

Operational Review

Corporates

Listing regulation

Following the SFC's approval, The Stock Exchange of Hong Kong Limited's (SEHK) new Listing Rules for the suspension of listed companies with a disclaimer or adverse audit opinion on their financial statements will apply to preliminary annual results announcements for financial years commencing on or after 1 September. This followed the release of SEHK's May conclusions to its public consultation on proposed suspension requirements which aim to safeguard the quality and reliability of listed companies' financial statements and enhance investor protection.

In July, SEHK issued conclusions to its consultation on proposed amendments to the Listing Rules to tackle the problems associated with backdoor listings and shell activities, adopting all the proposals with a few modifications. Concurrently, we issued a statement explaining our approach to these issues. The SFC will work in parallel with SEHK to monitor the market and intervene using its statutory powers under the Securities and Futures (Stock Market Listing) Rules and the Securities and Futures Ordinance (SFO) where appropriate to tackle these activities.

Climate-related disclosure by listed companies

One priority of the SFC's strategic framework¹ for the development of green finance in Hong Kong is to enhance listed companies' environmental disclosure, with an emphasis on climate-related risks and opportunities. To this end, we have been working closely with SEHK to provide guidance and consult the market on enhancements to the disclosure requirements under the Listing Rules. In May, SEHK published a consultation paper which emphasises the importance of a governance structure for environmental, social and governance (ESG) issues and the board's leadership role and accountability in ESG. Key proposals include the introduction of mandatory disclosure requirements for governance, including processes for identifying material ESG issues. Significant climate-related issues will be required to be disclosed on a "comply-or-explain" basis.

Listing applications

Our oversight of listing matters includes vetting of listing applications. During the quarter, we vetted 105 new listing applications, up 25% from 84 in the previous quarter.

We received one listing application from a company with a weighted voting rights structure and three listing applications from pre-profit biotech firms in the quarter.

¹ See the SFC's *Strategic Framework for Green Finance* published in September 2018.

Listing applications and takeovers activities

	Quarter ended 30.6.2019	Quarter ended 31.3.2019	Change (%)	Quarter ended 30.6.2018	YoY change (%)
Listing applications received	105	84	25	124	-15.3
Takeovers and share buy-back transactions	103	88	17	111	-7.2

Corporate conduct

We conduct a daily review of corporate announcements under the statutory corporate conduct and inside information disclosure provisions. During the quarter, we issued section 179² directions to gather additional information in 40 cases and wrote to detail our concerns in seven transactions. These concerns included, for example, whether a corporate action or transaction is conducted in a manner which is oppressive or unfairly prejudicial to shareholders.

In July, we issued a statement outlining recurring misconduct in corporate acquisitions and disposals which has prompted intervention by the SFC. The statement reminds directors and their advisers to comply with their statutory and other legal duties when evaluating or approving the acquisition or disposal of a company or business.

Takeovers matters

In April, we publicly criticised Kwok Tse Wah for breaching the dealing restrictions and dealing disclosure obligations under the Takeovers Code. Kwok, a party acting in concert with the offeror, sold shares in Hopewell Holdings Limited during the offer period. He also failed to disclose the sale publicly within the applicable time limit.

In a decision published in July, the Takeovers and Mergers Panel ruled that a waiver of the general offer obligation under the Takeovers Code should not be granted to China Baowu Steel Group Corporation Limited if it proceeds with the proposed acquisition of a 51% interest in Magang (Group) Holding Company Limited—the controlling shareholder of the SEHK-listed Maanshan Iron & Steel Company Limited—at nil consideration³.

² Section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company.

³ Upon completion of the proposed transaction, China Baowu would trigger a mandatory general offer for Maanshan Iron & Steel Company Limited pursuant to the “chain principle” unless a waiver is obtained.

Intermediaries

Licence applications

As at 30 June, the number of licensed corporations reached a record high of 3,017, up 51% from the same period in 2014 and 8.7% from last year. At the same time, the number of licensees and registrants totalled 47,239, up 4.7% year-on-year.

