

Corporate Governance

We aim to promote transparency, accountability and integrity. Sound corporate governance is fundamental to ensure we carry out our regulatory functions properly and effectively.

Governance framework

We are committed to maintaining an effective corporate governance framework comprising a well-defined management structure, high standards of conduct, comprehensive operational and financial control procedures and independent checks and balances. This framework is in line with best governance practices for public bodies including those set out in *Corporate Governance for Public Bodies – A Basic Framework*, published by the Hong Kong Institute of Certified Public Accountants.

Board

By supervising and directing our work, the SFC Board plays a key role in ensuring that we carry out our duties effectively. It sets the SFC's overall direction, provides strategic guidance on policy making and oversees the work of the Executive Committee (ExCo).

Constitution

The Securities and Futures Ordinance (SFO) stipulates the constitution and proceedings of our Board. Members are appointed for a fixed term by the Chief Executive of the Hong Kong Special Administrative Region (HKSAR) or the Financial Secretary under delegated authority, and their appointment terms and conditions are determined by the HKSAR Government. Board members' emoluments for the year are detailed on page 116.

As of 31 March 2019, the Board comprised eight Non-Executive Directors (NEDs), including the Chairman; and six Executive Directors (EDs), including the Chief Executive Officer (CEO).

Our NEDs come from diverse backgrounds, bringing to the Board a wide range of experience and expertise as well as a variety of independent perspectives.

See pages 18-25 for the full list of Board members and their biographies.

Chairman and CEO

The roles and responsibilities of the non-executive Chairman and the CEO are separate and distinct.

Chairman

- Leading the Board in setting the SFC’s policies, strategy and overall direction
- Monitoring the executive team’s performance
- Counselling the CEO on how the organisation is run

CEO

- Assuming executive responsibility for day-to-day operations of the SFC
- Developing strategic objectives, including setting the SFC’s agenda and priorities, and implementing them as agreed with the Board

- Assigning responsibilities to senior management and supervising their work
- Reporting regularly to the Board

Executive Directors and Non-Executive Directors

The roles of our EDs and NEDs are different but complementary. The EDs are responsible for the daily operations of the SFC and each has executive duties in key functions including listings and takeovers, corporate conduct, intermediaries, market infrastructure and operators, investment products and enforcement. The NEDs provide guidance on and monitor the performance of the organisation’s functions.

Key components of our governance framework



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Governance practices

We strive to uphold high standards of corporate governance and put in place clear and proper policies and processes to facilitate the working of an efficient and accountable Board. The following practices have been adopted:

- Arrange for the Board to hold monthly meetings and quarterly policy meetings as well as special and off-site meetings
- Provide Board members with relevant information before meetings to enable thorough consideration of agenda items
- Circulate draft minutes of the Board meetings to members for comment
- Furnish Board members with information regarding our operations and financial condition on a monthly basis
- Keep the Board apprised of our policies and operations as appropriate
- Require Board members to observe policies regarding conflicts of interest
- Provide induction sessions as well as briefings on various topics to enable the NEDs to better understand the organisation and their responsibilities

In addition to regular Board meetings, we arranged knowledge sharing sessions and provided regular information updates during the year to keep Board members informed of the SFC's work, its impact on the markets and our interaction with stakeholders.

The Board regularly conducts a self-assessment exercise to improve its effectiveness. The exercise examines basic board responsibilities and assesses the performance of individual members. The findings, reported to the Board on an anonymous basis, are discussed by the Board.

The Commission Secretariat is tasked with ensuring good corporate governance. It supports the Board and senior management, assists them in dealing with organisation-wide policies and initiatives and facilitates Board proceedings according to relevant policies and procedures. It also liaises with Board members, organises their meetings and acts as the central contact point with the Government, the Legislative Council (LegCo) and its members, fellow regulators and other public bodies. The Commission Secretary serves as the secretary to the Board, ExCo and Advisory Committee.

