

# Operational Review

## Intermediaries

### Licence applications

During the quarter, we received 2,030 licence applications, up 2.7% from the last quarter and up 19.6% year-on-year. The number of corporate applications dropped 10.7% from the last quarter to 75, down 6.3% year-on-year.

As at 30 June, the number of licensees and registrants totalled 45,099, up 4.4% from last year, and the number of licensed corporations grew 8.9% to 2,775. Both were record highs.

### Securities margin financing

We engaged selected industry representatives to discuss ways to enhance risk management following a study we conducted which showed that brokers' total margin loans had grown nine times between 2006 and 2017 with a significant deterioration in quality. We will share our observations from the study soon.

### Professional investors

In May, we issued consultation conclusions on proposals to standardise the rules for prescribing professional investors. The rule amendments aim to ensure consistent application of the regulations and to better serve the interests of both firms and their clients. The amended rules came into effect on 13 July.

### Disclosure requirements

We issued consultation conclusions in May to require intermediaries providing discretionary account management services to disclose benefits receivable from product issuers as well as trading profits earned from products purchased from or sold to third parties for their clients. The requirements address potential conflicts of interest arising from incentives provided by product issuers. We also published frequently asked questions (FAQs) to provide further guidance to the industry.

### OTC derivatives

We launched a two-month consultation in June on proposals to impose margin requirements for non-centrally cleared over-the-counter (OTC) derivatives transactions. The proposals specify the categories of licensed corporations, counterparties and instruments subject to the requirements for margin exchange, as well as the assets eligible as margin.

### Investor compensation regime

Our consultation on proposed enhancements to the investor compensation regime ended in June. The proposals, which included increasing the compensation limit from \$150,000 to \$500,000 per investor per intermediary default and covering northbound trading under Stock Connect, received broad support. We are working with the Government on the necessary legislative amendments and target to issue the consultation conclusions later this year.

## Intermediaries

### Intermediary monitoring

During the quarter, we conducted 65 on-site inspections of licensed corporations to review their compliance with regulatory requirements.

### Promoting compliance

In May, we published the *SFC Compliance Bulletin: Intermediaries* to highlight our concerns in considering licensing applications and to provide an update on the implementation of the Manager-In-Charge regime.

In April, we issued a circular and report to highlight the key areas of concern and good practices identified during our thematic review of alternative liquidity pools (ALPs) and to provide an overview of the ALP landscape in Hong Kong.

The use of instant messaging poses new supervisory and record-keeping challenges. To provide guidance to the industry, we issued a circular in May on the controls and procedures which intermediaries are expected to put in place when receiving clients' orders via instant messaging services.

In a June circular, we reminded intermediaries of their obligation to inform us of any plans to provide trading and asset management services involving crypto-assets or robo-advisory services. Intermediaries were also advised to discuss their plans with the SFC before they engage in these services.

In June, we issued FAQs on the requirements for the disclosure of non-quantifiable monetary benefits and the use of the term "independent" by intermediaries in the sale of investment products. These requirements will come into effect on 17 August.



### Anti-money laundering

Following the Government's publication of the *Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report* on 30 April, we issued a circular on the same day to licensed corporations to draw their attention to the results of the assessment and the corresponding mitigating measures they should take. We hosted three seminars in June for about 700 industry participants to discuss the report's key findings and related measures. We also issued another 13 circulars to assist licensed corporations in complying with the requirements during the quarter.

### SFC Compliance Forum 2018

The SFC Compliance Forum 2018 was held on 21 June. Over 500 industry participants attended the half-day event to exchange views on the SFC's recent guidance on best execution, client facilitation, IPO<sup>1</sup> sponsors and ALPs. The use of innovative technology to deliver financial services and associated risks were also discussed.

### Communication with the industry

In May, we met with eight major broker associations to discuss regulatory updates including the new and proposed guidelines for online distribution and advisory platforms, anti-money laundering and securities margin financing, as well as our recent circular on receiving client orders through instant messaging. We also held briefing sessions for members of four industry associations to explain recent and proposed rule changes.