During the quarter, we received 1,756 licence applications¹, down 10.5% from the last quarter and 13.5% year-on-year. The number of corporate applications dropped 14.3% from the last quarter to 66, down 12% year-on-year.

Revamped licensing process

Changes to our licensing processes fully implemented in April bring our gatekeeping function in line with our front-loaded regulatory approach. Starting 11 April, intermediaries are required to use new licensing forms to submit licensing-related information to us.

To help us better track “bad apples”, licensed corporations have to disclose any internal investigation of a licensed individual commenced within six months preceding his or her cessation of accreditation. They should also notify the SFC as soon as practicable if an internal investigation is commenced after the initial notification of cessation, regardless of how long ago the individual left the firm. We issued frequently asked questions (FAQs) in May to provide additional guidance to the industry on the types of information to be disclosed and how we treat the information collected.

Prudential risks

Securities margin financing

In April, we concluded a public consultation on proposed guidelines which set out the expected risk management standards for securities margin financing activities. The guidelines, including qualitative requirements and quantitative benchmarks for margin lending policies and key risk controls, will take effect on 4 October.

Complex financing arrangements

We issued a circular jointly with the Hong Kong Monetary Authority in April to remind banks and licensed corporations to review financing arrangements involving complex, opaque transactions within their groups which may conceal embedded financial risks and make it difficult to conduct rigorous risk assessments. Holding companies or controllers of licensed corporations need to prudently manage group financial risks to ensure they can provide financial support and contain contagion risks that may affect the financial integrity of the licensed corporations.

Conduct risks

Client facilitation

In a May circular, we highlighted our concerns about compliance with the standards of conduct and internal controls expected of licensed brokers providing client facilitation services. The circular related deficient policies and practices identified in our inspections since mid-2018, and reminded the industry of our expected standards, in particular that client consent should be obtained before providing client facilitation services.

Credit rating model risk management

Also in May, we issued a circular to relate our regulatory concerns and good practices noted during our supervision of credit rating agencies' model risk management and set out expected standards for credit rating model governance, model validation, data quality and the use of credit rating models.

Third-party deposits and payments

Another circular issued in May reiterated the importance of mitigating the financial crime and money laundering risks associated with third-party payments to or from accounts maintained by clients with licensed corporations and associated entities. It elaborated our expected standards in areas where licensed corporations were often found to have failed to implement adequate policies and controls to mitigate these risks, and provided examples of effective measures to promote compliance.

¹ The figure does not include applications for provisional licences. See the table on licensing applications on page 8 for details.

Intermediaries

Prime services and equity derivatives

Following a thematic review of prime services² and related equity derivatives business in Hong Kong, we issued a circular and a report in June pinpointing the regulatory obligations of prime brokers in Hong Kong and setting out the standards of conduct and internal controls we expect of them. The report also discussed areas for improvement and shared good industry practices noted from the thematic review.

Foreign exchange margin trading on the Mainland

A June circular reminded licensed corporations that it is illegal under Mainland law and regulations for any unapproved institution to conduct foreign exchange margin trading on the Mainland or for any client on the Mainland to entrust an unapproved institution to do so. Licensed corporations which provide or market foreign exchange margin trading to Mainland investors or assist other persons in such activities should review the legality of their activities immediately.

Account opening

Effective 5 July, the amendments to paragraph 5.1 of the Code of Conduct³ were made to cater for the need for intermediaries to adapt their practices as business

activities are increasingly conducted online. To facilitate compliance, we published acceptable account opening approaches on a designated webpage which also features relevant circulars and FAQs.

At the same time, a new approach for the onboarding of overseas individual clients online took effect. It includes the authentication of a client's identity document and verification of a client's biometrics using appropriate technologies, together with an initial payment from the client's designated overseas bank account in an eligible jurisdiction.

Communication with the industry

Compliance Forum 2019

On 17 June, we hosted the SFC Compliance Forum 2019 to exchange views with the industry on our recent guidance on securities margin financing, prime brokerage business, client onboarding and transaction monitoring, as well as regulatory issues noted in selling practices. Management accountability, internal controls and supervision of account executives were also covered. More than 700 participants attended the event.



