

2020-2021 Annual Report

**Process Review Panel for the
Securities and Futures
Commission**



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Abbreviations used in this Report

| | |
|----------|--|
| AIP | Approval-in-principle |
| CAL | Compliance Advice Letter |
| COVID-19 | Coronavirus Disease |
| CSRC | China Securities Regulatory Commission |
| DIS | Discipline Team |
| DoJ | Department of Justice |
| ED(E) | Executive Director (Enforcement) |
| ENF | Enforcement Division |
| ESC | Enforcement Steering Committee |
| FRC | Financial Reporting Council |
| IMT | Intermediary Misconduct Team |
| ISD | Intermediaries Supervision Department |
| LIC | Licensing Department |
| LSD | Legal Services Division |
| MMT | Market Misconduct Tribunal |
| MOF | The Ministry of Finance of the People's Republic of China |
| MOU | Memorandum of Understanding |
| PRP | Process Review Panel for the Securities and Futures Commission |
| SFC | Securities and Futures Commission |
| SFO | Securities and Futures Ordinance |

Message from the Chairman

This was another challenging year. Different industries reacted swiftly and tactfully to cope with the intermittent social distancing measures under the COVID-19 pandemic. With new working practices such as online meetings becoming prevalent, disruption to daily office routines and business communications has been minimized. I am pleased to conclude that with the support of SFC, PRP has performed effectively in discharging its functions in the wake of the outbreak of COVID-19 during the year.

As in previous years, we have held case review meetings with SFC to understand the procedures followed by SFC's officers and the processes through which they made various decisions in the cases selected for review. In performing its role to help SFC improve its processes and procedures, PRP made practical recommendations based on the observations made in these case reviews.

The work of PRP is guided by its terms of reference and aided by views and expertise of market practitioners. The ultimate objective of PRP is to help SFC fulfill its mission of safeguarding Hong Kong's financial stability and maintaining fair and orderly securities and futures markets which strengthen Hong Kong's status as a leading international financial centre. I note with appreciation Members' efforts to develop with SFC a shared understanding of the benchmark of and concepts associated with effectiveness and efficiency from the public service perspective when examining SFC's internal procedures and operational guidelines. I also appreciate Members' sharing of the views of market participants to enable PRP to keep up with the market expectations when making recommendations to SFC.

Message from the Chairman (continued)

I must thank all Members for their devotion to PRP's work, especially in the past year when the pandemic posed so many challenges to the society. They have been supportive to the new arrangements made for PRP's work under the social distancing measures. They were also mindful of new working arrangements made by SFC under the pandemic. In this regard, PRP has drawn SFC's attention to the need of introducing new guidelines and protocol to ensure consistency and fairness in carrying out its work.

I would also like to express my gratitude to the then representative of the Secretary for Justice, Ms Christina Cheung, who served as ex officio member of PRP and two other outgoing members, Ms Ding Chen and Ms Nicole Yuen, for their contribution to PRP in the past six years. Given the wealth of their experience in the legal / financial sector, their observations in case reviews enriched the comprehensiveness of PRP's review work. Their expertise and advice also reinforced the soundness of PRP's recommendations to SFC. With new members joining PRP, I look forward to working closely with them and their giving of new insight in fulfilling the obligations of PRP.

On the SFC front, we welcome the changes made and new approaches taken by SFC in recent years to better achieve regulatory compliance, monitor market operations, deter market misconduct and enhance operational efficiency. SFC's response to the observations made by PRP in previous case reviews has given PRP a broad picture of such changes and new approaches as the adoption of a front-loaded regulatory approach, revamping of the licensing portal and streamlining of work processes. We look forward to seeing how these measures would help SFC achieve its objectives in the review of cases handled under these new approaches and processes in the near future.

Message from the Chairman (continued)

It is challenging for SFC and PRP to help safeguard the integrity of Hong Kong's financial markets amidst increasingly complex rule breaches and forms of misconduct. We are committed to advising SFC on such matters that sustain SFC's responsiveness and effectiveness in strengthening a regulatory regime that contends with emerging challenges efficiently. In so doing, we will continue to work with SFC and maintain contact with stakeholders closely to help SFC enhance its awareness of potential deficiencies in its procedures and guidelines and make recommendations for its improvement.

Finally, I would like to thank once again our SFC colleagues for their effort and cooperation in assisting the PRP in its work!

Mr. Lee Kam Hung, Lawrence, BBS, JP
Chairman

Executive Summary

In 2020-21, PRP reviewed 60 cases selected from the closed case lists submitted by SFC.