Board appointments

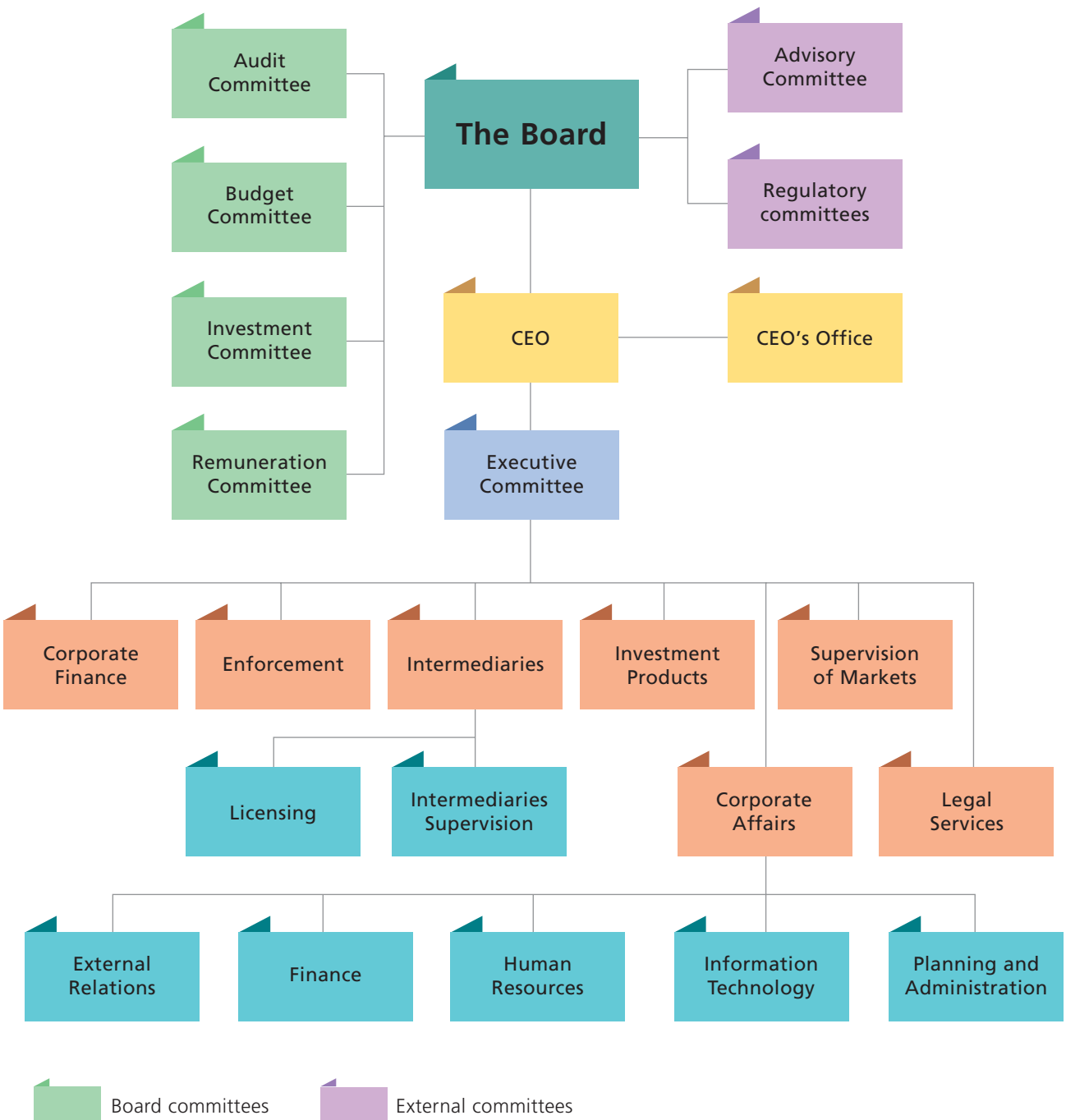
During the year, the Chief Executive of the HKSAR appointed Mr Tim Lui Tim-leung as the Chairman of the SFC for a term of three years from 20 October 2018. Mr Lui succeeded Mr Carlson Tong Ka-shing, who stepped down after a six-year chairmanship.

Four NEDs were appointed for two-year terms: Dr James C Lin (from 1 August 2018), Ms Agnes Chan Sui-kuen (from 20 October 2018), Mr Nicky Lo Kar-chun (from 24 April 2019) and Mr Clement Chan Kam-wing (from 26 May 2019).

In addition, two NEDs were reappointed for two-year terms: Dr William Wong Ming-fung, SC (from 1 August 2018) and Mr Edward Cheng Wai-sun (from 1 January 2019). Mr Brian Ho Yin-tung and Mr Keith Lui Kei-kwong were reappointed as EDs for three years and one year, respectively, effective from 28 August 2018.

Ms Teresa Ko Yuk-yin, Dr Kelvin Wong Tin-yau, Ms Mary Ma Xuezheng and Mr Albert Au Siu-cheung stepped down as NEDs on 31 July 2018, 19 October 2018, 23 April 2019 and 25 May 2019 respectively.

Organisational structure



Note: CEO's Office includes four units, namely the Commission Secretariat, International Affairs, Mainland Affairs and Press Office.

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Board members

Tim LUI Tim-leung SBS, JP

Chairman



From 20 October 2018
Current appointment to
19 October 2021

Other SFC-related positions

- Chairman: Investment Committee and Advisory Committee
- Member, Remuneration Committee
- Member: Nominations Committee and SFC (HKEC Listing) Appeals Committee
- Member, Process Review Panel for the Securities and Futures Commission

Current offices and public service

- Chairman, Education Commission
- Member, Financial Leaders Forum, the HKSAR Government
- Member, Banking Advisory Committee, Hong Kong Monetary Authority
- Member, Listing Nominating Committee, Hong Kong Exchanges and Clearing Limited
- Member, Public Service Commission
- Member, University Grants Committee

Past offices and public service

- Partner (1989-2013) and Senior Advisor (2013-2018), PricewaterhouseCoopers Hong Kong
- Member, Global Board of PricewaterhouseCoopers International (2009-2013)
- Chairman, Committee on Self-financing Post-secondary Education (2012-2017)
- Chairman, Self-financing Post-secondary Education Fund Steering Committee (2011-2017)
- Chairman, Standing Commission on Directorate Salaries and Conditions of Service (2009-2015)
- Chairman, Employees' Compensation Insurance Levies Management Board (2001-2007)
- Chairman, Joint Committee on Student Finance (1999-2005)
- President, Hong Kong Institute of Certified Public Accountants (1996-1997)

Ashley ALDER JP

Chief Executive Officer



From 1 October 2011
Current appointment to
30 September 2020

Other SFC-related positions

- Chairman, Nominations Committee
- Member: Budget Committee and Investment Committee
- Member: Advisory Committee and SFC (HKEC Listing) Committee

Public service

- Board of International Organization of Securities Commissions: Chairman (since May 2016); Vice-Chairman (Dec 2015-May 2016)
- Member, Financial Leaders Forum, the HKSAR Government
- Council Member, Treasury Markets Association
- Vice President, The Hong Kong Institute of Bankers

Past SFC position

- Executive Director, Corporate Finance (2001-2004)

Past offices

- Herbert Smith: Partner and Head of Asia (2004-2011); Partner (1994-2001); Associate (1986-1994)

Note: During the year, Mr Carlson Tong Ka-shing served on the Board as Chairman until 19 October 2018.