SFC Compliance Forum 2019

² Prime services refer to one-stop-shop services, including trade execution and clearing, securities borrowing and lending, custody, financing solutions, reporting, capital introduction and consulting services, provided to institutional clients such as hedge fund managers.

³ The Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

Intermediaries

Compliance Bulletin

The May issue of the *SFC Compliance Bulletin: Intermediaries* provided an update on the revamped licensing process and highlighted our effort in tracking “bad apples” and how the fitness and propriety of a licensed corporation’s controllers and affiliates may have an impact on the firm. Case studies were provided for illustration.

Seminars and meetings

To help intermediaries implement the new regulatory requirements for online and offline sales of complex products, we organised a number of seminars for more than 1,000 industry participants in April and May.

A circular and FAQs were also issued in June to give further guidance.

We also explained the licensing requirements for private equity firms to two alternative investment management industry associations as well as exchanged views on other issues including the discretionary management power.

Notifications to the SFC

Starting from May, intermediaries can submit notifications under paragraph 12.5 of the Code of Conduct⁴ via a new online service, which is available on the SFC’s online portal, WINGS⁵.

Licensees and registrants

	As at 30.6.2019	As at 31.3.2019	Change (%)	As at 30.6.2018	YoY change (%)
Licensed corporations	3,017	2,960	1.9	2,775	8.7
Registered institutions	115	116	-0.9	118	-2.5
Licensed individuals	44,107	43,602	1.2	42,206	4.5
Total	47,239	46,678	1.2	45,099	4.7

Licensing applications

	Quarter ended 30.6.2019	Quarter ended 31.3.2019	Change (%)	Quarter ended 30.6.2018	YoY change (%)
Applications to conduct new regulated activity	5,101	5,469	-6.7	5,894	-13.5
Applications for SFC licences [#]	1,756	1,961	-10.5	2,030	-13.5

[#] Figures do not include applications for provisional licences. During the quarter, we received 929 provisional licence applications compared with 1,096 in the same quarter last year.

Intermediary inspection

	Quarter ended 30.6.2019	Quarter ended 31.3.2019	Change (%)	Quarter ended 30.6.2018	YoY change (%)
On-site inspections conducted	82	86	-4.7	65	26.2

⁴ Intermediaries must immediately report to the SFC upon the occurrence of any incident under paragraph 12.5 of the Code of Conduct.

⁵ Web-based INteGrated Service.

Products

Authorisations

As of 30 June, 2,799 SFC-authorized collective investment schemes were on offer to the public. During the quarter, we authorised 25 unit trusts and mutual funds and two mandatory provident fund (MPF) pooled investment funds for public offering.

Mutual recognition of funds (MRF)

The Netherlands

We entered into a memorandum of understanding (MoU) on MRF with the Dutch Authority for the Financial Markets (AFM) in May. The MoU allows eligible Hong Kong collective investment schemes, including funds structured in the form of open-ended fund companies, to be distributed in the Netherlands through a streamlined process, and vice versa. It also establishes a framework for information exchange, regular dialogue as well as regulatory cooperation on the cross-border offering of eligible funds.

Mainland China

Under the Mainland-Hong Kong MRF scheme, as of 30 June, we had authorised a total of 51 Mainland funds (including two umbrella funds), and the China Securities Regulatory Commission had approved 20 Hong Kong funds.



Signing of MoU with the AFM

As of 30 June, the cumulative net subscription for Mainland funds was about RMB300 million and that for Hong Kong funds was about RMB12.9 billion. For the period from April to June 2019, Mainland funds recorded a net redemption of about RMB147 million whilst Hong Kong funds recorded a net subscription of about RMB3.4 billion.