SFC Compliance Forum 2018

<sup>1</sup> Initial public offerings.

## Intermediaries

### Licensees and registrants

	As at 30.6.2018	As at 31.3.2018	Change (%)	As at 30.6.2017	YoY change (%)
Licensed corporations	2,775	2,702	2.7	2,549	8.9
Registered institutions	118	120	-1.7	119	-0.8
Licensed individuals	42,206	41,536	1.6	40,536	4.1
<b>Total</b>	<b>45,099</b>	<b>44,358</b>	<b>1.7</b>	<b>43,204</b>	<b>4.4</b>

### Licensing applications

	Quarter ended 30.6.2018	Quarter ended 31.3.2018	Change (%)	Quarter ended 30.6.2017	YoY change (%)
Applications to conduct new regulated activity	5,894	5,586	5.5	4,810	22.5
Applications for SFC licences <sup>#</sup>	2,030	1,977	2.7	1,698	19.6

<sup>#</sup> Figures do not include applications for provisional licences. During the quarter, we received 1,096 provisional licence applications compared with 847 in the same quarter last year.

### Intermediary inspections

	Quarter ended 30.6.2018	Quarter ended 31.3.2018	Change (%)	Quarter ended 30.6.2017	YoY change (%)
On-site inspections conducted	65	76	-14.5	74	-12.2

# Products

## Authorisations

As of 30 June, there were 2,768 SFC-authorized collective investment schemes (CIS) on offer to the public. During the quarter, we authorised 22 CIS, comprising 21 unit trusts and mutual funds and one investment-linked assurance scheme. We also authorised six unlisted structured investment products for public offering.

## Mutual recognition of funds

### Mainland China

Under the Mainland-Hong Kong mutual recognition of funds (MRF) scheme, as of 30 June, we had authorised a total of 50 Mainland funds (including two umbrella funds), and the China Securities Regulatory Commission had approved 15 Hong Kong funds.

### Switzerland

As of 30 June, four SFC-authorized funds were approved by the Swiss Financial Market Supervisory Authority for distribution to retail investors in Switzerland under the Switzerland-Hong Kong MRF arrangement.

## Enhanced fund data reporting

On 29 June, we announced enhanced reporting requirements for SFC-authorized funds taking effect from 30 September and covering, amongst other data, funds' asset allocations and securities financing transactions and the liquidity profiles of their assets. This initiative will enhance our supervisory ability.

## Online distribution and advisory platforms

In April and May, we held briefings to help the industry better understand and prepare for the implementation of new guidelines for online distribution and advisory platforms which will come into effect in April 2019. Over 200 participants from the asset management, banking, brokerage, financial advisory and financial technology industries attended.



Industry briefing

## Open-ended fund companies

On 18 May, we published consultation conclusions on the Securities and Futures (Open-ended Fund Companies) Rules and the Code on Open-ended Fund Companies which set out the detailed legal and regulatory requirements applicable to the new open-ended fund companies (OFC) regime, which took effect on 30 July. The introduction of this new corporate fund structure broadens the choice of investment fund vehicles and facilitates the distribution of Hong Kong funds internationally.

## Authorised collective investment schemes<sup>a</sup>

	As at 30.6.2018	As at 31.3.2018	Change (%)	As at 30.6.2017	YoY change (%)
Unit trusts and mutual funds	2,183	2,215	-1.4	2,204	-1
Investment-linked assurance schemes	300	299	0.3	301	-0.3
Pooled retirement funds	34	34	0	34	0
MPF schemes	31	31	0	35	-11.4
MPF pooled investment funds	194	194	0	193	0.5
Others	26 <sup>b</sup>	26	0	26	0
<b>Total</b>	<b>2,768</b>	<b>2,799</b>	<b>-1.1</b>	<b>2,793</b>	<b>-0.9</b>

<sup>a</sup> Excluding unlisted structured investment products.

<sup>b</sup> Comprising 15 paper gold schemes and 11 real estate investment trusts.