**Julia LEUNG
Fung-yee SBS**

Deputy Chief Executive Officer
and Executive Director,
Intermediaries



From 2 March 2015
Current appointment to
1 March 2021

Other SFC-related positions

- Chairman, Academic and Accreditation Advisory Committee
- Chairman, Fintech Advisory Group
- Member, Budget Committee
- Member: Advisory Committee and SFC (HKEC Listing) Committee

Current public service

- Member, Advisory Committee, City Mental Health Alliance Hong Kong

Past offices and public service

- Member, Preparatory Committee, Academy of Finance (2018-2019)
- Julius Fellow, International Economics, Chatham House (2014)
- Under Secretary for Financial Services and the Treasury, the HKSAR Government (2008-2013)
- Executive Director, Hong Kong Monetary Authority (2000-2008)

Publication

- *The Tides of Capital* (London: OMFIF Press, 2015)

Thomas ATKINSON

Executive Director, Enforcement



From 3 May 2016
Current appointment to
2 May 2022

Other SFC-related positions

- Member: Securities Compensation Fund Committee, Investor Compensation Fund Committee and SFC (HKEC Listing) Committee

Past offices

- Director of Enforcement, Ontario Securities Commission (2009-2016)
- President and CEO, Market Regulation Services Inc. (2001-2007)
- Vice President, Regulation Services, Toronto Stock Exchange (1996-2001)
- Assistant Crown Attorney, Ontario Court of Justice (1993-1996)

Notes: Except for the Chairman, CEO and Deputy CEO, other board members are listed in alphabetical order.

During the year, Ms Teresa Ko Yuk-yin and Dr Kelvin Wong Tin-yau served on the Board as NEDs until 31 July 2018 and 19 October 2018, respectively.

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Albert AU Siu-cheung BBS

Non-Executive Director



From 26 May 2015
Current appointment
to 25 May 2019

Other SFC-related positions

- Chairman, Audit Committee
- Deputy Chairman, Budget Committee
- Member: Investment Committee and Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

Current offices and public service

- Special Advisor, BDO Limited
- Chairman, Professional Services Advisory Committee, Hong Kong Trade Development Council
- Café de Coral Holdings Limited: Independent Non-Executive Director and Chairman of Audit Committee
- AAC Technologies Holdings Inc.: Independent Non-Executive Director, Chairman of Audit and Risk Committee and Member of Remuneration Committee
- Independent Non-Executive Director, ZhongAn Virtual Finance Limited

Past offices and public service

- Founder and Chairman, BDO Limited (1981-2016)
- President, Hong Kong Institute of Certified Public Accountants (2008)
- Independent Non-Executive Director, Hong Kong International Theme Parks Limited (2010-2018)
- Hong Kong Coalition of Professional Services Limited: Vice Chairman (2012-2018); Board Director & Hon. Treasury (2008-2012)
- Corruption Prevention Advisory Committee, Independent Commission Against Corruption: Chairman (2012-2017) and Member (2007-2011)
- Member, Advisory Committee on Corruption, Independent Commission Against Corruption (2012-2017)
- Member, Hong Kong Housing Authority (2011-2017)
- Hong Kong Productivity Council: Council Member and Chairman of Audit Committee (2010-2015)
- Member, Air Transport Licensing Authority (2007-2013)
- Member, General Committee, Federation of Hong Kong Industries (2007-2013)

Agnes CHAN Sui-kuen

Non-Executive Director



From 20 Oct 2018
Current appointment to
19 Oct 2020

Other SFC-related positions

- Member: Audit Committee, Investment Committee and Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

Current offices and public service

- Managing Partner, Hong Kong and Macau, Ernst & Young
- Chairman, Financial and Treasury Services Committee, Hong Kong General Chamber of Commerce
- Member, General Committee, Hong Kong General Chamber of Commerce
- Member, Users' Committee, Hong Kong Inland Revenue Department
- Member, Exchange Fund Advisory Committee, Hong Kong Monetary Authority
- Member, Corporate Advisory Council, Hong Kong Securities and Investment Institute

Past public service

- Competition Commission: Member; Chairperson of Finance and Administration Committee (2013-2018)
- Member, Mandatory Provident Fund Schemes Appeal Board (2011-2017)
- Member, Environment and Conservation Fund Committee (2012-2016)
- Member, Telecommunications Users and Consumers Advisory Committee, Office of the Communications Authority (2012-2016)

Edward CHENG Wai-sun GBS, JP

Non-Executive Director



From 1 January 2017
Current appointment to
31 December 2020

Other SFC-related positions

- Member: Budget Committee and Remuneration Committee
- Member: SFC (HKEC Listing) Appeals Committee, Takeovers and Mergers Panel and Takeovers Appeal Committee

Current offices and public service

- Deputy Chairman and Chief Executive, Wing Tai Properties Limited
- Chairman, Lanson Place Hospitality Management Limited
- Member, the Chief Executive's Council of Advisers on Innovation and Strategic Development
- Independent Non-Executive Director, Standard Chartered Bank (Hong Kong) Limited

Past SFC-related positions

- Member, Takeovers and Mergers Panel (1994-2005) and Takeovers Appeal Committee (1994-2005)

