



APPENDIX 2

Regulatory Objectives and Functions of the SFC under the SFO

(Sections 4 to 6 of the SFO)

“4. Regulatory objectives of Commission

The regulatory objectives of the Commission are-

- (a) to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;
- (b) to promote understanding by the public of the operation and functioning of the securities and futures industry;
- (c) to provide protection for members of the public investing in or holding financial products;
- (d) to minimize crime and misconduct in the securities and futures industry;
- (e) to reduce systemic risks in the securities and futures industry; and
- (f) to assist the Financial Secretary in maintaining the financial stability of Hong Kong by taking appropriate steps in relation to the securities and futures industry.

5. Functions and powers of Commission

- (1) The functions of the Commission are, so far as reasonably practicable-
 - (a) to take such steps as it considers appropriate to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;
 - (b) to supervise, monitor and regulate-
 - (i) the activities carried on by recognized exchange companies, recognized clearing houses, recognized exchange controllers or recognized investor compensation companies, or by persons carrying on activities regulated by the Commission under any of the relevant provisions, other than registered institutions; and
 - (ii) such of the activities carried on by registered institutions as are required to be regulated by the Commission under any of the relevant provisions;
 - (c) to promote and develop an appropriate degree of self-regulation in the securities and futures industry;



- (d) to promote, encourage and enforce the proper conduct, competence and integrity of persons carrying on activities regulated by the Commission under any of the relevant provisions in the conduct of such activities;
- (e) to encourage the provision of sound, balanced and informed advice regarding transactions or activities related to financial products;
- (f) to take such steps as it considers appropriate to ensure that the relevant provisions are complied with;
- (g) to maintain and promote confidence in the securities and futures industry in such manner as it considers appropriate, including by the exercise of its discretion to disclose to the public any matter relating or incidental to the performance of any of its functions;
- (h) to co-operate with and provide assistance to regulatory authorities or organizations, whether formed or established in Hong Kong or elsewhere;
- (i) to promote understanding by the public of the securities and futures industry and of the benefits, risks and liabilities associated with investing in financial products;
- (j) to encourage the public to appreciate the relative benefits of investing in financial products through persons carrying on activities regulated by the Commission under any of the relevant provisions;
- (k) to promote understanding by the public of the importance of making informed decisions regarding transactions or activities related to financial products and of taking responsibility therefor;
- (l) to secure an appropriate degree of protection for members of the public investing in or holding financial products, having regard to their degree of understanding and expertise in respect of investing in or holding financial products;
- (m) to promote, encourage and enforce-
 - (i) the adoption of appropriate internal controls and risk management systems by persons carrying on activities regulated by the Commission under any of the relevant provisions, other than registered institutions; and
 - (ii) the adoption of appropriate internal controls and risk management systems by registered institutions in the conduct of activities regulated by the Commission under any of the relevant provisions;
- (n) to suppress illegal, dishonourable and improper practices in the securities and futures industry;



- (o) to take appropriate steps in relation to the securities and futures industry further to any requirement of the Financial Secretary for the purpose of providing assistance in maintaining the financial stability of Hong Kong;
 - (p) to recommend reforms of the law relating to the securities and futures industry;
 - (q) to advise the Financial Secretary on matters relating to the securities and futures industry and provide him with such information in relation thereto as it considers appropriate; and
 - (r) to perform functions conferred or imposed on it by or under this or any other Ordinance.
- (2) Subsection (1)(c) does not limit or otherwise affect any other function of the Commission.
- (3) The Commission, in performing any of its functions in relation to-
- (a) any authorised financial institution as a registered institution or as an associated entity of an intermediary; or
 - (b) any person as an associated entity of an authorised financial institution that is a registered institution,
- may rely, in whole or in part, on the supervision of such authorised financial institution or person (as the case may be) by the Monetary Authority.
- (4) For the purposes of this Ordinance, the Commission may-
- (a) acquire, hold and dispose of property of any description;
 - (b) make contracts or other agreements;
 - (c) receive and expend moneys;
 - (d) with the approval of the Financial Secretary, borrow money on security or other conditions;
 - (e) publish or otherwise make available materials (however described) indicating to persons who are, or who carry on activities, regulated by the Commission under any of the relevant provisions and, where the Commission considers appropriate, to any other persons the manner in which, in the absence of any particular consideration or circumstance, the Commission proposes to perform any of its functions; and
 - (f) publish or otherwise make available materials (however described) indicating to the public any matter relating or incidental to the performance of any of the functions of the Commission.



- (5) Materials published or otherwise made available under subsection (4)(e) or (f) are not subsidiary legislation.

6. General duties of Commission

- (1) In performing its functions, the Commission shall, so far as reasonably practicable, act in a way which-
- (a) is compatible with its regulatory objectives; and
 - (b) it considers most appropriate for the purpose of meeting those objectives.
- (2) In pursuing its regulatory objectives and performing its functions, the Commission shall have regard to-
- (a) the international character of the securities and futures industry and the desirability of maintaining the status of Hong Kong as a competitive international financial centre;
 - (b) the desirability of facilitating innovation in connection with financial products and with activities regulated by the Commission under any of the relevant provisions;
 - (c) the principle that competition among persons carrying on activities regulated by the Commission under any of the relevant provisions should not be impeded unnecessarily;
 - (d) the importance of acting in a transparent manner, having regard to its obligations of preserving secrecy and confidentiality; and
 - (e) the need to make efficient use of its resources."