## Products

### Unlisted structured investment products

	Quarter ended 30.6.2018	Quarter ended 31.3.2018	Change (%)	Quarter ended 30.6.2017	YoY change (%)
Unlisted structured investment products <sup>a</sup>	6	9	-33.3	18	-66.7
Authorisations granted under section 105 of the Securities and Futures Ordinance <sup>b</sup>	10	16	-37.5	16	-37.5

<sup>a</sup> On a "one product per key facts statement" basis, the number of unlisted structured investment products authorised during the period, most of which were equity-linked investments and deposits.

<sup>b</sup> Offering documents and advertisements of unlisted structured investment products offered to the Hong Kong public.

### SFC-authorized renminbi investment products

	As at 30.6.2018
<b>Unlisted products</b>	
Unlisted funds primarily investing in the onshore Mainland securities markets <sup>a</sup> or offshore renminbi bonds, fixed income instruments or other securities	74
Other unlisted funds with renminbi share classes <sup>b</sup>	129
Paper gold schemes with renminbi features	1
Recognised Mainland funds under the Mainland-Hong Kong Mutual Recognition of Funds arrangement	50
Unlisted structured investment products with renminbi features <sup>c</sup>	100
<b>Listed products</b>	
Exchange-traded funds (ETFs) primarily investing in the onshore Mainland securities markets <sup>a</sup> or offshore renminbi bonds, fixed income instruments or other securities	34
Other ETFs with renminbi trading counters <sup>b</sup>	20
Renminbi gold ETFs <sup>d</sup>	1
Renminbi real estate investment trusts	1

<sup>a</sup> Refers to onshore Mainland investments through the Renminbi Qualified Foreign Institutional Investor (RQFII) quota, Stock Connect, Bond Connect and the China Interbank Bond Market.

<sup>b</sup> Refers to unlisted funds or ETFs which have non-renminbi base currency.

<sup>c</sup> The number is on a "one product per key facts statement" basis.

<sup>d</sup> Only includes gold ETF denominated in renminbi.

# Corporates

## Emerging and innovative companies

Following the SFC's approval, The Stock Exchange of Hong Kong Limited (SEHK) published conclusions to its consultation on the 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. The Listing Rules now introduce new chapters to allow listings of biotech companies which do not meet existing financial eligibility tests as well as innovative and high growth companies with weighted voting rights (WVR) structures. A new concessionary secondary listing route for Greater China and international innovative companies listed on qualifying exchanges is also provided.

## Backdoor listings and shell activities

To maintain the quality and integrity of our markets, we have been working closely with SEHK on a thematic review of listed companies' regulation. The review includes amendments to the Listing Rules and reforms which aim to curb sharp share price movements of GEM stocks on their trading debuts and highly dilutive capital raisings. In June, SEHK published a consultation paper on backdoor listings and continuing listing criteria which will end on 31 August.

## Listing applications

Our oversight of listing matters includes vetting of listing applications. During the quarter, we vetted 124 new listing applications, up 69.9% from 73 in the previous quarter and 44.2% from 86 in the same quarter last year. This was another record high. We issued one "letter of mindedness to object" directly to a listing applicant<sup>1</sup>.

During the quarter, we received three listing applications from companies with WVR structures and five listing applications from biotech companies.

## Corporate conduct

We conduct a daily review of corporate announcements under the statutory corporate conduct and inside information disclosure provisions. During the quarter, we issued section 179<sup>2</sup> directions to gather additional information in 13 cases and wrote to detail our concerns in 10 transactions. These concerns included, for example, whether a corporate action or transaction had been or is being conducted in a manner which is oppressive or unfairly prejudicial to shareholders.

## Listing applications and takeovers activities

	Quarter ended 30.6.2018	Quarter ended 31.3.2018	Change (%)	Quarter ended 30.6.2017	YoY change (%)
Listing applications	124	73	69.9	86	44.2
Takeovers and share buy-backs transactions	111	62	79	132	-15.9

<sup>1</sup> The SFC may object to a listing of securities based on one or more of the grounds set out in section 6(2) of the Securities and Futures (Stock Market Listing) Rules. A letter of mindedness to object sets out the SFC's substantive concerns along with detailed reasons.