Past public service

- Chairman, University Grants Committee (2011-2015)
- Chairman, Urban Renewal Authority (2004-2007)
- Independent Non-Executive Director, Orient Overseas (International) Limited (2009-2018)
- Member, Commission on Strategic Development (2013-2017)
- Board Member, Airport Authority Hong Kong (2011-2017)
- Council Member, Hong Kong Polytechnic University (2006-2009)
- Member, Advisory Committee on Corruption, Independent Commission Against Corruption (2004-2009)
- Member, Steering Committee on Innovation and Technology (2004-2008)
- Council Member, City University of Hong Kong (2003-2007)
- Council Lay Member, Hong Kong Institute of Certified Public Accountants (2004-2005)
- Member, Executive Committee, Hong Kong Housing Society (2000-2004)
- Member, Operations Review Committee, Independent Commission Against Corruption (1997-2003)
- Council Member, Education University of Hong Kong (formerly known as The Hong Kong Institute of Education) (2000-2002)

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Christina CHOI Fung-ye

Executive Director,
Investment Products



From 1 August 2016
Current appointment to
31 July 2019

Other SFC-related positions

- Chairman: Committee on Real Estate Investment Trusts and Products Advisory Committee
- Member: Advisory Committee and SFC (HKEC Listing) Committee

Public service

- Member, Financial Services Advisory Committee, Hong Kong Trade Development Council
- Member, Asian Financial Forum Steering Committee, Hong Kong Trade Development Council

Past SFC position

- Senior Director, Investment Products (2012-2016)

Past offices

- Partner, Clifford Chance (2001-2004)

Brian HO Yin-tung

Executive Director,
Corporate Finance



From 28 August 2006
Current appointment to
27 August 2021

Other SFC-related positions

- Chairman, Public Shareholders Group
- Member: Committee on Real Estate Investment Trusts and Nominations Committee

Public service

- Member, Listing Nominating Committee, Hong Kong Exchanges and Clearing Limited

Past SFC position

- Senior Director, Corporate Finance (2000-2006)

Lester HUANG SBS, JP

Non-Executive Director



From 15 November 2015
Current appointment to
14 November 2019

Other SFC-related positions

- Deputy Chairman, Remuneration Committee
- Member, Budget Committee
- Member, SFC (HKEC Listing) Appeals Committee
- Chairman, Investor and Financial Education Council

Current offices and public service

- P. C. Woo & Co: Managing Partner and Co-Chairman
- Ex-officio member, Education Commission
- Chairman, Council of the City University of Hong Kong
- Chairman, Standing Committee on Language Education and Research
- Chairman, Social Welfare Advisory Committee
- Fellow, The Hong Kong Institute of Directors

Past public service

- President, The Hong Kong Federation of Youth Groups (2014-2018)
- Member, Hospital Authority (2012-2018)
- Chairman, Board of Advisors of Radio Television Hong Kong (2010-2016)
- Non-Executive Director, Urban Renewal Authority Board (2013-2016)
- Director, The Hong Kong Mortgage Corporation Limited (2009-2016)
- President, The Law Society of Hong Kong (2007-2009)
- Member, Exchange Fund Advisory Committee, Hong Kong Monetary Authority (2010-2016)
- Member, Standing Committee on Judicial Salaries and Conditions of Service (2010-2015)

Dr James C LIN

Non-Executive Director



From 1 August 2018
Current appointment to
31 July 2020

Other SFC-related positions

- Member: Audit Committee and Remuneration Committee
- Member: SFC (HKEC Listing) Appeals Committee and Share Registrars' Disciplinary Committee

Current offices and public service

- Partner, Davis Polk & Wardwell LLP
- Member, Disciplinary Panel A, Hong Kong Institute of Certified Public Accountants
- Member, Process Review Panel for Regulation of Mandatory Provident Fund Intermediaries
- Harvard Law School: Visiting Lecturer on Law; Member, Dean's Asia Leadership Council

Past public service

- Member, Appeal Panel (Housing) (2012-2018)
- Member, Securities and Futures Appeals Tribunal (2011-2017)

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Keith LUI Kei-kwong

Executive Director,
Supervision of Markets



From 28 August 2006
Current appointment
to 27 August 2019

Other SFC-related positions

- Chairman: Investor Compensation Fund Committee and Securities Compensation Fund Committee
- Member, Investment Committee
- Member: SFC (HKEC Listing) Committee
- Director, Investor Compensation Company Limited

Public service

- Member, Risk Management Committee, Hong Kong Exchanges and Clearing Limited

Past SFC positions

- Senior Director, Supervision of Markets (2004-2006)
- Senior Director, Corporate Affairs (2002-2004)
- Commission Secretary (2001-2004)

Mary MA Xuezheng

Non-Executive Director



From 15 November 2013
Current appointment
to 23 April 2019

Other SFC-related positions

- Chairman, Budget Committee
- Deputy Chairman: Audit Committee and Investment Committee
- Member, Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

Current offices

- Managing Partner, Boyu Capital
- Independent Non-Executive Director, Lenovo Group Limited
- Non-Executive Director: Unilever PLC and Unilever N.V.

Past offices and public service

- Non-Executive Director, Stelux Holdings International Limited (2012-2016)
- Non-Executive Director, Wumart Stores (2010-2014)
- Member, Listing Committee, The Stock Exchange of Hong Kong Limited (2009-2013)
- Independent Non-Executive Director, Standard Chartered Bank (Hong Kong) Limited (2004-2013)
- Non-Executive Director, Daphne International Holdings Limited (2009-2011)
- Partner, TPG Capital and Co-Chairman, TPG China (2007-2011)
- Director, Shenzhen Development Bank (2007-2010)
- Member, Dean's Council of the Kennedy School of Harvard University (2002-2007)
- Senior Vice President and Chief Financial Officer, Lenovo Group Limited (1990-2007)
- Director, Bureau of International Co-operation, Chinese Academy of Sciences (1978-1990)

