

Corporate Developments

We foster the development of a high-performing, efficient and engaged workforce while ensuring appropriate use of our resources. Upgrades to our systems and technology infrastructure help make our regulatory initiatives and market data analysis more targeted and effective.

New corporate identity

We announced a new corporate identity in October 2018 to update our image as the SFC approaches its thirtieth anniversary. The new image was designed to reflect the SFC's current regulatory approach (see sidebar on page 93).

Communications

We regularly communicate with the industry and the public through multiple channels, including senior executives' speaking engagements, public consultations, industry briefings, circulars, publications, annual and quarterly reports and press releases. Our constantly updated corporate website (www.sfc.hk) serves as an easily accessible communication channel for the industry and the general public. During the year, we made enhancements to facilitate access to information on the website¹.

Our press office formulates and executes media strategies to enhance public understanding of our work. It proactively leads organisation-wide efforts to engage the media and explain our policies, initiatives and regulatory actions.



Chairman Mr Tim Lui takes questions from the media

¹ See Stakeholders on pages 77-81.

People

We are committed to making the SFC an employer of choice. For the thirteenth consecutive year, the SFC was named a “Caring Organisation”². The Employees Retraining Board (ERB) recognised our efforts to promote staff learning and development with an award as an “ERB Manpower Developer” for the sixth consecutive year.

We strive to provide career development opportunities for our staff. This year, we enhanced our internal policies to better align with the SFC’s current regulatory approach by adopting more merit-based principles for performance evaluation, career development and reward management. We organised briefings to inform staff about the career development resources available to them.

Professional development

Our Chief Executive Officer (CEO) communicates important organisational matters and regulatory developments and addresses staff questions at regular CEO sharing sessions. A cross-divisional exchange programme helps staff broaden their work exposure through short-term internal secondments. We also arrange internal Commission Connection sessions to share new policy initiatives with our staff.

Executives are offered annual secondment opportunities to the Financial Services and Treasury Bureau, the Financial Services Development Council and the China Securities Regulatory Commission (CSRC). We also arrange visits to regulatory counterparts in Shenzhen and Shanghai as well as joint workshops with them. This year, 22 staff were seconded to the CSRC and we had two CSRC secondees onboard.

During the year, our employees spent an average of 31 hours on structured learning courses, which included workshops, seminars and training programmes.

We invited other local and overseas regulators and industry professionals to share with us their views on a wide range of topics including financial products, trading strategies and the latest developments in overseas markets. We also launched a series of training sessions on unconscious biases and anti-discrimination.

A new look

The SFC introduced a new corporate identity in October 2018. Inspired by black kites, the birds familiar in Hong Kong skies, our new image reflects our determination to identify threats, punish wrongdoers and ensure our markets are fair and clean.

A short video was produced to unveil our new identity at the annual SFC reception for key stakeholders and alumni. The video was also featured on the SFC website.



² See Corporate Social Responsibility on pages 84-91.

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Our in-house library provides additional resources to support staff's professional development. During the year, the library enriched its collection of databases in the areas of financial technology, green finance, risks and market intelligence.

The Graduate Trainee Programme is an essential component of our people development strategy. In its tenth year, we recruited six graduate trainees. Additionally, we placed 43 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 11 teams in our annual Employee Awards for 2018.



Expressive art therapy

Training and e-learning

	2018/19	2017/18	2016/17
Percentage of employees who participated in internal training [^]	99%	89%	95%
Average hours of internal training per employee [^]	30.6	31	31
Number of employees who undertook e-learning	195	185	198

[^] Including lectures, workshops and seminars.

Employee statistics

	As at 31.3.2019		As at 31.3.2018		As at 31.3.2017	
	Actual	Budget	Actual	Budget	Actual	Budget
Professional	727	779	701	759	677	729
Support	183	186	186	185	190	188
Total	910	965	887	944	867	917

	As at 31.3.2019	As at 31.3.2018	As at 31.3.2017
Male	303	289	283
Female	607	598	584
Average years of service	8.3	8	7.7
Female staff at Senior Manager grade or above	60%	61%	59%



Basketball fun day

Engaged workforce

As a preferred employer, we promote good employment practices and a sense of belonging. Participating in inter-organisational staff activities such as dragon boat races and football and basketball tournaments with fellow regulators helps foster team spirit.

To promote work-life balance, we encourage and support employee volunteering and provide family-friendly work arrangements and staff activities. This year, we organised a basketball fun day for our staff and their family members. Expressive art therapy and yoga workshops were held to raise staff awareness of mental and physical wellness.

