

Highlights

Regulatory enhancements

Financial resources rules: We published consultation conclusions on amendments to ensure the Securities and Futures (Financial Resources) Rules are compatible with the latest market developments.

UT Code: The revised Code on Unit Trusts and Mutual Funds (UT Code) took effect on 1 January 2019 following our consultation on amendments to update the regulatory regime for SFC-authorized funds.

Anti-money laundering: The revised Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations) came into effect on 1 November following our public consultation.

OTC derivatives: We concluded a consultation on proposals to enhance the over-the-counter (OTC) derivatives regime and address conduct risks posed by dealings with group affiliates and other connected persons.

Complex products: We published consultation conclusions on requirements for intermediaries to apply additional protective measures to the sale of complex products in an offline environment.

Market development

MRF: We signed Mutual Recognition of Funds (MRF) agreements with the UK Financial Conduct Authority and the Luxembourg Commission de Surveillance du Secteur Financier.

Paperless securities market: We launched a consultation jointly with Hong Kong Exchanges and Clearing Limited and the Federation of Share Registrars Limited on the proposed operational model for an uncertificated securities market.

Supervision

Licensees and registrants: As at 31 December, the number of licensees and registrants totalled 46,371, up 5% from last year, and the number of licensed corporations grew 9.2% to 2,905.

Listing applications: We vetted 68 new listing applications, up 70% from 40 in the same quarter last year. In the nine months to December, the number of listing applications was 310, up 31.4% year-on-year.

Inspections: We conducted 72 on-site inspections of licensed corporations to review their compliance with regulatory requirements.

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Virtual assets: We issued a statement setting out a new approach to bring virtual asset portfolio managers and distributors of virtual asset funds under our regulatory net as well as a conceptual framework for the potential regulation of virtual asset trading platforms.

Brokers' controls: We issued a circular and report on the findings of our review of brokers' internal controls and supervision of account executives.

Reporting suspicious transactions: We issued a circular about the use of "nominees" and "warehousing" arrangements which may amount to market or corporate misconduct, reminding firms to report suspicious transactions to the SFC.

Review of SEHK's work: We published a report on our review of the performance of The Stock Exchange of Hong Kong Limited (SEHK) in its regulation of listing matters during 2016 and 2017.

Enforcement

Disciplinary actions: We disciplined two licensed corporations and four representatives during the quarter, resulting in total fines of \$2.3 million.

Market surveillance: We made 2,597 requests for trading and account records from intermediaries triggered by untoward price and turnover movements.

Remedies for investors: The Court of First Instance ordered three unlicensed firms to compensate 14 investors a total of about \$600,000.

Regulatory cooperation

CSRC: We signed a memorandum of understanding with the China Securities Regulatory Commission (CSRC) on cooperation in the supervision of financial institutions operating on a cross-border basis as well as an agreement on investor identification arrangements under Mainland-Hong Kong Stock Connect.