Dr William WONG Ming-fung sc

Non-Executive Director



From 1 August 2014
Current appointment to
31 July 2020

Other SFC-related positions

- Chairman, Remuneration Committee
- Member, Audit Committee
- Member: Investor Compensation Fund Committee, Nominations Committee, Securities Compensation Fund Committee and SFC (HKEC Listing) Appeals Committee
- Chairman, Investor Compensation Company Limited

Current offices and public service

- Senior Counsel, Des Voeux Chambers
- Fellow, Chartered Institute of Arbitrators
- Deputy Chairman, Private Columbaria Appeal Board
- Deputy Chairman, Municipal Services Appeals Board
- Deputy Chairman, The Board of Review (Inland Revenue Ordinance)
- Member, Appeal Tribunal, Hong Kong Federation of Insurers
- Chairman, Hong Kong Bar Association Special Committee on Arbitration
- Vice Chairman, Hong Kong Bar Association Special Committee on Barristers Qualification Examination
- Member, Advisory Committee on Promotion of Arbitration, Department of Justice
- Trustee, Board of Trustees, United College, The Chinese University of Hong Kong
- Director, The Hong Kong Middle Temple Society

Past public service

- Member, Hong Kong Bar Association Special Committee on Solicitors' Rights of Audience (1998-2000)

Note: The Nominations Committee nominates members of the Takeovers and Mergers Panel, the Takeovers Appeal Committee and the Disciplinary Chair Committee. See pages 170-178 for information about SFC external committees.

Reflections on my time at the SFC

As Mr Carlson Tong prepared to step down as the SFC Chairman at the end of his six-year term in October 2018, he reflected on the immense changes which occurred during his tenure. Hong Kong's markets had become larger and more complex, with the number of listed companies growing nearly 50% and more individuals and corporations holding SFC licences than ever before.



Mr Carlson Tong

Amongst the SFC's achievements during his term, Mr Tong said he was especially proud of the use of section 213 of the Securities and Futures Ordinance to obtain compensation for investors whose losses were caused by misconduct or fraud, as well as our efforts to crack down on misconduct related to listed companies with our new front-loaded regulatory approach.

"Strengthening relationships with stakeholders, particularly the industry, was a major focus," said Mr Tong, who worked hard to promote communication and foster mutual understanding. The launch of Mainland-Hong Kong Stock Connect, a "world first" unique trading link, was also a personal highlight.

Mr Tong added that he was fortunate to serve with a distinguished and supportive Board, strong management team and highly professional staff, all dedicated to working together to advance Hong Kong's position as a leading international financial centre.

After 30 years as a professional accountant, Mr Tong dedicated his life to public service. "After leaving the SFC, I will focus my public duty on the higher education sector as Chairman of the University Grants Committee," he said. For Mr Tong, it is a privilege to serve.

I am confident that the SFC is well placed under its new Chairman to uphold the high standards which have been key to establishing Hong Kong as a major international financial centre.

Carlson Tong



With our Chairman Mr Tim Lui (left) and ex-Chairman Dr Eddy Fong (right)

Board meetings

Regular Board meetings are held at least monthly. The Board also meets quarterly to conduct in-depth discussions of policy issues and convenes special meetings as needed. There is an annual off-site meeting which sets out strategic objectives and management priorities.

Last year, 16 Board meetings were held with an average attendance rate of 85%.

Meeting attendance record

Meetings attended/held	Board	Audit Committee	Budget Committee	Investment Committee	Remuneration Committee	Executive Committee
Chairman						
Carlson Tong Ka-shing ¹	9/9	–	–	1/1	–	–
Tim Lui Tim-leung ²	7/7	–	–	2/2	2/2	–
Executive Directors						
Ashley Alder	12/16	–	1/1	1/3	–	21/24
Thomas Atkinson	14/16	–	–	–	–	21/24
Christina Choi Fung-yee	13/16	–	–	–	–	16/24
Brian Ho Yin-tung	14/16	–	–	–	–	19/24
Julia Leung Fung-yee	15/16	–	1/1	–	–	23/24
Keith Lui Kei-kwong	15/16	–	–	3/3	–	21/24
Non-Executive Directors						
Albert Au Siu-cheung	14/16	2/2	1/1	3/3	0/2	–
Agnes Chan Sui-kuen ³	5/7	1/1	–	2/2	2/2	–
Edward Cheng Wai-sun	15/16	–	1/1 ⁴	–	1/2	–
Lester Huang	14/16	–	0/1	–	1/2	–
Teresa Ko Yuk-yin ⁵	5/5	0/1	–	–	–	–
James C Lin ⁶	10/11	1/1	–	–	2/2	–
Mary Ma Xuezheng	8/16	0/2 ⁷	1/1	3/3 ⁷	0/2	–
Kelvin Wong Tin-yau ⁸	8/9	1/1	–	0/1	–	–
William Wong Ming-fung, SC	13/16	2/2	–	–	2/2	–
Senior Director and Chief Counsel						
Andrew Wan Chi-yiu	–	–	–	2/3	–	17/24
Andrew Young	–	–	–	–	–	19/24

¹ Appointment expired on 19 October 2018.

² Appointed as Chairman of the Board and Investment Committee and a member of the Remuneration Committee effective 20 October 2018.

³ Appointed as a member of the Board, Audit Committee, Investment Committee and Remuneration Committee effective 20 October 2018.

⁴ Appointed as a member of the Budget Committee effective 1 August 2018.

⁵ Appointment expired on 31 July 2018.

⁶ Appointed as a member of the Board, Audit Committee and Remuneration Committee effective 1 August 2018.

⁷ Appointed as Deputy Chairman of the Audit Committee and Investment Committee effective 20 October 2018.

⁸ Appointment expired on 19 October 2018.

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SFC committees

Board committees

Each of our four board committees focuses on clearly-defined areas of the SFC's operations and is chaired by an NED. The presence and active participation of the NEDs provide an effective check and balance on our management decisions.