<sup>2</sup> Section 179 of the Securities and Futures Ordinance gives the SFC the power to compel the production of records and documents from persons related to a listed company.

## Corporates

In May, we published the second issue of the *SFC Regulatory Bulletin: Listed Corporations*, which highlighted our early intervention in serious corporate cases including those involving inaccurate or incomplete information in listing applications as well as questionable fundraisings and acquisitions of listed companies.

### Takeovers matters

We introduced a new note to section 4.2 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs to align these codes with the new listing regime for companies from emerging and innovative sectors effective from April.

Our three-month consultation on proposed amendments to the Codes on Takeovers and Mergers and Share Buy-backs ended in April and we issued our

conclusions on 13 July. Respondents were generally supportive of the proposals. Measures introduced to enhance investor protection include empowering the Takeovers Panel<sup>3</sup> to require compensation be paid to shareholders who have suffered as a result of a breach of these codes as well as increasing the threshold for independent shareholder approval of a whitewash waiver to 75%.

Other changes include amendments to clarify the power of the Takeover Executive<sup>4</sup>, the Takeovers Panel and the Takeovers Appeal Committee to issue compliance rulings and that persons dealing with them must be open and cooperative. The amendments were gazetted on 13 July and took immediate effect.

<sup>3</sup> Hears disciplinary matters in the first instance and reviews rulings by the Takeovers Executive at the request of any party dissatisfied with such a ruling.

<sup>4</sup> The Takeovers Executive refers to the Executive Director of the Corporate Finance Division of the SFC or his delegate.

# Markets

## Stock Connect

On 11 April, the SFC and the China Securities Regulatory Commission (CSRC) jointly announced an increase in the daily quotas for Mainland-Hong Kong Stock Connect. The new quotas, RMB52 billion for each of the northbound trading links and RMB42 billion for each of the southbound trading links, took effect on 1 May.

## Investor identification

We worked with the CSRC and Hong Kong Exchanges and Clearing Limited (HKEX) on the implementation of an investor identification regime for northbound trading under Stock Connect tentatively scheduled for September following system testing and market rehearsals. A similar regime for southbound trading will be introduced as soon as possible after the regime for northbound trading is implemented.

## Supervision of HKEX

In May, we approved proposals from HKEX's clearing houses to enhance the admission criteria and the process for managing the defaults of clearing participants to better align with international practices.

Following our March approval of related rule changes, HKEX implemented measures in June to strengthen clearing guarantee funds, including the introduction of risk-based contributions from the clearing houses.

## Automated trading services providers

	As at 30.06.2018	As at 31.03.2018	Change (%)	As at 30.06.2017	YoY change (%)
Under Part III	58	57	1.8	50	16
Under Part V	25	24	4.2	24	4.2

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

<sup>2</sup> Under the SFO, two regimes regulate ATS providers. Typically, those that offer facilities similar to those of a traditional exchange or a clearing house are authorised under Part III of the SFO. Intermediaries which provide dealing services with ATS as an added facility are licensed under Part V of the SFO.

## OTC derivatives

In June, the SFC and the Hong Kong Monetary Authority issued conclusions to their March consultation on enhancements to the over-the-counter (OTC) derivatives regime to mandate the use of Legal Entity Identifiers<sup>1</sup> for the reporting obligation, expand the clearing obligation and adopt a trading determination process for introducing a platform trading obligation.

## Market surveillance

In June, we completed a joint project with HKEX to facilitate the monitoring of derivatives trading, which was the second phase of enhancements to our market surveillance system.

To better manage market volatility risk, we automated real-time alerts used for monitoring the impact of stock price fluctuations on the financial soundness of our licensed corporations.

