for reference materials, we broadened access to online information resources and organised 20 training sessions during the year. We expanded our collection of specialised financial and legal research databases, including regulatory intelligence and market data. As of end-March 2018, we subscribed to 88 electronic databases.

### Administration

We regularly review our corporate resources, including space requirements, to ensure that our operational needs are met. To keep our workplaces well-equipped and occupationally safe, we carried out office repair and maintenance work.

Access controls safeguard against unauthorised entry to our office premises. Access rights are properly assigned and closely managed. A business resumption plan addressing readily identifiable risks, including technical problems, fires, natural disasters and other emergencies, is in place.

### Communications

We emphasise active communications with the industry as well as the public through multiple channels, including the SFC Regulatory Forum, senior executives’ speaking engagements, seminars and workshops, consultation and consultation conclusions papers, industry circulars, industry-related publications, annual and quarterly reports and press releases. Our constantly updated corporate website ([www.sfc.hk](http://www.sfc.hk)) provides timely and easily accessible public information.

Our press office’s proactive engagement with the media enhances the transparency of our operations and promotes public understanding of our regulatory actions and policies.

<sup>2</sup> The SFC Women’s Network aims to enhance professional development and inspire women for leadership roles.  
<sup>3</sup> Our IT Quality Management System was upgraded to ISO 9001:2015 to enhance the quality of service delivery.

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### Legal support

Our in-house legal team performs a full range of services to support our work. It prepares and conducts criminal cases and manages civil litigation and Market Misconduct Tribunal cases initiated by the SFC, and defends judicial reviews and other cases brought against the SFC.

In our day-to-day work, it provides advice and guidance on legislative drafting work and regulatory matters such as licensing, takeovers, enforcement investigations and compliance with disclosure requirements, as well as on administrative affairs including employment and procurement contracts.

As collaboration between regulators becomes more important, our in-house legal team maintains regular contact with the legal affairs department of the CSRC and conducts joint training with them on an annual basis. The second joint SFC-CSRC legal seminar took place in Xiamen in December 2017.

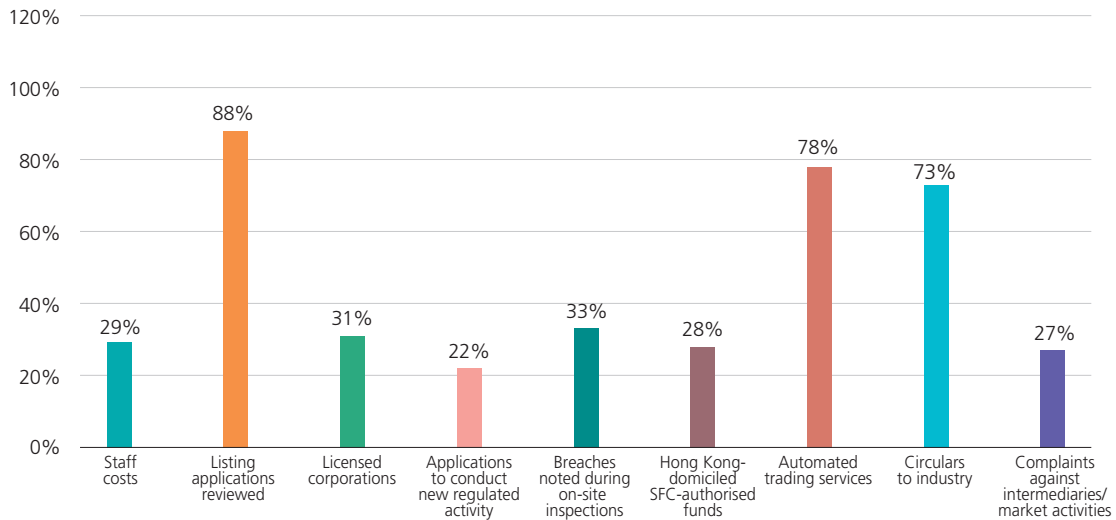
### Breakdown of staff

	As at 31.3.2018		As at 31.3.2017		As at 31.3.2016		As at 31.3.2015	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Professional	701	759	677	729	651	698	608	666
Support	186	185	190	188	190	195	185	186
Total	887	944	867	917	841	893	793	852

### Employee statistics

	As at 31.3.2018	As at 31.3.2017	As at 31.3.2016
Male	289	283	278
Female	598	584	563
Average years of service	8	7.7	7.2
Female staff at Senior Manager grade or above	61%	59%	59%

Three-year change in staff costs, regulatory activities and market statistics (2014/15-2017/18)



## Finance Funding

We are operationally independent of the Government and are funded mainly by transaction levies and fees from market participants. The current levy rate is 0.0027% for securities transactions, which is significantly less than the initial rate of 0.0125% when the transaction levy mechanism was set up in 1989. We have not revised our fees and charges since 1994. Additionally, we have offered waivers for annual licensing fees five times since 2009. The current waiver is in effect for one year beginning 1 April 2018.

