

# Highlights

## Regulatory enhancements

- **Investor compensation:** Our public consultation on the investor compensation regime proposed increasing the compensation limit from \$150,000 to \$500,000 per investor per intermediary default and covering northbound trading under Stock Connect.
- **Discretionary accounts:** We issued consultation conclusions on requirements for intermediaries to provide discretionary account management services to disclose benefits receivable from product issuers and profits earned from trading products with third parties.
- **Over-the-counter (OTC) derivatives:** Together with the Hong Kong Monetary Authority, we concluded a joint consultation on enhancements to the OTC derivatives regime to mandate the use of Legal Entity Identifiers<sup>1</sup>. Separately, we launched a consultation on proposed margin requirements for non-centrally cleared OTC derivatives transactions.
- **Professional investors:** Amended rules standardising the prescription of professional investors took effect on 13 July.
- **Takeovers:** After our consultation on proposed amendments to the Codes on Takeovers and Mergers and Share Buy-backs, the changes came into effect on 13 July.
- **Open-ended fund companies (OFCs):** We published consultation conclusions on the rules and regulations for the new OFC regime which took effect on 30 July.

## Corporates

- **Emerging and innovative companies:** Following the SFC's approval, The Stock Exchange of Hong Kong Limited published conclusions to its consultation on proposed new rules to expand the listing regime to facilitate the listing of companies from emerging and innovative sectors which took effect on 30 April.
- **Listing applications:** We reviewed 124 new listing applications, up 69.9% from the previous quarter.

<sup>1</sup> Unique 20-digit, alpha-numeric codes which identify entities in a financial transaction.

## Highlights

### Intermediaries

- **Licensees and registrants:** As at 30 June, the number of licensees and registrants reached 45,099, up 4.4% year-on-year, and the number of licensed corporations increased 8.9% to 2,775. Both were record highs.
- **Inspections:** We conducted 65 on-site inspections of licensed corporations to review their compliance with regulatory requirements.
- **Alternative liquidity pools (ALPs):** We issued a circular and report highlighting key areas of concern and good practices identified in our thematic review of ALPs.
- **Compliance Forum:** We hosted the SFC Compliance Forum 2018 to exchange views with the industry on current regulatory issues, including IPO<sup>2</sup> sponsor work and the use of innovative technology to deliver financial services and associated risks.

### Markets

- **Stock Connect:** The increase in daily quotas for both the northbound and southbound trading links under Mainland-Hong Kong Stock Connect came into effect on 1 May.

### Enforcement

- **Disciplinary actions:** We disciplined five licensed corporations and three representatives, resulting in total fines of \$83.5 million. Citigroup Global Markets Asia Limited was reprimanded and fined \$57 million for failings in its sponsor work on the listing application of Real Gold Mining Limited.
- **Market surveillance:** We made 2,152 requests for trading and account records from intermediaries triggered by untoward price and turnover movements.

### Regulatory collaboration

- **IOSCO:** Our Chief Executive Officer, Mr Ashley Alder, was reappointed as Chairman of the Board of the International Organization of Securities Commissions (IOSCO) in May. We became one of the first signatories to the IOSCO Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information for cross-border enforcement cooperation.
- **MoUs:** We entered into a memorandum of understanding (MoU) with the German Federal Financial Supervisory Authority to facilitate cooperation and exchange of information. We also entered into an MoU with the China Banking and Insurance Regulatory Commission to enhance supervisory cooperation.

<sup>2</sup> Initial public offerings.