## Automated trading services

As of 30 June, the number of automated trading services (ATS)<sup>2</sup> authorisations under Part III of the Securities and Futures Ordinance (SFO) was 58, while 25 corporations, including 16 dark pool operators, were licensed under Part V of the SFO to provide ATS.



# Enforcement

## Market Misconduct Tribunal

During the quarter, we commenced proceedings in the Market Misconduct Tribunal (MMT) against the following companies and persons:

- Fujikon Industrial Holdings Limited for failure to disclose inside information as soon as reasonably practicable on the discontinuation of headphone production for a major customer. We also alleged that two directors of Fujikon, Yeung Chi Hung and Chow Lai Fung, were reckless or negligent in causing the alleged breach of the disclosure requirement.
- Magic Holdings International Limited and its nine directors<sup>1</sup> for failure to disclose inside information as soon as reasonably practicable on the potential acquisition of its issued shares by a French cosmetics group in 2013.

We commenced MMT proceedings against Li Kwok Cheong and Li Han Chun, who were respectively former chairman and chief executive officer of China Forestry Holdings Company Limited, for suspected disclosure of false or misleading information inducing transactions in the company's shares. In addition, MMT proceedings were commenced against Li Han Chun and his investment vehicle, Top Wisdom Overseas Holdings Limited, for suspected insider dealing in the shares of China Forestry in 2011. We will seek restoration orders or damages against these individuals and Top Wisdom if the MMT finds them guilty of market misconduct.

## Court proceedings

We commenced legal proceedings in the Court of First Instance to seek disqualification orders against three former directors or senior executives<sup>2</sup> of Far East Holdings International Limited<sup>3</sup>.

We successfully prosecuted the following in the Eastern Magistrates' Courts:

- Lui Ho Yeung was convicted and fined for making false or misleading representations about his criminal record in his SFC licence application.
- DBA Telecommunication (Asia) Holdings Limited was convicted and fined for making a false or misleading statement in its 2012 results announcement.

## Disciplinary actions

We disciplined five licensed corporations and three representatives during the quarter, resulting in total fines<sup>4</sup> of \$83.5 million.

## Sponsor failures

- Citigroup Global Markets Asia Limited was reprimanded and fined \$57 million for failing to conduct adequate and reasonable due diligence on Real Gold Mining Limited's customers and properly supervise its transaction team in relation to Real Gold's listing application.

## Internal control failures

- Hang Seng Investment Management Limited was reprimanded and fined \$3 million for deficiencies in its internal controls and procedures relating to the cash management of SFC-authorized funds.
- Noah Holdings (Hong Kong) Limited was reprimanded and fined \$5 million for internal system and control failures in its sale and distribution of investment products.

<sup>1</sup> Stephen Tang Siu Kun, She Yu Yuan, Luo Yao Wen, Cheng Wing Hong, Sun Yan, Chen Dar Cin, Yan Kam Tong, Yang Rude and Dong Yin Mao.

<sup>2</sup> Duncan Chiu, Derek Chiu and Michael Lui Hung Kwong.

<sup>3</sup> The allegations against them include conducting the company's business or affairs in a manner involving defalcation, fraud, misfeasance or misconduct towards the company or its shareholders, or resulting in the shareholders not being given all the information as they might reasonably expect.

<sup>4</sup> Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

## Enforcement

- CN Capital Management Limited was reprimanded and fined \$1 million for failing to maintain satisfactory internal controls concerning employee account dealing. Its responsible officers, George Chan Yee Lee and Stephen Ng Wing Leung, were also reprimanded and each fined \$100,000 for failing to comply with the employee account dealing requirements.
- Instinet Pacific Limited was reprimanded and fined \$17.3 million for deficiencies in its internal controls relating to its electronic and algorithmic trading systems and alternative liquidity pool.

### Breach of Code of Conduct<sup>5</sup>

Lau Ki Fung, a former account executive of KGI Asia Limited, was reprimanded and fined for failing to keep proper records of client order instructions.