Authorised collective investment schemes^a

	As at 30.6.2019	As at 31.3.2019	Change (%)	As at 30.6.2018	YoY change (%)
Unit trusts and mutual funds	2,218	2,216	0.1	2,183	1.6
Investment-linked assurance schemes	299	300	-0.3	300	-0.3
Pooled retirement funds	34	34	0	34	0
MPF schemes	31	31	0	31	0
MPF pooled investment funds	192	191	0.5	194	-1
Others	25 ^b	25	0	26	-3.8
Total	2,799	2,797	0.1	2,768	1.1

^a Excluding unlisted structured investment products.

^b Comprising 14 paper gold schemes and 11 real estate investment trusts (REITs).

Products

ETF market-making regime

We have been working with The Stock Exchange of Hong Kong Limited (SEHK) and the industry to explore ways to enhance market efficiency and liquidity to support the long-term development of our exchange-traded fund (ETF) market. Following our approval, SEHK introduced a new buy-in exemption for securities market makers' short-selling transactions associated with ETF market-making activities on 4 July. With effect from 2 July, SEHK synchronised the resignation notice period requirement for securities market makers

and their associated designated specialists¹ with the requirement in the Code on Unit Trusts and Mutual Funds.

Green and ESG funds

We issued a circular in April to provide guidance on disclosures by SFC-authorized green or environmental, social and governance (ESG) funds. We will create a central database of these funds on the SFC's website to increase their visibility.

Unlisted structured investment products

	Quarter ended 30.6.2019	Quarter ended 31.3.2019	Change (%)	Quarter ended 30.6.2018	YoY change (%)
Unlisted structured investment products ^a	18	32	-43.8	6	200
Authorisations granted under section 105 of the Securities and Futures Ordinance ^b	18	34	-47.1	10	80

^a On a "one product per key facts statement" basis, the number of unlisted structured investment products authorised during the period, including equity-linked investments and deposits.

^b Offering documents and advertisements of unlisted structured investment products offered to the Hong Kong public.

SFC-authorized renminbi investment products

	As at 30.6.2019
Unlisted products	
Unlisted funds primarily investing in the onshore Mainland securities markets ^a or offshore renminbi bonds, fixed income instruments or other securities	64
Unlisted funds (non-renminbi denominated) with renminbi share classes	209
Paper gold schemes with renminbi features	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	51
Unlisted structured investment products issued in renminbi ^b	135
Listed products	
ETFs primarily investing in the onshore Mainland securities markets ^a or offshore renminbi bonds, fixed income instruments or other securities	32
ETFs (non-renminbi denominated) with renminbi trading counters	20
Renminbi gold ETFs ^c	1
Renminbi REITs	1

^a Refers to onshore Mainland investments through the Renminbi Qualified Foreign Institutional Investor (RQFII) quota, Stock Connect, Bond Connect and the China Interbank Bond Market.

^b The number is on a "one product per key facts statement" basis.

^c Only includes gold ETF denominated in renminbi.

¹ A designated specialist is a corporate client (which may be located overseas or domestically) of a securities market maker registered with SEHK to perform ETF market-making activities. It is required to comply with the same market-making obligations prescribed under the Rules of SEHK for market makers.

Markets

OTC derivatives

In line with the G20's commitment to reform the over-the-counter (OTC) derivatives market, an OTC derivatives regime is being implemented in phases in Hong Kong. In a joint consultation with the Hong Kong Monetary Authority launched in April, we proposed to mandate the use of Unique Transaction Identifiers¹ for the reporting obligation to align with global standards, revise the list of designated jurisdictions for the "masking relief"² of the reporting obligation and update the list of Financial Services Providers (FSP List) under the clearing obligation as an annual exercise. Consultation conclusions related to the FSP List were published in June and conclusions on the other two proposals will follow later.

Extension of futures market After-Hours Trading Session

In April, we approved Hong Kong Exchanges and Clearing Limited's proposal to extend the closing hour of the After-Hours Trading Session for the futures market from 1:00am to 3:00am effective 17 June.

The extension provides greater flexibility to capture investment opportunities during US market hours and effect more timely risk management.

