

Highlights



Regulatory enhancements

REIT Code: We launched a consultation on proposed enhancements to the Code on Real Estate Investment Trusts (REITs) to provide Hong Kong REITs with more flexibility in making investments.

Paperless securities market: We concluded a joint consultation with Hong Kong Exchanges and Clearing Limited (HKEX) and the Federation of Share Registrars Limited on a proposed operational model for an uncertificated securities market.

OTC derivatives regime: We released consultation conclusions on refinements to the scope of the over-the-counter (OTC) derivatives licensing regime to exclude corporate treasury activities of non-financial groups and some portfolio compression services. The paper also set out the competence requirements for those licensed under the regime.

Listing regulation

Listing applications: We vetted 82 new listing applications during the quarter, including three from pre-profit biotech companies.

Corporate conduct: As part of our review of corporate disclosures, we issued section 179 directions to gather additional information in 18 cases and wrote to detail our concerns in one transaction.

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 2018.

Shareholders' meetings: In view of the COVID-19 outbreak, we issued a joint statement with SEHK to provide guidance to listed companies in determining when and how general meetings for shareholders are held.

Intermediaries

Licensing: As at 30 June, the number of licensees and registrants totalled 46,824, of which 3,109 were licensed corporations.

Supervision: We conducted 74 on-site inspections of licensed corporations to review their compliance with regulatory requirements. During the COVID-19 outbreak, we stepped up our supervisory work and stress tests to monitor firms' financial and operational resilience in light of heightened market volatility and issued frequently asked questions to explain the flexibility we allow for some regulatory requirements.

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Cybersecurity risks: We issued a circular to remind licensed corporations to assess their operational capabilities and implement appropriate measures to manage the cybersecurity risks associated with remote office arrangements.

Commodity futures and ETFs: We warned brokers against opening new crude oil futures contracts for clients who do not have the financial capacity to bear the potential losses and reminded managers of SFC-authorised futures-based exchange-traded funds (ETFs) to remain vigilant in extreme market conditions.

Leveraged foreign exchange trading: Our report on licensed corporations' leveraged foreign exchange trading (LFET) activities set out good practices and our expected regulatory standards with which LFET brokers are expected to comply by 1 January 2021.

Market development

Product authorisation: We authorised 41 unit trusts and mutual funds, including 28 funds domiciled in Hong Kong, and 24 unlisted structured investment products for public offering.

Swap-based L&I products: We began accepting applications for authorisation of swap-based leveraged and inverse (L&I) products tracking Mainland equity indices to provide investors with more short-term trading and hedging tools.

MSCI index futures: We approved 33 MSCI index futures contracts proposed by HKEX to expand its derivatives product line and provide more trading and hedging tools for market participants.

Enforcement

Disciplinary actions: We disciplined eight licensed corporations and two individuals, resulting in total fines of \$67.5 million.

Market surveillance: We made 2,366 requests for trading and account records triggered by untoward price and turnover movements.

Disqualification orders: We obtained disqualification orders in the Court of First Instance against eight individuals for breaches of their duties as listed company directors.

Regulatory cooperation

Sustainable finance: Together with the Hong Kong Monetary Authority, we initiated the establishment of Hong Kong's Green and Sustainable Finance Cross-Agency Steering Group to coordinate the management of climate and environmental risks to the financial sector and support the Government's climate strategies.

Competition Commission: We entered into a memorandum of understanding with the Competition Commission to enhance cooperation and the exchange of information.