2. PRP deliberated on observations made in the case reviews and made comprehensive recommendations to SFC for enhancement of its processes and procedures. PRP's recommendations (as highlighted in boxes) and SFC's responses are summarized below -

Monitoring of Case Progress -

Timely Making of Strategic Decisions

- ✧ SFC should more closely and proactively monitor cases, in particular, long outstanding ones and take a more holistic approach in conducting investigation to ensure that strategic decisions are timely taken.
- ✧ SFC should consider introducing higher level involvement in the investigation process to ensure that key actions such as solicitation of key witnesses' cooperation were promptly taken by case officers.
- ✧ SFC should keep track of the situation of suspects and monitor the key elements with respect to the prospect of a case, including key witnesses' cooperation more closely.

3. PRP noted in three enforcement cases, the non-cooperation of the key witnesses or abscondence of the suspect came to SFC's attention around five years after commencement of the investigation, and almost a year after the suspect had absconded from Hong Kong. PRP considered that there was room for improvement in SFC's monitoring of the situation

in respect of witnesses and suspects, for example, the willingness of witnesses to cooperate with SFC and the timing of preparing witness statements for witnesses' signature. In particular, in the case where the suspect had absconded, PRP considered that should SFC have more closely monitored the situation of the suspect, a strategic decision could have been made to give over referring the case to DoJ for advice on prosecution.

4. On this issue, SFC responded that ENF consistently and closely monitored the progress of cases at management and working levels to ensure that strategic decisions are taken or escalated promptly. In many cases, ENF was only in a position to determine whether a statement would be required for a particular witness and the contents of the statement after having decided whether, for example, the matter would be prosecuted in a criminal court or referred to MMT. Notwithstanding this, SFC agreed that when the circumstances of a case permit, for example a straightforward case, ENF should explore the feasibility of obtaining witness statements earlier, and subsequently, seeking the cooperation of potential witnesses to give evidence in proceedings. As for monitoring the situation of witnesses and suspects, SFC responded that it would consider the circumstances of each case more closely to ascertain the current situation of witnesses and suspects.

5. In four enforcement cases spanning around four to eight years, PRP noted that SFC concluded two cases having regard to factors such as small price change, limited number of trading days involved and insignificant amount of profit made in relation to the suspected market misconduct. In the other two cases, PRP observed that the prospect of the cases did not appear to be promising following the development of the investigations. While PRP appreciated that it was SFC's judgment call as to when to stop pursuing a case and there were a range of factors to consider in reaching that decision, PRP questioned that for cases involving relatively insignificant market impact, which was one of the factors taken into account by SFC when deciding to conclude those cases, there could be more timely assessment in relation to the scale and impact of the suspected market misconduct so that, as far as possible, the investigation teams can form a more holistic view about the cases at the beginning of the investigation. For cases which seemed to show no reasonable prospect, PRP also questioned that there should be earlier deliberation on taking no further action with a view to saving resources for more complicated and high-

priority cases.

6. SFC noted the need to ensure that cases with poor prospect or limited market impact would be reviewed regularly and concluded within a reasonable time to ensure freshness of evidence and fairness. SFC mentioned that following the ENF Strategic Review a few years ago, ENF has established a case monitoring system under which ENF management monitors the progress of cases effectively and proactively. With the information on this system, ENF regularly reviews the prospects of all cases and closes low prospect cases as soon as possible. The formation of specialized teams and the implementation of the new case prioritization mechanism following the ENF Strategic Review had also enabled SFC to focus its resources on high-priority cases.

7. SFC emphasized that in deciding whether SFC could have made an earlier decision to close a particular case, usually a fair and holistic assessment could only be made following the development of a case theory and verification of key facts and evidence upon the completion of investigation. However, the existing guidelines would assist ENF staff in forming an earlier decision on whether to proceed with a case and expedite the decision-making process concerning cases with lower prospects and/or limited market impact.

Monitoring of Case Progress -

Workload and Resources Allocation

- ✧ SFC should consider implementing a workload monitoring system that would facilitate more flexible and human-based reallocation of workload and resources as and when necessary.

8. PRP noted in two enforcement cases concerning the same company a lapse of over a year since ESC approved to take no further action and ENF's issuance of a notification letter to the subjects under investigation and a lapse of approximately 20 months since ESC approved to issue CAL to the company till its issuance, in respective cases. ENF attributed the

delays to the heavy workload of the case officer who prioritized accomplishing more urgent tasks in other cases in her portfolio at the time. PRP considered that the prolonged delays were undesirable and SFC should improve its case supervision and monitoring of workload and resources allocation. SFC responded that the heavy workload of officers is also reflective of the very tight manpower with which the division has been operating over the past few years.

