

# Highlights

## Regulatory enhancements

**Securities margin financing:** We concluded a public consultation on proposed guidelines which set out the expected risk management standards for securities margin financing activities.

**Account opening:** Effective 5 July, the Code of Conduct<sup>1</sup> was amended to cater for the need for intermediaries to adapt their practices as business activities are increasingly conducted online. A new approach for the onboarding of overseas individual clients online also took effect.

**Listing regulation:** Following the SFC's approval, The Stock Exchange of Hong Kong Limited will adopt new Listing Rules for the suspension of listed companies with a disclaimer or adverse audit opinion on their financial statements.

## Supervision

**Licensing:** As at 30 June, the number of licensees and registrants totalled 47,239, up 4.7% year-on-year, and the total number of licensed corporations increased 8.7% to a record high of 3,017. Changes to our licensing processes and forms fully implemented in April bring our gatekeeping function in line with our front-loaded regulatory approach.

**Inspections:** We conducted 82 on-site inspections of licensed corporations to review their compliance with regulatory requirements.

**Listing applications:** We vetted 105 new listing applications, up 25% from the previous quarter.

**Corporate conduct:** As part of our review of corporate disclosure, we issued section 179<sup>2</sup> directions to gather additional information in 40 cases and wrote to detail our concerns in seven transactions.

**Corporate acquisitions:** We issued a statement outlining recurring misconduct in corporate acquisitions and disposals which has prompted intervention by the SFC.

<sup>1</sup> The Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

<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.

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**Green and ESG funds:** We issued a circular to provide guidance on enhanced disclosures by management companies of SFC-authorized green and environmental, social and governance (ESG) funds in the Hong Kong market.

**Prime services and equity derivatives:** We issued a circular and a report on the regulatory obligations of Hong Kong prime brokers setting out our expected standards of conduct and internal controls.

**Third-party payments:** A circular reiterated the importance of mitigating the financial crime and money laundering risks associated with third-party deposits and payments.

**Complex financing arrangements:** A joint circular with the Hong Kong Monetary Authority reminded banks and licensed corporations to review financing arrangements involving complex, opaque transactions within their groups which may conceal embedded financial risks.

### Enforcement

**Disciplinary actions:** We disciplined five licensed corporations and four representatives during the quarter, resulting in total fines of \$39.5 million. Amongst them, China Merchants Securities (HK) Co., Limited was reprimanded and fined \$27 million for failings in its sponsor work in the listing application of China Metal Recycling (Holdings) Limited.

**Restriction notices:** We issued restriction notices to 19 brokers prohibiting them from dealing with or processing assets held in client accounts related to suspected market manipulation.

**Market surveillance:** We made 2,579 requests for trading and account records from intermediaries triggered by untoward price and turnover movements.

### Regulatory cooperation

**Mainland:** We held the fifth high-level meeting with the China Securities Regulatory Commission (CSRC) to discuss cross-boundary regulatory cooperation and key initiatives. We also entered into a tri-partite memorandum of understanding with the Ministry of Finance of the People's Republic of China and the CSRC on access to audit working papers for Hong Kong-listed Mainland companies.

**Green finance:** We hosted a meeting for senior officials of Mainland, Hong Kong and European Union regulators to discuss global developments in green finance.