

Message from Chairman and CEO



“Delivering world-class regulation which upholds market integrity and supports Hong Kong’s development as a leading international financial centre is now more crucial than ever.”

Tim Lui
Chairman

Our financial markets face unprecedented challenges, most recently stemming from the COVID-19 crisis. It is therefore more crucial than ever for us to stay focussed on our core mission: to deliver world-class regulation which upholds market integrity and supports Hong Kong’s development as a leading international financial centre.

At a fundamental level, this involves vigilant protection of investors, boldly adapting to new challenges and emerging risks, and resolutely maintaining our traditions of independence, impartiality and public accountability. An unwavering commitment to these values will always be the foundation of our work.

We are also firmly committed to ensuring that, despite the significantly higher volatility and greater operational risks which COVID-19 has given rise to, financial markets remain fully open and operate as usual to maintain the capital flows needed to support the real economy and to enable Hong Kong to flourish as an international financial centre.

In recognition of the exceptionally challenging business environment, we have been appropriately flexible and pragmatic to facilitate remote working arrangements and different methods of achieving regulatory compliance. We have also reprioritised or rescheduled some upcoming initiatives to help the industry dedicate

sufficient resources to immediate needs. At the same time, we will stay focussed on proper risk management at firms and clearing houses whilst taking necessary enforcement action and proactively gatekeeping listing activities, licence applications and fund authorisations.

Delivering on our mission

Over the past few years, we have followed through with radical changes to how we carry out our work, adopting a front-loaded regulatory approach which emphasises proactive and targeted action to address some persistent misconduct in our markets. This multi-pronged approach combines early regulatory intervention in listing matters and enhanced risk-based supervision of intermediaries with focussed enforcement actions against senior management and persons with key gatekeeping roles to hold wrongdoers to account. We have refined our rules and requirements to close loopholes and provided timely and detailed guidance to the industry.

This general direction is now set, and the reforms we made have already had a positive impact. We see fewer problematic corporate transactions, and by addressing the root causes of market irregularities, we promote safer, fairer and more efficient markets. This is fundamental to achieving long-term, sustainable market development.

“An unwavering commitment to competence, independence, impartiality and public accountability is the foundation of the SFC’s work.”

Ashley Alder
Chief Executive Officer



A related priority has been to keep our regulatory regime aligned with international standards and at the same time support the need for the industry to adapt to changing conditions. For example, we are adapting our regulatory regime to attract private funds to be established in Hong Kong. Other projects in the pipeline aim to tackle credit and conduct risks in our licensed firms, and we are now in the process of setting up a new regime for paperless securities trading.

In today’s rapidly changing environment, the importance of sound and robust market infrastructure cannot be overstated. To safeguard this and make sure it can withstand extreme volatility, we have stepped up our efforts to address market and systemic risks. In addition to monitoring market operations, our supervision of Hong Kong Exchanges and Clearing Limited now focuses on prudent risk management. We also make use of advanced data analytics to help us track fast-moving markets and enhance our real-time surveillance capabilities.

We embrace the benefits of innovative technology. In our guidance to the industry, we have provided options for intermediaries to take advantage of the opportunities and efficiencies of innovation, whilst remaining compliant with our rules and protecting investors. We regularly update our rulebooks to stay ahead of new technologies; we were the first major securities regulator to set a clear path for virtual asset trading platform operators to be licensed.

Pulling together

As markets become more connected and business activities increasingly span borders and sectors, concerted global action on the part of regulators and the industry will be essential to address formidable challenges in the years ahead.

Supporting the development of green and sustainable finance is now a key focus for us and increasingly for authorities and the financial industry worldwide. Greening the financial system will require closer collaboration amongst all global regulators. As part of this effort, we are spearheading local and regional initiatives to develop Hong Kong as the regional hub for green and sustainable finance.

With the free flow of capital in our open markets, international policymaking can have a dramatic impact on how business here is conducted. Our involvement in international standard-setting bodies gives Hong Kong a leading role in global regulatory developments. In recent years, we have played an active role in developing the global policy agenda through the chairmanship of the IOSCO¹ Board and participation in the G20’s Financial Stability Board. This engagement will continue.

¹ International Organization of Securities Commissions.

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Hong Kong will remain uniquely positioned as the gateway bridging capital flows between the Mainland and overseas. To this end, we will build on our collaborative relationship with the China Securities Regulatory Commission to introduce initiatives which benefit both the Mainland and Hong Kong markets. Following on the Stock Connect scheme, which opened a new chapter in mutual market access when it was launched in 2014, we will work towards introducing other Connect programmes beginning with a new initiative for the cross-border trading of listed bonds.

Locally, we will seek to further strengthen our cooperation with other regulators and law enforcement agencies.

Looking ahead

Hong Kong's markets have been resilient amidst the challenges of the past year, but we cannot be complacent. Hong Kong's success has long been indivisibly tied to its uncontested status as the leading international financial centre connecting the Mainland with the world. This role will become even more important as economies recover in the midst of a vastly changed global financial landscape.

We are especially proud that throughout this critical time, our staff have demonstrated firm resolve and lived up to our core values of professionalism and public service. Despite unanticipated disruptions and increased uncertainty, they have come together to work as "One SFC". They have carried out their day-to-day duties with resilience, and at times with courage, to support our continuous operations and to promote the healthy and sustainable development of our markets in the years to come. Finally, we also want to thank our Board members for their dedication, advice and support during this exceptional time.

Tim Lui
Chairman

Ashley Alder
Chief Executive Officer