

Markets

Stock Connect

In December, we entered into an agreement with the China Securities Regulatory Commission (CSRC) to enhance the exchange of information under Mainland-Hong Kong Stock Connect. The enhancements are part of arrangements for the investor identification regime for both northbound and southbound trading under Stock Connect.

The investor identification regime for northbound trading has been operating smoothly since its launch on 26 September. We are working with the CSRC to introduce a similar regime for southbound trading in the first quarter of 2019.

Paperless securities market

In January 2019, we launched a consultation jointly with Hong Kong Exchanges and Clearing Limited and the Federation of Share Registrars on the proposed operational model for implementing an uncertificated securities market. The consultation will close in late April.

ATS providers

	As at 31.12.2018	As at 31.3.2018	Change (%)	As at 31.12.2017	YoY change (%)
Under Part III	58	57	1.8	52	11.5
Under Part V	24	24	0	24	0

OTC derivatives

Following our joint consultation with the Hong Kong Monetary Authority on enhancements to the over-the-counter (OTC) derivatives regime¹, amendments to subsidiary legislation to provide for the second phase of mandatory clearing were gazetted on 7 December. They will be effective on 1 March 2019 subject to legislative vetting by the Legislative Council.

Automated trading services

As of 31 December, the number of automated trading services (ATS)² authorisations under Part III of the Securities and Futures Ordinance (SFO) was 58, while 24 corporations, including 15 dark pool operators, were licensed under Part V of the SFO to provide ATS.

¹ The enhancements include proposals to mandate the use of Legal Entity Identifiers for the reporting obligation, expand the clearing obligation and adopt a process for determining for which products it may be appropriate to introduce a platform trading obligation.
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.