### Market surveillance

Our surveillance of untoward price and turnover movements resulted in 2,152 requests for trading and account records from intermediaries during the quarter. In addition, we published two announcements to remind investors to exercise caution when trading shares in companies where a small number of shareholders hold a high concentration of shares.

### Enforcement activities

	Quarter ended 30.6.2018	Quarter ended 31.3.2018	Change (%)	Quarter ended 30.6.2017
S179 <sup>a</sup> inquiries commenced	5	4	25	9
S181 <sup>b</sup> inquiries commenced (number of letters sent)	75 (2,152)	62 (1,900)	13.3	80 (2,617)
S182 <sup>c</sup> directions issued	60	71	-15.5	90
Investigations started	61	65	-6.2	89
Investigations completed	57	80	-28.8	55
Individuals and corporations charged in criminal proceedings	4	3	33.3	7
Criminal charges laid	37	10	270	14
Notices of Proposed Disciplinary Action <sup>d</sup> issued	2	7	-71.4	7
Notices of Decision <sup>e</sup> issued	12	13	-7.7	9
Individuals and corporations subject to ongoing civil proceedings <sup>f</sup>	110	97	13.4	126
Compliance advice letters issued	49	62	-21	90
Cases with search warrants executed	6	3	100	8

<sup>a</sup> Section 179 of the Securities and Futures Ordinance (SFO) gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

<sup>b</sup> Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including information identifying the ultimate clients, the particulars and instructions relating to the transactions.

<sup>c</sup> Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

<sup>d</sup> A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

<sup>e</sup> A notice which sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

<sup>f</sup> As of the last day of the reporting period.

<sup>5</sup> The Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

# Regulatory engagement

## IOSCO

We are actively involved in international policy making. Mr Ashley Alder, our Chief Executive Officer (CEO), was re-appointed as Chairman of the Board of the International Organization of Securities Commissions (IOSCO) at its annual conference in Budapest in May.

The May IOSCO Board meeting, chaired by Mr Alder, focussed on European Union (EU) data privacy regulations, the development of an initial coin offerings support framework, sustainable finance and financial technologies (Fintech) and the use of leverage in asset management.

The SFC became one of the first signatories to the IOSCO Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (EMMoU) for cross-border enforcement cooperation. The EMMoU provides IOSCO members who are signatories with additional tools to combat financial misconduct in the global financial market.

We joined an IOSCO working group to pursue two new projects on the regulation of outsourcing by financial services firms to third party service providers and the use of artificial intelligence by market intermediaries.

Since the EU-Asia Pacific Forum in December 2017, which was co-chaired by Mr Alder in Hong Kong, we have discussed with regulators representing the EU and the IOSCO Asia-Pacific Regional Committee significant cross-border regulatory issues arising from EU regulations which have an impact on Hong Kong and the region. These issues include benchmarks regulation, sustainable finance, Fintech and the cross-border implications of asset management and fund passporting.

## Financial Stability Board

Mr Alder attended the Financial Stability Board (FSB) Plenary meeting in June which discussed current financial vulnerabilities, crypto-assets, cyber resilience, developing consistent leverage measures for investment funds and effective disclosure of climate-related financial risks. The Plenary also agreed to invite several new jurisdictions to join the Regional Consultative Groups (RCGs) to ensure effective engagement with non-FSB jurisdictions.

In May, Mr Keith Lui, Executive Director, Supervision of Markets, attended the meeting of the FSB Regional Consultative Group for Asia, which considered vulnerabilities in the global financial system, the resolution of large systemic banks and other financial institutions, the role of Fintech and regulatory technology in addressing money laundering and terrorist financing risks and methods to strengthen governance by holding individuals accountable.

We worked with the Hong Kong Monetary Authority, the Insurance Authority and the Government on the FSB annual monitoring exercise on shadow banking and the annual FSB implementation survey.

## Mainland China

In June, we and the China Banking and Insurance Regulatory Commission entered into a Memorandum of Understanding (MoU) to enhance cooperation in the supervision of cross-boundary regulated entities.