Automated trading services

As of 30 June, the number of automated trading services (ATS)³ providers authorised under Part III of the Securities and Futures Ordinance (SFO) was 49, while 24 corporations, including 15 dark pool operators, were licensed under Part V of the SFO to provide ATS.

Automated trading services providers

	As at 30.6.2019	As at 31.3.2019	Change (%)	As at 30.6.2018	YoY change (%)
Under Part III	49	50	-2	46 [#]	6.5
Under Part V	24	24	0	25	-4

[#] The number of ATS service providers, some of which have more than one authorisation. In previous reports, the number given indicated the number of authorisations.

¹ An international standard jointly developed by the Committee on Payments and Market Infrastructure and the International Organization of Securities Commissions to uniquely identify OTC derivatives transactions to be reported to trade repositories.

² "Masking relief" allows certain counterparty information to be redacted where there are legal or regulatory obstacles to reporting.

³ 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.

Enforcement

Market Misconduct Tribunal

During the quarter, the Market Misconduct Tribunal (MMT) found that the following companies and persons failed to make timely disclosure of inside information:

- Fujikon Industrial Holdings Limited, its chairman and chief executive officer Yeung Chi Hung and its chief financial officer and company secretary Chow Lai Fung. They were fined a total of \$1.5 million.
- Health and Happiness (H&H) International Holdings Ltd and its chairman and executive director Luo Fei. They were fined \$1.6 million each.

Court proceedings

We commenced legal proceedings under section 214 of the Securities and Futures Ordinance (SFO) to disqualify the former chief financial officer, company secretary and executive director of Fujian Nuoqi Co., Ltd., Au Yeung Ho Yin, for failing to inquire into improper withdrawals of the company's proceeds from its initial public offering, alert the company's board of directors, and ensure that the information disclosed about the use of the proceeds in the company's 2013 annual report was accurate.

We commenced criminal proceedings against Leung Pak Keung, a practising solicitor, for alleged insider dealing in the shares of CASH Financial Services Group Limited.

We commenced criminal proceedings against Brilliance Capital Management Limited and its sole director Law Sai Hung for holding out as carrying on a business in a regulated activity, advising on corporate finance, without a licence.

The Eastern Magistrates' Court convicted and fined:

- Chan Wai Chuen, former chief financial officer, company secretary and an executive director of DBA Telecommunication (Asia) Holdings Limited, for his role in a false or misleading statement in the company's results announcement published in 2013.

- Tsoi Wan for manipulating the calculated opening price of Hang Seng Index futures contracts.

The Court of Appeal (CA) dismissed the application by Andrew Left of Citron Research for leave to appeal to the Court of Final Appeal against the determinations of the MMT¹.

The Court of Final Appeal dismissed the application of Cheng Chak Ngok, former executive director, chief financial officer and company secretary of ENN Energy Holdings Limited, for leave to appeal against the judgment of the CA ordering a retrial by the MMT on Cheng's suspected insider dealing in the shares of China Gas Holdings Limited.

Disciplinary actions

We disciplined five licensed corporations and four representatives during the quarter, resulting in total fines² of \$39.5 million.

Sponsor failures

We reprimanded and fined China Merchants Securities (HK) Co., Limited \$27 million for failing to discharge its sponsor obligations in the listing application of China Metal Recycling (Holdings) Limited.

Anti-money laundering requirements

We banned Su Xiqiang, former head of retail brokerage and responsible officer of Guosen Securities (HK) Brokerage Company, Limited, from re-entering the industry for 10 months for failure to ensure the company's compliance with anti-money laundering and counter financing of terrorism regulatory requirements when handling third-party fund deposits.

Internal control deficiencies

We reprimanded and fined China Merchants Securities (HK) Co., Limited \$5 million for regulatory breaches and internal control failings related to mishandling client money.

¹ On 26 August 2016, the MMT found Left culpable of disclosing false or misleading information inducing transactions in a report on Evergrande Real Estate Group Limited published in June 2012.

² Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

Enforcement

Other regulatory breaches

- We reprimanded and fined Credit Suisse (Hong Kong) Limited and Credit Suisse AG a total of \$2.8 million for failing to comply with the disclosure requirements for publishing research reports.
- We suspended the licence of Oei Hong Eng, the chairperson and a responsible officer of Gransing Securities Co., Limited for eight months for attempting to create a false or misleading appearance of active trading in securities.
- We reprimanded and fined Nine Masts Capital Limited \$1.2 million for failures relating to the short selling of Yuzhou Properties Company Limited's shares.
- We banned Wang Can, former licensed representative of China Galaxy International Securities (Hong Kong) Co., Limited for 30 months and fined him for breaching the firm's staff dealing policy.
- We banned Wong Ka Hang, a former licensed representative of Haitong International Futures Limited, for nine months for trading in a client's account without written authorisation.

Securities and Futures Appeals Tribunal

The Securities and Futures Appeals Tribunal affirmed our decision to reprimand and fine FT Securities Limited \$3.5 million for regulatory breaches and internal control failures in the preparation and publication of research reports.

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 in the shares of China Ding Yi Feng Holdings Limited or Smartac Group China Holdings Limited respectively.

Market surveillance

Our surveillance of untoward price and turnover movements resulted in 2,579 requests for trading and account records from intermediaries in the quarter. In addition, we published nine high shareholding concentration announcements to remind investors to exercise caution when trading shares in companies where a small number of shareholders hold a high concentration of shares.

Enforcement

Enforcement activities

	Quarter ended 30.6.2019	Quarter ended 31.3.2019	Change (%)	Quarter ended 30.6.2018	YoY change (%)
S179 ^a inquiries commenced	9	7	28.6	5	80
S181 ^b inquiries commenced (number of letters sent)	62 (2,579)	69 (2,340)	10.2	75 (2,152)	19.8
S182 ^c directions issued	52	52	0	60	-13.3
Investigations started	55	58	-5.2	61	-9.8
Investigations completed	37	52	-28.8	57	-35.1
Individuals and corporations charged in criminal proceedings	3	1	200	4	-25
Criminal charges laid	5	5	0	37	-86.5
Notices of Proposed Disciplinary Action ^d issued	8	9	-11.1	2	300
Notices of Decision ^e issued	15	7	114.3	12	25
Individuals and corporations subject to ongoing civil proceedings ^f	100	101	-1	110	-9.1
Compliance advice letters issued	64	52	23.1	49	30.6
Cases with search warrants executed	6	6	0	6	0

^a Section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

^b Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including information identifying the ultimate clients, the particulars and instructions relating to the transactions.

^c Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

^d A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

^e A notice that sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

^f As of the last day of the period.

Regulatory engagement

IOSCO

We are actively involved in international policy making. Mr Ashley Alder, our Chief Executive Officer, chairs the Board of the International Organization of Securities Commissions (IOSCO) and we participate in all eight IOSCO committees and the Asia-Pacific Regional Committee. Mr Alder chaired the IOSCO Board meeting in May.

Mr Alder co-chaired the 10 April meeting of the CPMI¹-IOSCO Steering Group, which coordinates regulatory policy work for the oversight and supervision of central counterparties. In addition, he attended the G20 Finance Ministers and Central Bank Governors Meeting in June, where he presented IOSCO's work on crypto-asset trading platforms and market fragmentation, and co-chaired the Salzburg Global Finance Forum in June, which discussed the changing landscape of the global financial system.

At the IOSCO Asia-Pacific Regional Committee meeting in May, members discussed market conduct issues, supervisory cooperation and cross-border regulatory issues arising out of European Union (EU) regulations which have an impact on the Asia-Pacific region.

Financial Stability Board (FSB)

As part of Mr Alder's participation in the FSB Plenary and Steering Committee, he attended the FSB Plenary meeting in April which discussed crypto-assets, market fragmentation and risks arising from leveraged loans and collateralised loan obligations.

We are actively involved in the work of the FSB Standing Committee on Standards Implementation. In June, Mr Keith Lui, Executive Director of Supervision of Markets, attended a meeting of the FSB Regional Consultative Group for Asia which discussed regional financial stability and risks associated with global trends and climate-related issues.

