

Markets

Supervision of HKEX

Volatility Control Mechanism

We monitored the implementation by Hong Kong Exchanges and Clearing Limited (HKEX) of the expansion of the Volatility Control Mechanism (VCM) to cover around 500 Hang Seng Composite Index constituents¹ beginning on 11 May. After the expansion, the VCM was triggered several times and operated smoothly.

Derivatives contracts

We approved the launch by HKEX of futures and options contracts on NetEase and JD.com on the stocks' debut dates in June.

We also approved 33 MSCI index futures contracts referencing the performance of Asia and other emerging market indices proposed by HKEX to expand its derivatives product range and provide more trading and hedging tools for market participants. The first batch of contracts launched in July with the others to follow in phases.

Exchange-traded products

To promote the development of the exchange-traded fund (ETF) market, we approved the introduction by HKEX of a new spread table and continuous quoting market making obligations for ETFs in June. The changes narrowed spreads and reduced trading costs.

ATS providers

	As at 30.6.2020	As at 31.3.2020	Change (%)	As at 30.6.2019	YoY change (%)
Under Part III	52	54	-3.7	49	6.1
Under Part V	23	25	-8	24	-4.2

1 Including the approximately 80 constituents of Hang Seng Index and Hang Seng China Enterprises Index previously covered by the VCM.

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.

Uncertificated securities market

On 8 April, the SFC, HKEX and the Federation of Share Registrars Limited jointly released consultation conclusions on a proposed operational model for an uncertificated, or paperless, securities market in Hong Kong. This initiative will make securities-related transactions, including initial public offerings and corporate actions, more efficient and cost-effective. The proposal received strong market support. We are jointly developing the operational and technical details of the revised model as well as the regulatory framework to support it. Implementation is expected in 2022.

OTC derivatives regime

On 10 June, we released a consultation conclusions paper on refinements to the scope of the over-the-counter (OTC) derivatives licensing regime to exclude corporate treasury activities of non-financial groups and certain portfolio compression services. The refinements focus our licensing framework on derivatives market intermediaries and avoid creating an unnecessary compliance burden for other market participants. The paper also set out the competence and continuous professional training requirements which will apply under the regime.

Automated trading services

As of 30 June, the number of automated trading services (ATS) providers² authorised under Part III of the Securities and Futures Ordinance (SFO) was 52, while 23 corporations, including 13 dark pool operators, were licensed under Part V of the SFO to provide ATS.