9. SFC acknowledged that delays due to insufficient manpower and heavy workload of case officers were undesirable. Amid human resources constraints, SFC would make continued efforts to ensure more effective case supervision and even distribution of workload among case officers. Apart from holding weekly or bi-weekly meetings to review the workload of individual case officers as well as the assignment of cases, more effective enforcement priority and other enhancement measures implemented following the ENF Strategic Review had helped reduce caseload by culling unpromising and low priority cases.

Expediting Case Processing and More Thorough Planning of Investigations

- ✧ The SFC's management should manage case progress more proactively to minimize delay of actions.
- ✧ SFC should reinforce better planning of investigations with respect to the timing of key actions such as arranging interviews and requesting documents.
- ✧ SFC should take more proactive actions to shorten the process of seeking market expert statement and speed up other procedures as far as possible.

10. PRP noted that some enforcement cases were closed in around or more than six years' time. In two of these cases, PRP questioned that the processes could be sped up by arranging interviews, and making referral to

LSD earlier. It appeared to PRP that some of these cases which were concluded with no further action might have a different case outcome should such actions have been expedited.

11. SFC advised that in the case concerning the timing of arranging an interview, the interview mentioned by PRP was arranged for a new allegation arising approximately 1.5 years after the investigation started. ENF became aware six months after the expansion of investigation scope that the individual concerned suffered a stroke and hence considered that there was no urgency to interview him. It was a deliberate decision of giving priority to other more urgent tasks and arranging the interview after having completed these tasks.

12. In two other cases where an internal market expert had taken 22 months to draft and finalize his expert statement; and ENF had taken almost ten months to seek expert opinion from the second external market expert as the analysis of the first market expert was found problematic, PRP also questioned that the unduly long period of time taken by the internal market expert in the first case and the extra time taken to seek the second external market expert opinion in the second case had increased the processing time and resources used.

13. As for the length of time required for finalizing an expert statement, SFC advised that the time spent on working with experts is typically very case specific. In the case where 22 months were taken for finalizing an internal market expert statement, SFC explained that it was due to discussions made to fine-tune the scope of the instructions to the market expert who considered the scope too wide and additional investigation work carried out by ENF in order to provide the additional information requested by the market expert. In the other case which involved the engagement of the second external market expert, the second market expert was required as the analysis of the first market expert did not support his own conclusion in the report.

Stepping up Actions to Expand the Pool of External Market Experts

- ✧ SFC should take more proactive actions to expand its pool of external market experts and enhance its training to market experts to improve the overall quality of expert reports.
- ✧ SFC should explore recruiting market experts from the academia, including financial professionals who conducted academic studies and researches on market misconduct, including those relating to market impact.

14. PRP considered that those cases which involved extra time and resources spent on reviewing and clarifying the draft expert statement and engaging the second external market expert revealed that the persistent problems of having insufficient qualified and experienced external market experts in the existing pool of SFC and maintaining consistency in the standard of external market expert reports remained to be a challenge to the efficiency of SFC's enforcement actions. PRP commented that SFC should make more efforts to improve the efficiency of market experts and maintain the overall quality of expert reports, and ensure that time and resources were more wisely spent on the engagement of external market experts.

15. SFC responded that finding and engaging a suitable external market expert for each case has been a recurring issue for some years in many jurisdictions. Active market participants seemed to try to avoid acting as an expert for SFC as they might be making a statement against a potential future client while pure academics generally lack sufficient practical industry experience.

16. To expand the potential pool of market experts, SFC had begun reaching out to finance professionals who also work in the academia by starting discussions with expert witness networks and approaching trade bodies to seek expressions of interest from suitably qualified members. SFC

will approach these new contacts based on the relevance of their experience as cases arise that require the engagement of market experts.

17. SFC will also dedicate more efforts to groom more potential candidates as market experts through training and other means. Currently, market experts in SFC's existing pool as well as new and potential appointees are invited to attend an annual training course jointly run by ENF and LSD, which covers the preparation of reports and statements for courts and tribunals, giving evidence in chief and in cross-examination, handling of the communication with courts and tribunals, etc. Case studies are also held to encourage discussion and demonstrate practical skills.

**Timely Administrative Action and
Notification of Case Result / Inspection Findings**

- ✧ SFC should issue CALs to the subjects under investigation once relevant decisions were made.
- ✧ SFC should make sure that inspection findings and case result were made known to the corporations under inspection and the subjects under enforcement investigation promptly.

18. PRP noted in three enforcement cases a long lapse of time between the approval of issuing CALs and their issuance. Apart from the delay of approximately 20 months as a result of the case officer's heavy workload mentioned in paragraph 8 above, the other cases involved deliberate decisions made to hold up the issuance of CALs pending conclusion of other outstanding actions or intended proceedings which were not related to the companies and individual receiving the CALs. As a result, the CALs had been held up for a period of three years. The heavy workload of the case officer had also caused a delay of over a year in notifying the subjects under investigation of the case result in another case concerning the same company.

