



Progress of the SFC's new approach to regulation HKSI Institute Roundtable Luncheon

**Ashley Alder
Chief Executive Officer**

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Today I will discuss key risks and opportunities in our markets and how the Securities and Futures Commission (SFC) is dealing with them. I will also talk about some crucial market development initiatives which I believe are at the heart of Hong Kong's bright future as an international financial centre.

This market development angle usually does not get much media attention as it is not as exciting as the large investigations and scandals which the media likes to cover. But market development cannot progress in the long term unless our markets are fair and clean. Both

With these goals in mind, we have set out a clear strategy for the SFC's new approach to regulation, which is focused on three key areas: (i) enhancing the integrity of the markets, (ii) improving the efficiency of the markets, and (iii) promoting the development of the markets. We will continue to work closely with the market participants to ensure that the SFC's new approach to regulation is effective and efficient.



Our response to this and other issues was more targeted gatekeeping at the listing stage and after.

Where we suspected that listing applicants were in fact being set up to be shells, or were reporting seriously inflated sales figures, we brought our SMLR powers to bear to ask very searching questions. This usually led to the withdrawal of the application.

Where we suspected that public shareholding floats or voting power was being rigged, usually through the warehousing of shares, or that information given to the market by a company was deficient, in more serious cases we have moved to suspend trading to protect the wider interests of investors.

Over the past two years, more than 70 cases have involved activities under our SMLR powers, compared to only seven in the two years before that. The majority involved companies which are already listed, not IPOs.

The results have been fairly stark. Whereas in previous years, we saw more than 20 companies with market capitalisations surging more than 10 times within a six-month period, we have only seen a handf





The overarching theme is that Hong Kong can enhance its current position to move up the value chain as it plays an even more important role to enable Mainland savers to access the world and international investors to access China.

But we also need to recognise that it is more important than ever that investors have confidence that our markets are fair and regulation is resolute and impartial. Our goal at the SFC is to pursue a world-class regulatory environment to secure the future.

Thank you.