

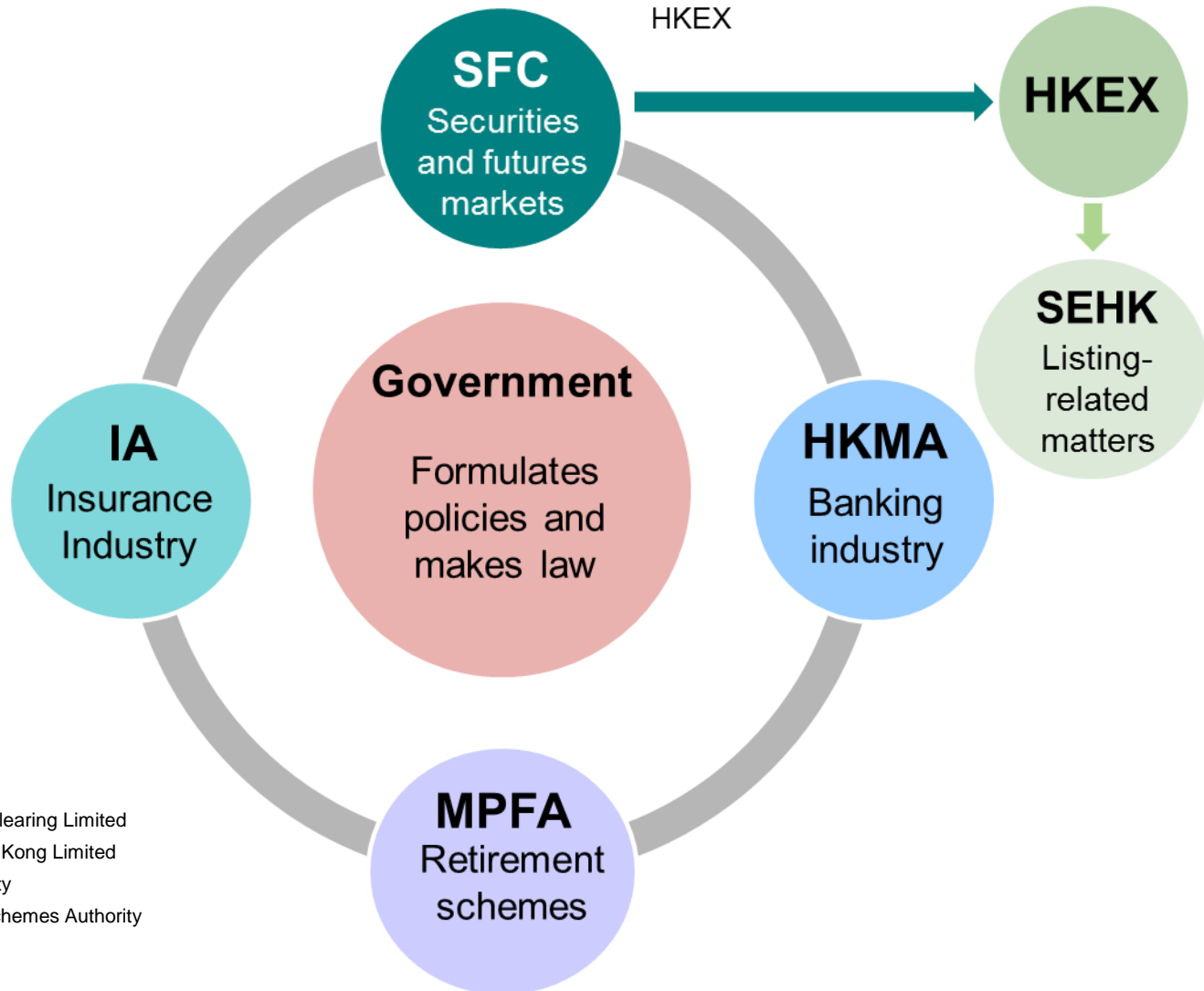


SECURITIES AND  
FUTURES COMMISSION  
證券及期貨事務監察委員會

# **SFC's broader regulatory role**

**January 2023**

# Regulatory structure



## Legend

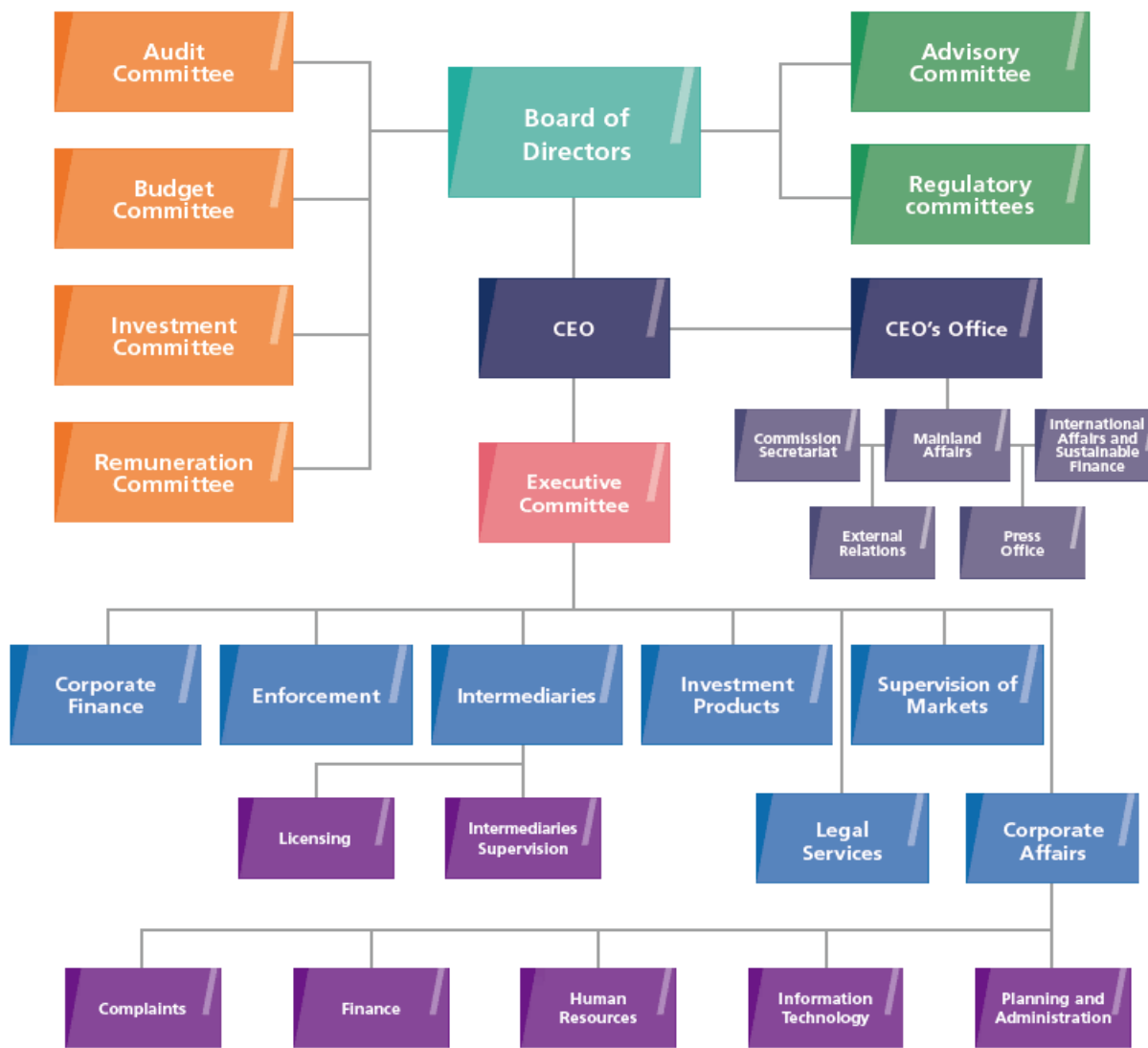
HKEX: Hong Kong Exchanges and Clearing Limited  
SEHK: The Stock Exchange of Hong Kong Limited  
HKMA: Hong Kong Monetary Authority  
MPFA: Mandatory Provident Fund Schemes Authority  
IA: Insurance Authority

# Statutory objectives

- Maintain and promote a fair, efficient, competitive, transparent and orderly securities and futures industry
- Help the public understand the workings of the industry
- Provide protection for the investing public
- Minimise crime and misconduct in the industry
- Reduce systemic risks in the industry
- Assist the Government in maintaining Hong Kong's financial stability



## Organisational structure



Board committees

External committees

# Intermediaries



Set standards and qualifying criteria for corporations and individuals seeking to be licensed



There are a total of 12 types of Regulated Activities across securities and futures dealings, asset management etc.



Allow only “fit and proper” persons to be licensed



Ensure financial soundness and compliance with business conduct requirements through off-site monitoring and on-site inspections



Number of corporate and individual licensees reached new highs

- more than 3,270 licensed corporations
- over 45,500 licensed individuals
- the number of licensees and registrants totalled 48,969



# Investment products



Develop Hong Kong as a full-service international asset management centre and formulate policies to regulate the asset management industry



Authorise collective investment schemes offered to the public such as mutual funds, exchange-traded funds, and real estate investment trusts

→ **more than 2,270 SFC authorised unit trusts and mutual funds**

→ **over 880 Hong Kong-domiciled SFC-authorised funds**



Issue various product codes and monitor industry's compliance



Negotiate bilateral mutual recognition of funds arrangements which allow funds to be offered to retail investors in the other market through a streamlined vetting process

# Listed companies



Oversee all listing matters in Hong Kong, including oversight of The Stock Exchange of Hong Kong Limited – the frontline regulator