Together with the Government, Hong Kong Monetary Authority (HKMA) and the Insurance Authority, we worked on the FSB's annual exercise to monitor non-bank financial intermediation as well as on other FSB surveys and workstreams during the quarter.

Mainland China

In May, we held the fifth SFC-CSRC² high-level meeting in Hong Kong to discuss ways to enhance cross-boundary regulatory cooperation and key initiatives including ETF³ Connect, investor identification for southbound trading under Stock Connect and enhancements to the Mainland-Hong Kong Mutual Recognition of Funds arrangement.

In July, we entered into a tri-partite Memorandum of Understanding (MoU) 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. The MoU will facilitate our investigations into the affairs of these companies.



The fifth SFC-CSRC high-level Meeting

During the quarter, we organised in-house training sessions for senior executives from Mainland authorities to enhance mutual understanding and communication in cross-boundary regulatory work. We also met with the CSRC and the Shenzhen Stock Exchange to exchange views on the regulation of listed companies and supervision of securities margin financing activities.

Green finance

As set out in our strategic framework⁴, Hong Kong is well-positioned to contribute to green finance development locally and complement the Mainland's comprehensive framework for green finance. Globally, we participate in the IOSCO Sustainable Finance Network and the Central Banks and Supervisors Network for Greening the Financial System.

¹ The Committee on Payments and Market Infrastructures.

² The China Securities Regulatory Commission.

³ Exchange-traded funds.

⁴ See the SFC's *Strategic Framework for Green Finance* published in September 2018.

Regulatory engagement

On 9 May, we hosted a green finance meeting which was attended by senior EU, Mainland and Hong Kong regulators and officials where we discussed global developments in green finance and the roles played by regulators, corporate environmental, social and governance (ESG) disclosures and the integration of ESG into the investment process by asset managers.



Green finance meeting with local and overseas regulators

Other regulatory engagement

During the quarter, we met with the Australian Securities and Investments Commission (ASIC), Securities and Exchange Commission of Thailand, Abu Dhabi Financial Services Regulatory Authority and overseas government representatives to keep abreast of emerging regulatory developments. We are collaborating with ASIC on a joint review of global financial institutions with a primary focus on foreign exchange operations including their governance, risk management and controls. We will publish a report setting out our regulatory expectations in these areas following the review.

Stakeholders

By engaging with stakeholders, we help them understand our work and provide them with up-to-date regulatory information.

During the quarter, we supported three industry events and our senior executives spoke at 28 local and international conferences. In June, we hosted the SFC Compliance Forum 2019, attended by more than 700 participants, to exchange views with the industry. We also met with various industry associations to understand their views on regulatory issues.

We released the following publications in the quarter:

- The May issue of the *SFC Compliance Bulletin: Intermediaries* provided an update on our revamped licensing processes and highlighted the need to track the movement of “bad apples” who can potentially repeat their misbehaviour at another firm.
- The *Takeovers Bulletin*, issued in June, reminded listed companies to submit transaction-related announcements for approval.
- Our *Annual Report 2018-19*, released in June, summarised the SFC’s work during the year and our strategic priorities.

We issued 26 circulars informing industry participants about a wide range of matters, including the conduct and internal controls expected of licensed brokers providing client facilitation services, credit rating model risk management and disclosure requirements for green funds.

Publications and other communications

	Quarter ended 30.6.2019	Quarter ended 31.3.2019	Quarter ended 30.6.2018	YoY change (%)
Press releases	34	34	36	-5.6
Consultation papers	1	1	2	-50
Consultation conclusions	2	0	4	-50
Industry-related publications	2	3	2	0
Codes and guidelines ^a	3	4	1	200
Circulars to industry	26	20	24	8.3
Corporate website average daily page views ^b	69,278	75,552	67,880	2.1
General enquiries	1,548	1,609	1,828	-15.3

^a Includes updates to previous versions.

^b The average number of web pages browsed per day during the reporting period.