

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

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

² 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 Identifiers¹ 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)² 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.