In the same month, we and the China Securities Regulatory Commission (CSRC) held our sixth regular high-level meeting to discuss enforcement cooperation matters. We exchanged views on closer

## Regulatory engagement

collaboration on market surveillance and sharing of intelligence and market information as well as coordinated investigations. We had in-depth discussions on establishing a notification mechanism for cases involving companies listed in both markets and enhancing staff exchange and joint training arrangements.

During the quarter, we visited the CSRC and the State Administration of Foreign Exchange to discuss cooperation. We also received several high-level Mainland delegations to discuss ongoing cross-boundary cooperation projects.

We organised in-house training programmes for senior executives from various Mainland organisations to enhance mutual understanding and effective communication in cross-boundary regulatory work. We met with the China Financial Futures Exchange, Dalian Commodity Exchange and Shanghai Clearing House to discuss the opening-up of the Mainland futures market and exchange views on renminbi internationalisation and the development of the Mainland's clearing business.

We supported the Government in strengthening Hong Kong's cooperation with different Mainland regions. In May, we attended the Shenzhen-Hong Kong-Macau Joint Conference on Financial Cooperation and Innovation.

### Other regulatory engagement

Since joining the United Nations (UN) Sustainable Stock Exchange Initiative's Advisory Group in June, the SFC has been working on how capital market authorities can support the UN's sustainable development goals. The SFC also expressed support for the recommendations of the FSB Task Force on Climate-related Financial Disclosures.<sup>1</sup>

In June, we entered into an MoU with the German Federal Financial Supervisory Authority providing for consultation, cooperation and exchange of information in connection with the supervision and oversight of cross-border regulated entities in Hong Kong and Germany. We also entered into a cooperation agreement with the Abu Dhabi Global Market Financial Services Regulatory Authority in the same month to establish a framework for cooperation on Fintech.

<sup>1</sup> See the task force's website (<https://www.fsb-tcfd.org/supporters-landing/>) for details.

# Stakeholders

We frequently engage with stakeholders to help them understand the SFC's work and keep them informed about regulatory developments.

Our senior executives spoke at 13 local and international conferences. We held briefing sessions for the industry on the new Guidelines on Online Distribution and Advisory Platforms and key findings of the *Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report*.



Ms Julia Leung, Deputy Chief Executive Officer and Executive Director of Intermediaries, at the SFC Compliance Forum 2018

Our corporate website was enhanced in June to feature a redesigned homepage and make several sections more easily accessible via mobile and tablet devices and by the visually impaired.

We issued the following during the quarter:

- The *Report on the Thematic Review of Alternative Liquidity Pools in Hong Kong*, published in April together with a circular, shared the findings of our thematic review of licensed firms' compliance with the regulatory requirements and examples of good practices.

- The May issue of the *SFC Compliance Bulletin: Intermediaries* discussed our concerns when we consider licensing applications and provided an update on the implementation of the Manager-In-Charge regime.
- The *SFC Regulatory Bulletin: Listed corporations*, published in May, highlighted our early intervention in serious corporate cases which included the provision of inaccurate or incomplete information in listing applications as well as questionable fundraisings and acquisitions of listed companies.
- Our *Annual Report 2017-18*, released in June, summarised the SFC's work during the year and our strategic priorities.

We issued 24 circulars informing industry participants about a wide range of matters, including the use of instant messaging to receive client orders, enhanced fund data reporting and updates on anti-money laundering and counter-terrorist financing.



SFC publications

## Stakeholders

### Publications and other communications

	Quarter ended 30.6.2018	Quarter ended 31.3.2018	Quarter ended 30.6.2017
Press releases	36	34	45
Consultation papers	2	3	4
Consultation conclusions	4	1	2
Industry-related publications	2	3	4
Codes and guidelines <sup>a</sup>	1	2	4
Circulars to industry	24	22	21
Corporate website average daily page views <sup>b</sup>	67,880	67,172	68,825
General enquiries	1,828	2,140	1,722

<sup>a</sup> Includes updates to previous versions.

<sup>b</sup> The average number of webpages browsed per day during the reporting period.