Committee	Membership	Responsibilities	Meetings
Audit Committee	Five NEDs	<ul style="list-style-type: none"> Reviews annual financial statements Recommends the appointment of external auditors Coordinates the scope of the external audit and reviews audit findings Examines management procedures to ensure effective financial and internal controls 	2
Budget Committee	Four NEDs and two EDs [^]	<ul style="list-style-type: none"> Examines and approves the parameters and bases used in the annual budget Conducts the mid-year budget review Reviews the annual budget and makes recommendations to the Board 	1
Investment Committee	Four NEDs, two EDs and a Senior Director [^]	<ul style="list-style-type: none"> Advises on the SFC's fund management policies, strategies and investment guidelines Recommends the appointment of investment managers and advisers and monitors their performance including compliance with the investment guidelines Advises on investment risk management and asset allocation and monitors the performance of investments 	3
Remuneration Committee	Eight NEDs	<ul style="list-style-type: none"> Reviews the structure and level of staff remuneration Reviews trends in remuneration packages and recommends adjustments Considers other matters as required, including recommendations to the Government on EDs' remuneration and re-appointment 	2

[^] In a non-voting capacity.

External committees

External committees are set up under the SFO and comprise a large number of members outside the SFC who reflect the diverse views of market participants. These committees play an important role in the governance of the SFC.

The Advisory Committee offers insight and advice on policy matters related to the performance of the SFC’s functions. The majority of members are external representatives appointed by the Financial Secretary under authority delegated by the Chief Executive of the HKSAR. The Committee is headed by the Chairman and its members include the CEO and not more than two other EDs.

Each regulatory committee specialises in specific areas such as investment products, shareholders’ rights and interests, takeovers and mergers, continuous professional training for licensees and investor compensation. Appointed by the Board, members include NEDs, EDs, industry representatives and other stakeholders. There were 14 regulatory committees as at the end of March 2019.

See pages 170-178 for the responsibilities and membership lists of the external committees.

Executive Committee

The highest executive body within the organisation, ExCo performs administrative, financial and management functions as delegated by the Board and ensures that the SFC functions effectively. ExCo is chaired by the CEO and includes all other EDs, the Chief Counsel, and the Chief Financial Officer and Senior Director of Corporate Affairs.

ExCo meets regularly to consider policy and operational proposals and expense requests from different divisions of the organisation. During the year, 24 ExCo meetings were held with an average attendance rate of 82%.

Standards of conduct

To promote and maintain public confidence, a high standard of integrity and conduct is required of our staff. In addition to complying with relevant legal obligations, staff are obligated to adhere to our code of conduct which spells out our standards in detail and

covers confidentiality, conflicts of interest, personal investments and acceptance of gifts and hospitality. Each staff member is given a copy of the code. Failure to comply with the code may result in disciplinary action.

Accountability and transparency

Stringent policies and procedures are in place to ensure that we act with credibility, fairness and transparency.

Delegation of authority

A system of delegation of authority clearly delineates the authority of the Board and different levels of the executive management. The Board delegates certain regulatory powers and functions to EDs, with power to sub-delegate to staff in their respective divisions, as permitted under the SFO, to facilitate the discharge of their duties in our daily operations.

Budgeting

To maintain effective fiscal control and to plan for the coming year and beyond, we follow a disciplined approach in preparing our budget. Under our policy of tightly controlling expenditures, we make prudent assumptions, exercise robust financial control and identify areas where resources could be deployed to meet the SFC’s strategic objectives, priorities and operational needs. During the budget process, divisions’ expense requests for the following year are critically assessed.

The annual budget, after consideration by the Budget Committee and approval by the Board, is submitted to the Financial Secretary for approval and then tabled before LegCo. We also appear before LegCo’s Panel on Financial Affairs to present our budget each year.

Investment

We aim to achieve long-term financial sustainability and attach great importance to the prudent management of our reserves, which are managed according to investment guidelines approved by the Financial Secretary. We have delegated responsibility for the selection, retention and management of the investments of our Reserve Fund and the Investor Compensation Fund to external investment managers, and we regularly review their performance including

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their compliance with the investment guidelines. The external managers have confirmed that they adopt the Principles of Responsible Ownership¹ in their undertakings to manage these investments.

Financial control and reporting

To uphold a high standard of integrity and exercise vigorous controls over the use of public funds, we engage an independent external professional firm to conduct an annual review of our financial control policies and procedures to ensure they are practical and robust.

We voluntarily observe applicable requirements stipulated in the Hong Kong Companies Ordinance when preparing our financial reports, and adopt the Hong Kong Financial Reporting Standards for preparing financial statements and disclosing financial information.

In addition, we follow good market practice to ensure that our financial reports are transparent and informative.

Our practices include:

- Selecting relevant accounting policies and applying them consistently
- Appointing an external firm to conduct an interim review and annual audit
- Presenting our interim and annual financial statements to the Audit Committee for consideration
- Seeking the Board's approval of quarterly and annual financial statements and publishing them in our quarterly and annual reports
- Reporting key financial data to the Board and ExCo on a monthly basis
- Providing regular reports to the Government

Handling complaints and grievances

We extend our principles of accountability and transparency to our complaints handling procedures.

Reports of improper practices of the SFC or our staff can be made under our procedures for handling complaints against the SFC or its employees. These cover dissatisfaction with the manner in which the SFC or our staff carried out or failed to carry out our duties. Detailed procedures for members of the public to lodge a complaint with us are available on our website.

Efficient use of resources

We regularly review our corporate resources and accommodation requirements to ensure that we operate efficiently, identify our needs and strategic priorities and allocate resources accordingly.

