



Keynote speech at 8th Pan Asian Regulatory Summit

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Good morning everyone. I would like to thank Thomson Reuters for inviting me back for this year's Pan Asian Regulatory Summit. It is a pleasure to be invited back.

When I spoke to you at this forum last year, I was only five months into my role. I was feeling my way through the local regulatory environment – learning as I go. I am still learning and I continue to be impressed by Hong Kong's exciting and dynamic market.

Last year when I spoke, I was busy identifying the key challenges faced by the Enforcement Division and putting together a strategic plan to tackle these challenges. A year on, we have now implemented many of the initiatives from this strategic plan, which I will share with you today.



cases gives us a great “line-of-sight” advantage – allowing us to evaluate the nuances of each case so we can prioritise them with greater precision.

Intake filter and prioritisation

Other than prioritisation, we also made a special effort to reduce our overall caseload through culling low-priority cases and filtering out new cases which do not meet our threshold. We have



Front-loaded regulation and “One SFC”

Ashley mentioned this yesterday. I want to speak briefly about the SFC's new regulatory



In fact, in relation to one of these groups, ICE recently authorised the largest-ever search operation in the history of the SFC. We pulled together 136 officers from three SFC divisions to search multiple premises.

We are now processing the evidence seized during this search with the continued assistance of all three divisions. So you can see that we have met this challenge head on. This type of operation



Did your senior management acknowledge the problem, and provide us with their plans and undertakings to prevent a recurrence of the problem?

Has the harm to investors or clients been remediated?

Have you engaged an independent review of the issue, and shared the results with us?

These are all indicators that the aspect of specific deterrence has been satisfied and would encourage us to consider a penalty which takes these factors into consideration.

As I said, when dealing with enforcement, you are faced with a range of choices, but you can influence some aspects of the enforcement outcome by demonstrating responsible corporate citizenship.

We will soon be giving more granular guidance in a new guidance note designed to encourage early cooperation.

The guidance note will cover disciplinary, civil and Market Misconduct Tribunal proceedings but will not apply to criminal cases as the Department of Justice has unfettered discretion over criminal prosecutions. The guidance note is not yet finalised, so I cannot go into anything specific today.

What I can say is that within the context of what I have just said we will try to be transparent about

- what may be the benefits of cooperating with the SFC,
- what are the most important issues we care about in settlement discussions, and
- when may be the most opportune times to engage us in these discussions.

Cooperation between the SFC and other regulators

On this note, I also want to speak about our cooperation with other regulatory authorities. In an increasingly interconnected world, regulators can no longer expect to do their jobs alone. We have therefore made special efforts to reach out to other key regulators both in and outside Hong Kong.

Domestically, we have collaborated with the Hong Kong Monetary Authority to conduct parallel investigations into specific types of mis-selling cases. This ensures that we apply a consistent approach in handling similar enforcement issues which would provide greater transparency to market participants.

To elevate the level of our cooperation with the Hong Kong Police, we recently signed a Memorandum of Understanding with them. We hope to further our cooperation beyond pure operational matters into policy making and training. This demonstrates that the SFC and the Hong Kong Police are both fiercely determined to tackle serious financial crimes in Hong Kong.

Externally, I have already mentioned our very close relationship with the CSRC. In addition, through our participation in the International Organization of Securities Commissions and the hard work of our small but dedicated team that deals with international requests, we have been actively building relationships with our key international regulatory partners globally.



Manager-in-Charge regime

There has been some keen interest from the market in the SFC's Manager-in-Charge (MIC) regime, in particular, how it may affect our approach to enforcement. Let me say a few words on this.

First, the Hong Kong MIC regime was not conceived as an enforcement tool. It also does not introduce new conduct requirements for senior managers – as in the UK's Senior Manager Regime – nor does it add to our statutory disciplinary powers against individuals.

Under the Hong Kong MIC regime, firms are primarily required to identify those individuals in charge of core functions and map out their responsibilities and reporting lines.

In other words, we are requiring firms to consider who is accountable for what within their firms to improve overall governance.

This requirement would of course help enforcement identify responsible individuals when things go wrong. And you can assume that we will make use of this additional information to hold responsible individuals accountable.

Holding individuals accountable remains one of the most effective ways to change corporate behaviour and dissuade future misconduct.

We have instructed our investigation teams to focus on individual culpability from the inception of any investigation. Where the evidence supports it, we will take civil or criminal actions against the culpable individuals.

Conclusion

We made significant changes to the Enforcement Division over the past year. Whilst all the building blocks are in place, we are still in the process of bedding down some changes.

However, a few early accomplishments have set the groundwork for future successes.

- We have fully aligned our enforcement objectives with those of the SFC.

- We have become more focused on the hard problems that are important.

- We have played a key role in the SFC's new front-loaded regulatory approach and have made a strong contribution in making it a success.

- We have strengthened our relationships with our Hong Kong regulatory partners as well as the CSRC, both of which are critical to the further development of Hong Kong as a reputable international financial centre.

My first impression when I joined the SFC was that the Enforcement Division has a highly talented, world-class team of hard working professionals.

My experience working closely with the entire team over the past year has re-affirmed this first impression.

By adopting an increasingly focused approach, I am confident that the division will transform itself into an even more powerful force for combatting financial crimes and misconduct.

On that note, thank you again to Thomson Reuters for having me here today.