

Highlights

Regulatory enhancements

Investor compensation: Following the release of our consultation conclusions in October, enhancements to the investor compensation regime, including raising the compensation limit to \$500,000 per investor per default, came into effect on 1 January 2020.

Virtual assets (VA): We issued a position paper in November setting out a regulatory framework for licensing VA trading platforms. We also published terms and conditions for licensed corporations managing portfolios which invest in VA.

Over-the-counter (OTC) derivatives: In December, we released consultation conclusions on margin requirements for non-centrally cleared OTC derivatives which will be phased in starting from 1 September 2020.

Open-ended fund companies (OFC): We launched a consultation in December on proposed enhancements to the OFC regime to encourage more private funds to set up in Hong Kong.

Investor identification: Together with the China Securities Regulatory Commission (CSRC), we launched an investor identification regime for southbound trading under Stock Connect on 13 January 2020.

Listing regulation

Listing applications: We vetted 51 new listing applications during the quarter.

Corporate conduct: As part of our review of corporate disclosure, we issued section 179 directions to gather additional information in 14 cases and wrote to detail our concerns in six transactions.

Disclosure of counterparties: We issued a statement reminding listed companies not to disclose false, incomplete or misleading information about their counterparties in a transaction.

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Intermediaries

Licensing: As at 31 December, the number of licensees and registrants rose 2.3% from last year to 47,437, including the number of licensed corporations which grew to 3,084, up 6.2%.

Inspections: We conducted 76 on-site inspections of licensed corporations to review their compliance with regulatory requirements.

External electronic data storage: An October circular set out requirements for keeping regulatory records exclusively with external electronic data storage providers.

Dubious fund arrangements: Our November circular to asset managers reminded them to properly assess private fund and discretionary account arrangements or transactions which are proposed or directed by investors.

Sustainable finance

ESG survey: In December, we published a report on our survey on integrating environmental, social and governance (ESG) factors and climate risks in asset management.

Green and ESG funds: We launched a central database to improve the visibility of SFC-authorised green and ESG funds. Twenty-one funds complied with our enhanced ESG disclosure requirements as at the end of the quarter.

Enforcement

Disciplinary actions: We disciplined five licensed corporations and five individuals, resulting in total fines of \$413.3 million.

Market surveillance: We made 2,345 requests for trading and account records triggered by untoward price and turnover movements.