To formulate effective regulatory responses in rapidly-evolving and increasingly complex markets, we set up cross-divisional project teams to work on policies or initiatives related to the functions of multiple divisions. This allows more efficient use of our resources across the organisation.

This year, we introduced a new system to manage finance and human resources-related matters within the organisation more efficiently.

Stakeholder communication

We engage a wide range of stakeholders including the Government, LegCo members, the financial services industry, regulatory counterparts and the general investing public in a proactive, timely and effective manner².

We respond to public enquiries orally and in writing while striving to meet our performance pledges. We conduct public consultations and publish consultation conclusions before implementing a rule change. Annual and quarterly reports keep the public informed of our key regulatory work and finances. We issue industry-related publications, reports and surveys on more specialised topics. Press releases announce our latest regulatory actions and other SFC news.

We also reach out to stakeholders to explain our work and our policies and we discuss specific regulatory issues at seminars or other events. We attend meetings at LegCo, including meetings of the Panel on Financial Affairs, to present our budget, explain policy initiatives and other issues of public interest.

¹ Issued by the SFC in March 2016, these principles, which are voluntary, aim to provide guidance on how investors should fulfil their ownership responsibilities in relation to investments in Hong Kong listed companies.

² See Stakeholders on pages 77-81.

New Non-Executive Directors

We welcomed two new NEDs to our Board during the year. Dr James C Lin was appointed in August 2018 and Ms Agnes Chan Sui-kuen joined in October 2018.



Promoting effective regulation

As a lawyer focusing on initial public offerings and other transactions, Dr Lin brings a unique international perspective with his extensive experience in capital markets in Hong Kong, the US and other countries.

Dr Lin had always been impressed by the SFC’s professionalism, but after joining the Board he better understood all the hard work and thinking that went into every decision. He was also pleasantly surprised by how involved NEDs are in shaping the organisation’s policies and strategic direction.

One challenge for the SFC is to demonstrate to the public and other stakeholders that it focuses on both protecting investors and allowing efficient capital raising, Dr Lin noted. He hopes to help promote more effective regulations which enhance Hong Kong’s status as an international financial centre.

Every policy, regulation or rule must further the interests of the investing public in the most reasonable and efficient way.

Dr James C Lin

Upholding integrity

Working closely with regulators and companies for three decades as a professional accountant, Ms Chan has acquired deep knowledge of the SFC’s work as well as a solid understanding of the needs of businesses.

Integrity is the most important principle in accounting, Ms Chan said, and her objective as an NED is to uphold the integrity of the Hong Kong market and ensure it remains fair, competitive and orderly. Bridging the gap between regulatory bodies and businesses is also a priority.

In particular, she is keen to share her knowledge about promoting innovation in the commercial world as the SFC engages with the market and stakeholders to keep up with the ever-changing business environment and to understand the impact of new technologies on the financial industry.

In a dynamic business environment, regulators have to ensure the markets operate fairly and efficiently and promote orderly industry development.

Agnes Chan Sui-kuen

Corporate Governance

We adopt an open approach to disclosing information subject to the secrecy provisions of the SFO. Our corporate website (www.sfc.hk) provides up-to-date, easily accessible public and industry information, which is constantly reviewed and enriched.

Internally, we emphasise effective communication within the organisation. In addition to utilising our intranet and internal circulars, we organise regular CEO Sharing Sessions and briefings by senior executives on the work of various divisions to keep our staff apprised of the latest developments and current priorities.

In November 2018, a staff member from our Enforcement Division received The Ombudsman's Awards 2018 for Officers of Public Organisations³.

Risks

To perform our regulatory functions effectively in a dynamic market environment, it is important for us to identify, assess and manage external and internal risks in a timely and systematic manner.

External risks

Our market contingency plan sets out measures for dealing with emergency situations which may affect Hong Kong's securities and futures markets. Rehearsing the plan on a regular basis helps us react promptly, appropriately and in a coordinated manner when a crisis arises.

As markets are becoming more complex and interconnected, we adopt a comprehensive, structured approach to assess risk using new regulatory technologies to collect and analyse large volumes of data and information. A cross-divisional Risk Review Group was set up to identify and monitor, in a holistic manner, potential and emerging risks facing the SFC. The group regularly reports to ExCo, and in turn to the Board.

Internal risks and control

We have internal control measures in place to address possible risks associated with our operations, including financial risks and threats to our information and office security.

Our policies and procedures for financial control help us uphold a high standard of integrity and exercise rigorous controls on the use of public funds. In

addition to appointing an external auditor, we engage an independent external firm to conduct an annual review of our financial control procedures and policies to ensure they are practical and robust.

The scope of each review is approved by the Audit Committee and the findings, together with recommendations, are submitted to ExCo for consideration and reported back to the Audit Committee. Enhancements to related policies and procedures are then made where necessary.

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 technology.

To facilitate staff's compliance with the Personal Data (Privacy) Ordinance, we provide staff with a data privacy manual and a quick guide comprising frequently-asked questions and illustrative examples. In September 2018, the Office of the Privacy Commissioner for Personal Data conducted a training session to introduce the ordinance and its application to the SFC's work.

We put the following measures in place to provide for safe and smooth operations:

- A regularly updated business resumption plan addresses readily identifiable risks, including technical problems, fires, natural disasters and other emergencies. The scope of the plan covers office premises, communications and computer services.
- An information security policy provides guidance on how to protect the confidentiality and integrity of information. The policy is revised from time to time to keep up with technological and other changes in the way we operate.
- Access controls protect our information and systems from unauthorised access, use or modification.
- Office access controls safeguard against unauthorised entry to our premises. Access rights are properly assigned and closely managed.