As a publicly-funded organisation, we follow a disciplined approach in drawing up our budget. We appoint external investment managers to manage our reserves according to investment guidelines approved by the Financial Secretary. This year, the annual review of our internal controls conducted by an independent external firm covered banking and investment procedures, information technology security, financial reporting and staff benefits. It led to subsequent revisions to our policies and procedures<sup>4</sup>.

## Income

Total income for the year was \$2,015 million, up 48% from \$1,363 million a year ago. Due to higher securities market turnover, our levy income increased by 52% to \$1,549 million in the current year. Our income from fees and charges increased by 8%, from \$143 million last year to \$154 million this year, mainly attributable to the receipt of more licensing application fees and takeovers and mergers document fees. We recorded higher net investment income as a result of the performance of our equity fund investments.

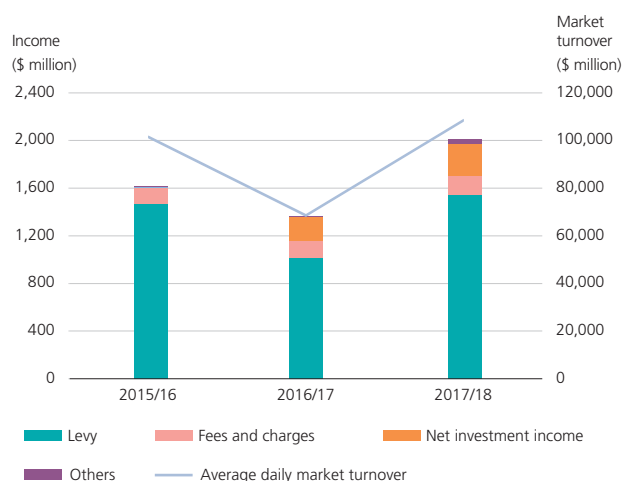
### Income breakdown

	2017/18	2016/17	2015/16
Levies	76.9%	74.6%	90.8%
Fees and charges	7.6%	10.5%	8.1%
Net investment income	13.5%	14.4%	0.6%
Others	2%	0.5%	0.5%

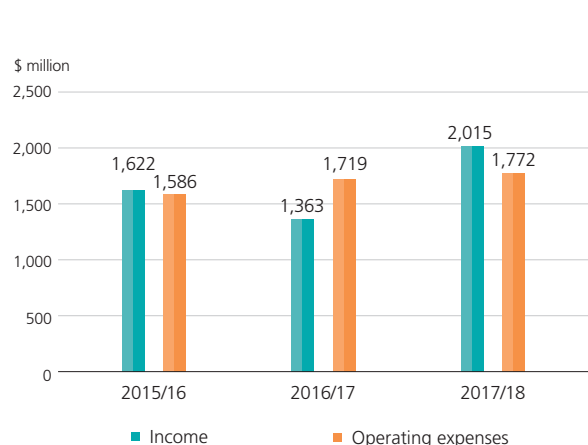
<sup>4</sup> See Corporate Governance on pages 12-31.

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### Income vs market turnover (2015/16-2017/18)



### Income and operating expenses (2015/16-2017/18)



### Expenditure

The costs of our operations were \$1,772 million, \$181 million below our original budget of \$1,953 million. Over the past three years, our staff costs increased 29% while our regulatory work increased in both volume and complexity (see chart on page 95).

The ratio of average expenses to income for the past three years was 102%. In the same period, the average increase in expenses and income was 7% and 16% respectively.

Owing to the increase in income, we recorded a surplus of \$243 million for the year, compared to a deficit of \$356 million last year. As of 31 March 2018, our reserves stood at \$7.2 billion, of which \$3 billion was set aside for possible future acquisition of office premises.

### Expenditure breakdown

	2017/18	2016/17	2015/16
Staff costs	72.4%	69.9%	69.3%
Premises and related expenses	14.2%	15.1%	15.6%
Other expenses	11.7%	12.3%	11.9%
Depreciation	1.7%	2.7%	3.2%

### Finances

	2017/18	2016/17	2015/16	2014/15
Income (\$ million)	2,015	1,363	1,622	1,381
Expenses including depreciation (\$ million)	1,772	1,719	1,586	1,457
Surplus/(Deficit) (\$ million)	243	(356)	36	(76)