

Highlights

Key figures for 2018-19

9,074

requests for trading and account records

238

cases initiated for investigation

101

individuals and corporations subject to ongoing civil proceedings

\$940 million

in fines on licensees

8,942

new licence applications

As of 31 March 2019

46,678

licensees and registrants including

2,960

licensed corporations

304

on-site inspections of intermediaries

394

listing applications received

373

takeovers-related transactions and applications

90

industry circulars

221

Fintech-related enquiries

85

senior executives' speaking engagements

6,034

complaints against intermediaries and market activities

As of 31 March 2019

2,797

authorised collective investment schemes including

789

Hong Kong-domiciled funds

The following tables highlight our work during 2018-19. More details are provided in subsequent chapters.

Regulatory enhancements

Professional investors	Amended the Professional Investor Rules to standardise how professional investors are prescribed and ensure consistent application of the regulations
Discretionary accounts	Concluded a consultation on requirements for intermediaries providing discretionary account management services to disclose benefits receivable from product issuers and profits earned from trading products with third parties
Securities margin financing	Concluded a consultation on proposed guidelines for securities margin financing activities to enhance brokers' risk management
Complex products	Concluded a consultation on requirements for intermediaries to apply additional protective measures to the sale of complex products in an offline environment
Funds	The Code on Unit Trusts and Mutual Funds was revised following a consultation on amendments to ensure the regulations governing public funds remain robust and aligned with international standards
Takeovers	The Codes on Takeovers and Mergers and Share Buy-backs were amended to enhance investor protection and to ensure a fair and informed market
OTC derivatives	Concluded two consultations on proposals to enhance the over-the-counter (OTC) derivatives regime to mandate the use of Legal Entity Identifiers ¹ for the reporting obligation, expand the clearing obligation and address conduct risks posed by dealings with connected persons
Investor compensation	Consulted the public on a proposed increase of the investor compensation limit and coverage for northbound trading under Stock Connect
Anti-money laundering	Revised guidelines on anti-money laundering and counter-terrorist financing, which align them with the latest international standards, came into effect

Market development

Mainland-Hong Kong Stock Connect	The daily quotas under Stock Connect were expanded fourfold to RMB52 billion for northbound trading and RMB42 billion for southbound trading
	An investor identification regime for northbound trading under Stock Connect was launched
Emerging and innovative companies	Following the SFC's approval, The Stock Exchange of Hong Kong Limited (SEHK) implemented new Listing Rules allowing pre-revenue biotech companies and innovative companies with weighted voting rights (WVR) structures to list in Hong Kong
Paperless securities market	Launched a consultation jointly with Hong Kong Exchanges and Clearing Limited and the Federation of Share Registrars Limited on a proposed operational model for an uncertificated securities market

¹ A unique 20-digit, alpha-numeric code which identifies entities in a financial transaction.

Highlights

Market development

Open-ended fund companies	Implemented the open-ended fund companies regime to introduce a new corporate fund structure in addition to the unit trust form
Mutual recognition of funds	Signed mutual recognition of funds (MRF) agreements with the regulators in the UK, Luxembourg and the Netherlands, allowing eligible funds to be distributed in the other market through streamlined vetting processes
Green finance	Published the SFC's <i>Strategic Framework for Green Finance</i> to contribute to the development of Hong Kong as a leading centre for green finance and to connect green finance flows between the Mainland and the rest of the world

Supervision

Licensing	Updated licensing processes with new forms, a new edition of the Licensing Handbook as well as mandating electronic submission of annual returns and notifications by licensees and registered institutions
Listing applications	Received 394 listing applications including four WVR companies and 13 biotech companies
Takeovers matters	Supervised 373 takeovers-related transactions and applications
Funds	Authorised 136 collective investment schemes for sale to the public in Hong Kong Handled 13 cases of material non-compliance with regulatory requirements by issuers of SFC-authorized products, resulting in compensatory payments totalling \$29 million to affected Hong Kong investors
Inspections	Conducted 304 risk-based on-site inspections, including thematic inspections, of intermediaries and noted 1,236 incidents of breaches of the SFC's rules
Internal control of brokers	Issued a report and a self-assessment checklist on our expected standards of brokers' internal controls for protecting client assets and supervising account executives
Stress tests	Launched a system to conduct stress tests to identify thinly capitalised brokers amid increased extreme price movements and trading suspensions of small-cap stocks
Virtual assets	Published regulatory standards for virtual asset portfolio managers and fund distributors, as well as a conceptual framework for the potential regulation of virtual asset trading platforms Issued a statement clarifying the legal and regulatory requirements applicable to parties engaging in security token offerings
Industry guidance	Organised the SFC Compliance Forum 2018 to exchange views with the industry on current regulatory issues, including best execution, client facilitation, alternative liquidity pools (ALPs), sponsors and Fintech Issued 90 circulars to the industry covering a wide range of topics including receipt of client orders through instant messaging, online client onboarding, use of nominee and warehousing arrangements, ALPs and distribution of virtual asset funds

Enforcement

Surveillance	Made 9,074 requests for trading and account records from intermediaries as a result of our surveillance of untoward price and turnover movements
Investigations and prosecutions	Commenced 238 investigations and laid 42 criminal charges against four individuals and one corporation and secured convictions against four persons and one corporation
Notable disciplinary actions	Disciplined seven firms and three individuals and imposed fines totalling \$867.7 million for failures as sponsors of initial public offerings
	Reprimanded three firms for deficient selling practices and imposed fines totalling \$24.6 million
	Disciplined three individuals and one corporation for mis-handling client money, of which two were banned from re-entering the industry for life

Regulatory cooperation

International	The SFC became one of the first signatories to the IOSCO ² Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information for cross-border enforcement cooperation
	Entered into a memorandum of understanding (MoU) with the German Federal Financial Supervisory Authority to facilitate cooperation and exchange of information
Mainland	Held the fourth high-level meeting with the China Securities Regulatory Commission (CSRC) to discuss market development initiatives and ways to enhance cross-boundary regulatory cooperation, as well as two regular meetings on enforcement cooperation
	Entered into MoUs with the China Banking and Insurance Regulatory Commission and the CSRC to enhance supervisory cooperation and the exchange of information about cross-boundary regulated financial institutions
Fintech	Participated in the Global Financial Innovation Network for regulators to collaborate on Fintech-related issues and became a member of its Coordination Group which sets its overall direction and strategy
	Signed a Fintech cooperation agreement with the Abu Dhabi Global Market Financial Services Regulatory Authority

² International Organization of Securities Commissions.