³ See Enforcement on pages 65-72.

Independent checks and balances

Independent bodies provide external checks and balances on our operational work to ensure fairness in our decision making, observance of due process and proper use of our regulatory powers. Apart from scrutiny by the Process Review Panel and the Securities and Futures Appeals Tribunal, we are subject to judicial review by the courts and indirect oversight by the Ombudsman.

Independent body	Relevant functions	SFC-related tasks handled
Process Review Panel <ul style="list-style-type: none"> An independent panel established by the Chief Executive of the HKSAR in 2000 Comprises representatives from various sectors and two ex-officio members, namely the SFC Chairman and a representative from the Department of Justice 	<ul style="list-style-type: none"> Reviews and advises on the adequacy of our internal procedures and operational guidelines, including those for the handling of complaints and licensing applications, inspection of intermediaries, investment product authorisation, corporate finance transactions and the exercise of investigation and disciplinary powers 	<ul style="list-style-type: none"> Reviewed 60 cases and published its annual report in October 2018
Securities and Futures Appeals Tribunal <ul style="list-style-type: none"> Chaired by current or former judges appointed by the Chief Executive of the HKSAR and comprising two other members drawn from a panel appointed by the Financial Secretary under delegated authority 	<ul style="list-style-type: none"> Reviews specified decisions made by the SFC Has power to confirm, vary or set aside decisions made by the SFC (and where a decision is set aside, substitute any other decision it considers appropriate) or refer the matter back to the SFC with directions 	<ul style="list-style-type: none"> Received requests to review four new cases Allowed five cases received in 2017-18 and 2018-19 to be withdrawn
The Ombudsman	<ul style="list-style-type: none"> Handles public complaints against the SFC and its staff for alleged maladministration 	<ul style="list-style-type: none"> Commenced one preliminary inquiry and one investigation
Courts	<ul style="list-style-type: none"> Handle judicial reviews of SFC decisions 	<ul style="list-style-type: none"> Handled seven judicial review cases

Performance pledges

In fulfilling our regulatory roles, we pledge to be responsive to the public, market participants and the intermediaries under our supervision.

		Cases meeting the pledge		
		2018/19	2017/18	2016/17
Applications for subordinated loan or modification/waiver of requirements under SFO				
Commence review of application upon receipt	2 business days	100%	100%	100%
Authorisation of investment products				
Take-up of applications upon receipt	5 or 2 business days ¹	100%	100%	100%
Preliminary response to applications after take-up for investment-linked assurance schemes (ILAS) and paper gold schemes	7 business days	100%	100%	100%
Preliminary response to applications after take-up for other products	14 business days	100%	100%	100%
Enquiries				
Preliminary replies	5 business days	100%	100%	100%
Processing of licensing applications²				
Corporations	15 weeks	100%	100%	100%
Representatives (provisional licences)	7 business days	99% ³	100%	100%
Representatives (normal licences)	8 weeks	99% ³	100%	100%
Representatives (responsible officers)	10 weeks	99% ³	99%	100%
Transfer of accreditation	7 business days	99% ³	97%	97%
Complaints against intermediaries and market activities				
Preliminary response	2 weeks	99.8% ⁴	99.8%	99.7%

¹ The pledge of five business days is applicable to the following products:
 – Unit trusts and mutual funds (including eligible Mainland funds seeking authorisation under the Mutual Recognition of Funds (MRF) arrangement between the Mainland and Hong Kong with effect from 9 May 2016)
 – Mandatory provident fund products (including pooled investment funds)
 – Pooled retirement funds

The pledge of two business days is applicable to other products including MRF funds (prior to 9 May 2016), ILAS, paper gold schemes and real estate investment trusts.

² During the year, we processed 17,720 applications that were subject to performance pledges, 15,070 of which were processed within the applicable period. The completion of the vast majority of the remaining 2,650 applications was delayed for reasons beyond our control (eg, unresolved fitness and properness issues, outstanding vetting requests, applicants failing to provide essential information, requests by applicants that we delay finalising their applications). To more accurately reflect our performance, these applications are not included in the percentages stated.

³ The delay was usually short and resulted from unexpected complications, such as abnormal increases in our workflow and resulting resourcing difficulties.

⁴ 11 cases failed to meet the pledge.

During the year, 100% of takeovers and mergers-related applications and transactions met the performance pledges. Details of the response time are listed in the following table.

Consultations and rulings under sections 6 and 8 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs (Codes)	
<i>Applications for rulings and consultations with the Executive</i>	
– All ruling applications and consultations under the Codes (except for those set out below)	5 business days ⁵
– Applications for rulings that are conditional on obtaining shareholders' approval in a general meeting	Normally within 5 business days before the relevant general meeting
– Fast track EFM/EPT applications and EFM/EPT annual confirmations ⁶	10 business days
– All other EFM/EPT applications	21 business days
Comments and clearance of announcements and documents under Rule 12 of the Takeovers Code	
<i>First draft of firm intention announcement under Rule 3.5 of the Takeovers Code</i>	
– No complex Code issues involved	2 business days
– Complex Code issues involved	3 business days ⁷
<i>All other announcements (including revised drafts)</i>	
– No complex Code issues involved	1 business day
– Complex Code issues involved	3 business days ⁷
<i>All drafts of shareholders' documents⁸</i>	5 business days

⁵ If the subject matter involves complex Code issues, the time limit will be extended to 21 business days and the applicants will be informed of this.

⁶ EFMs and EPTs refer to exempt fund managers and exempt principal traders as defined under the Codes.

⁷ The parties will be informed of the longer time needed.

⁸ Including offer documents, offeree board circulars, whitewash circulars, scheme documents and share buy-back circulars.