Members of the SFC Women’s Network joined representatives of financial institutions in meetings to discuss best practices to advance the professional development of women and inspire them for leadership roles. In February 2019, Ms Julia Leung, our Deputy CEO and Executive Director, Intermediaries, spoke at the International Capital Market Association Women’s Network inaugural event in Hong Kong. Our Women’s Network also organised educational talks for staff on mental health and parenting in the internet age.

Quality workplace

To cater for our projected operational needs, we made plans to relocate our offices after conducting an in-depth assessment of accommodation options during the year. The move will significantly reduce our rental expenses.

We renovated some office spaces to provide an open layout to increase capacity and allow more efficient use of space. We also upgraded the telephone system to keep the workplace well-equipped. Our office access controls safeguard against unauthorised entry to our premises. Access rights are properly assigned and closely managed.

A business resumption plan is in place to address readily identifiable risks, including technical problems, fires, natural disasters and other emergencies.



Children mental health seminar organised by the SFC Women’s Network

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Technology

Our information technology (IT) strategy focuses on digitalisation, information sharing and risk detection capabilities. During the year, we launched a new integrated online portal, WINGS³, and aim to migrate all of our submission services, including licensing forms, financial returns and other regulatory filings, to this platform in phases by 2021. We automated a number of business processes to support this initiative.

To facilitate information sharing within the organisation, two case management systems for monitoring misconduct, takeover and listing-related activities were revamped and transferred to an existing workflow platform where four others were already operating.

We upgraded our capabilities for monitoring brokers' excess liquid capital, market stress and over-the-counter derivatives to bolster our supervision work. In addition, we migrated our finance and human resources processes to a paperless, cloud-based solution for more streamlined collaboration.

This year, we strengthened our IT governance structure to align with the SFC's overall strategy and allow technological innovations to be adopted securely. Tactical teams are assigned to evaluate new technologies, identify potential uses and assess our need for them.



Families enjoy group games at basketball fun day



Dragon boat race

Legal support

Our legal services division handles criminal cases and manages civil litigation and Market Misconduct Tribunal cases initiated by the SFC. It also defends judicial reviews and other cases brought against the SFC.

This year, we issued an internal guidance note on public statements about pending legal proceedings involving the SFC.

The division supports our day-to-day work by providing advice and guidance on legislative drafting and regulatory matters such as licensing issues, supervision of risky brokers, front-loaded regulation of listing matters, takeovers activities, investor compensation and enforcement investigations, as well as on administrative affairs including employment, data privacy and procurement contracts.

³ Web-based INteGrated Service.

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. We resumed the collection of annual licensing fees using a phased approach by providing a discount of 50% for 2019-20 and 2020-21.

As a publicly-funded organisation, we follow a disciplined approach in drawing up our budget. We appoint external investment managers to manage

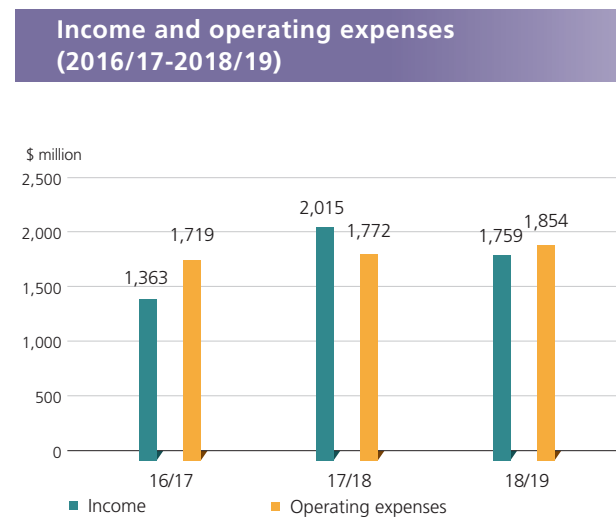
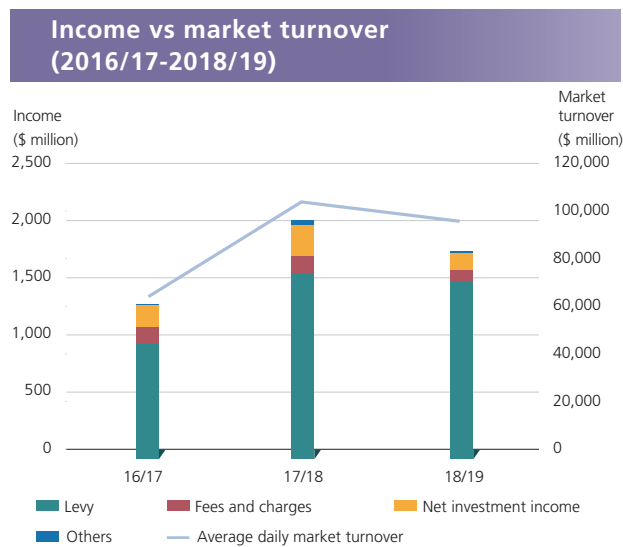
our reserves according to investment guidelines approved by the Financial Secretary. During the year, we enhanced our internal audit review by engaging another independent external firm to conduct a robust risk assessment of our internal controls to assess their effectiveness and identify the key risks of all our business processes. These include banking and investment, finance, procurement, human resources and information technology⁴.