Vet listing applications

→ **Reviewed 306 listing applications in FY 2021/22**



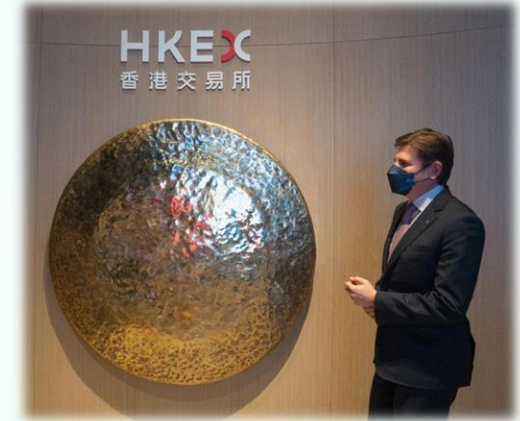
Use powers under SFO to query problematic listing applications and corporate transactions



Monitor company announcements to identify misconduct and irregularities



Oversee takeovers matters to ensure equal treatment of shareholders  
→ **Supervised 385 takeovers activities in FY 2021/22**



# Markets



Formulate policies to facilitate the development of market infrastructures (eg, central securities depositories, securities settlement systems) and to build links with markets in the Mainland and overseas



Conduct day-to-day supervision and monitoring of exchanges, clearing houses and share registrars



Monitor and develop the Stock Connect programme which allows Hong Kong and Mainland investors to trade eligible stocks in each other's markets



Regulate providers of automated trading services which are electronic facilities outside of those provided by a recognised exchange company or clearing house



Collect quantitative information about the financial markets to help reduce systemic risks (e.g. via short position reporting regime, large open position reporting regime etc.)



# Enforcement



Combat misconduct and malpractice in the securities and futures markets by surveillance, investigative and disciplinary work



Collaborate with other regulators and agencies (eg, Hong Kong Monetary Authority and the Independent Commission Against Corruption), and Hong Kong Police



Major enforcement actions include:

- Criminal prosecution
- Market misconduct proceedings
- Civil proceedings
- Disciplinary proceedings



# Enforcement – major actions

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## Asian Citigroup unit fined US\$45 million by Hong Kong's SFC for misleading clients over 11-year period

- The markets watchdog fined Citigroup Global behaviour' on its various trading desks
- The heavy fine is intended to send 'a strong message permitting similar failures to occur'



Enoch Yiu

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Published: 8:27pm, 28 Jan, 2022



The SFC described the Citi unit's behaviour as 'inconsistent with the fundamen

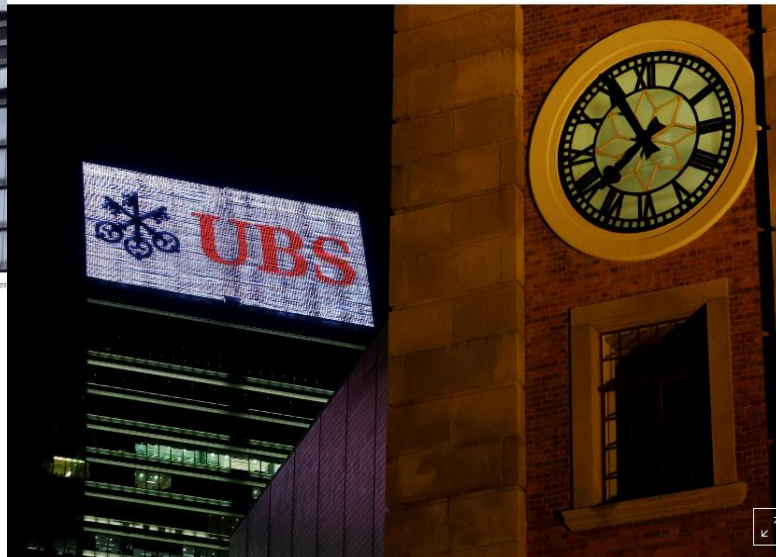
## UBS fined \$51 million by Hong Kong regulator for overcharging clients

By Scott Murdoch

3 MIN READ



HONG KONG (Reuters) - Swiss bank UBS UBSG.S was fined HK\$400 million (\$51.09 million) by Hong Kong's securities regulator for overcharging up to 5,000 clients for nearly a decade, the watchdog said on Monday.



Slideshow ( 2 images )

## HSBC HK hit with 'record' HK\$400m fine over Lehman notes

Helen Burggraf

21 November 2017

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<https://www.reuters.com/article/us-ubs-hongkong-idUSKBN1XL114>

<https://www.internationalinvestment.net/internationalinvestment/news/3501898/hsbc-hk-hit-%E2%80%99record%E2%80%99-hkUSD400m-fine-lehman-notes>

# Enforcement – education via social media





# Global regulatory engagement



Seek to strengthen our influence on global policy-making and reinforce Hong Kong's profile as an international financial centre



Play an active role in the International Organization of Securities Commissions (IOSCO) and participate in the work of the Financial Stability Board



Work closely with Mainland authorities

- to develop and expand market connectivity programmes such as Stock Connect, Bond Connect, ETF Connect and Wealth Management Connect
- to cooperate on regulatory matters
- to formulate new economic measures related to the securities sector



Liaise with overseas counterparts for information exchanges and regulatory cooperation

A large, stylized teal bird graphic, possibly a phoenix, is positioned on the left side of the slide. The bird is depicted in profile, facing right, with its wings spread wide. The design is composed of smooth, flowing curves, giving it a sense of movement and grace. The color is a muted teal or seafoam green.

**Thank you.**

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