



the listed market. We have to weed out bad behaviour and punish wrongdoers so we can maintain market quality and protect investors.

Technological innovation is transforming financial services, with algorithmic trading and automated advice bringing both new opportunities and risks. In the retail sector, stocks,



breach, we refer the case to our Enforcement Division to decide on whether or not to bring action.

more thematic reviews to tackle specific and more complex risks in the market. In the past year, we started or completed 45 thematic inspections which ranged from selling practices of Chapter 37 bonds³ to alternative liquidity pools, best execution and client facilitation, anti-money laundering, placing of GEM IPO stocks and cybersecurity.

While cybersecurity is a recurrent theme in our reviews, a review we began last October following a spate of hacking incidents specifically targeted the resilience of internet brokers to hacking risks. With a view to identify baseline cybersecurity controls, we sent out a questionnaire on the current practices on online trading systems for customer login and notifications. We then selected a number of firms for deep-dive inspections. In tandem, we benchmarked our regulatory requirements and market practices with those overseas and talked to system vendors. After our review, we held industry workshops in January to share our findings and also soft-consulted the industry on proposed baseline requirements on which we aim to issue a consultation paper later this month.

Transparency and signalling

Our on-site inspections are more like a rear-view mirror. They mainly look back and identify what went wrong, why certain controls were not in place and whether reme



Real-time supervision

The SFC has a duty to promote the resilience of our markets and our intermediaries. Our offsite monitoring team closely monitors the adequacy of financial resources and in fact this is done on a real-time basis. Some of you might have the experience of getting our calls on margin books and liquid capital positions when the market becomes choppy. This is one example of our real-time monitoring. The concept behind this real-time supervision is, where possible, to take prompt pre-emptive actions or ameliorate misconduct before it causes further harm to the market.

Let me illustrate this with a recent episode, the plunge in the share price of a heavily pledged
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entities. In another initiative, SFC staff will soon join an exercise with the HKMA inspection team which wil



In closing, let me express my sincere gratitude to the support of the HKSI in promoting and developing the professional standards of the Hong Kong securities industry in the past 20 years. The SFC will continue to partner with the HKSI to enhance competence standards in the market.

Thank you.