Income

Total income for the year was \$1,759 million, down 13% from \$2,015 million last year. Due to lower securities market turnover, our levy income decreased by 4% to \$1,484 million in the current year. Our income from fees and charges decreased by 17%, from \$154 million last year to \$127 million this year. Our net investment income dropped as a result of the performance of our equity fund investments.

Income breakdown

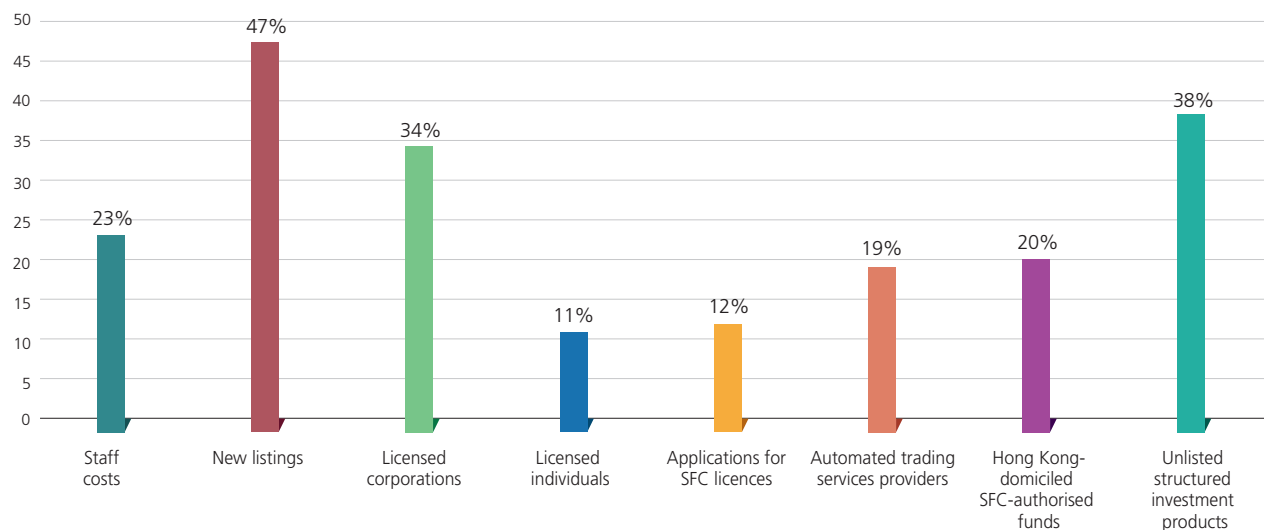
	2018/19	2017/18	2016/17
Levies	84.3%	76.9%	74.6%
Fees and charges	7.2%	7.6%	10.5%
Net investment income	7.4%	13.5%	14.4%
Others	1.1%	2%	0.5%



⁴ See Corporate Governance on pages 14-35.

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Three-year change in staff costs and market statistics (2015/16-2018/19)



Expenditure

The costs of our operations were \$1,854 million, \$144 million below our original budget of \$1,998 million.

Over the past three years, our staff costs increased 23% while our regulatory work increased in both volume and complexity (see chart above). The ratio of average expenses to income for the past three years

was 104%. In the same period, the average increase in expenses and income was 5% and 6% respectively.

Owing to the decrease in income, we recorded a deficit of \$95 million for the year, compared to a surplus of \$243 million last year. As of 31 March 2019, our reserves stood at \$7.1 billion, of which \$3 billion was set aside for possible future acquisition of office premises.

Expenditure breakdown

	2018/19	2017/18	2016/17
Staff costs	73.1%	72.4%	69.9%
Premises and related expenses	13.3%	14.2%	15.1%
Other expenses	11.7%	11.7%	12.3%
Depreciation	1.9%	1.7%	2.7%

Finances

(\$ million)	2018/19	2017/18	2016/17
Income	1,759	2,015	1,363
Expenses including depreciation	1,854	1,772	1,719
(Deficit)/Surplus	(95)	243	(356)