

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

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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.¹

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.

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