19. PRP also observed room for improvement in the timeliness of the inspection team's reporting of inspection findings to the ISD management and correspondingly informing the corporation under inspection of ISD's findings in a routine, supervisory inspection of intermediaries. The inspection team discussed its preliminary findings, including certain red flags, with its reporting director three months after its completion of the onsite fieldwork. Then, it was decided to expand the scope of circularization exercise as part of the inspection. Subsequently, the final letter of deficiencies was issued to the corporation around five months later.

20. PRP reminded SFC that corporations under inspection were put under high pressure and suggested SFC to communicate with the corporations more proactively during supervisory inspections and keep them posted about the progress and findings more closely. With respect to the enforcement cases reviewed, PRP also considered it undesirable for the companies and individuals to be subject to unnecessary distress during the period when the CALs or notification letters were held up and reminded SFC to ensure fairness and timeliness in administering these letters.

21. SFC responded that to ensure the issuance of CALs as soon as practicable and once a decision has been made by ESC/Mini-ESC, relevant process had been streamlined to avoid unnecessary delays to the issuance of CALs.

22. For the cases of supervisory inspections reviewed, SFC clarified that it has maintained active dialogue with licensed corporations during the inspection process. The inspection team had communicated with the corporation closely and kept it informed of the inspection progress in the inspection case mentioned by PRP through discussions and meeting.

Chapter 1 General Information

Background

1.1 PRP is an independent panel established by the Chief Executive in November 2000. It is tasked to conduct reviews of operational procedures of SFC and to determine whether SFC has followed its internal procedures and operational guidelines to ensure consistency and fairness in carrying out its work.

Functions

1.2 PRP reviews completed or discontinued cases handled by SFC and advises SFC on the adequacy of its internal procedures and operational guidelines governing the actions taken and operational decisions made by SFC in performing its regulatory functions. The broad areas of the SFC's work cover authorisation of investment products, licensing of intermediaries, inspection of intermediaries, enforcement, corporate finance including processing of listing applications, and complaint handling.

1.3 PRP does not judge the merits of the SFC's decisions and actions. It focuses on the process.

1.4 The Terms of Reference of PRP are -

- (a) To review and advise the SFC upon the adequacy of the SFC's internal procedures and operational guidelines governing the actions taken and operational decisions made by the SFC and its staff in the performance of the SFC's regulatory functions in relation to the following areas -
- (i) receipt and handling of complaints;
 - (ii) licensing of intermediaries and associated matters;
 - (iii) inspection of licensed intermediaries;
 - (iv) taking of disciplinary action;
 - (v) authorisation of unit trusts and mutual funds and advertisements relating to investment arrangements and agreements;
 - (vi) exercise of statutory powers of investigation, inquiry and prosecution;
 - (vii) suspension of dealings in listed securities;

- (viii) administration of the Codes on Takeovers and Mergers and Shares Buy-back (formerly known as the Codes on Takeovers and Mergers and Share Repurchases);
 - (ix) administration of non-statutory listing rules;
 - (x) authorisation of prospectuses for registration and associated matters; and
 - (xi) granting of exemption from statutory disclosure requirements in respect of interests in listed securities.
- (b) To receive and consider periodic reports from the SFC on all completed or discontinued cases in the above-mentioned areas, including reports on the results of prosecutions of offences within the SFC's jurisdiction and of any subsequent appeals.
- (c) To receive and consider periodic reports from the SFC in respect of the manner in which complaints against the SFC or its staff have been considered and dealt with.
- (d) To call for and review the SFC's files relating to any case or complaint referred to in the periodic reports mentioned in paragraphs (b) and (c) above for the purpose of verifying that the actions taken and decisions made in relation to that case or complaint adhered to and are consistent with the relevant internal procedures and operational guidelines and to advise the SFC accordingly.
- (e) To receive and consider periodic reports from the SFC on all investigations and inquiries lasting more than one year.
- (f) To advise the SFC on such other matters as the SFC may refer to the Panel or on which the Panel may wish to advise.
- (g) To submit annual reports and, if appropriate, special reports (including reports on problems encountered by the Panel) to the Financial Secretary which, subject to applicable statutory secrecy provisions and other confidentiality requirements, should be published.
- (h) The above terms of reference do not apply to committees, panels or other bodies set up under the SFC the majority of which members are independent of the SFC.

1.5 PRP submits its annual reports to the Financial Secretary who may cause them to be published as far as permitted under the law.

1.6 The establishment of PRP demonstrates the Government's resolve to enhance the transparency of SFC's operations, and SFC's determination to boost public confidence and trust. PRP's work contributes to ensuring that SFC exercises its regulatory powers in a fair and consistent manner.

Modus Operandi

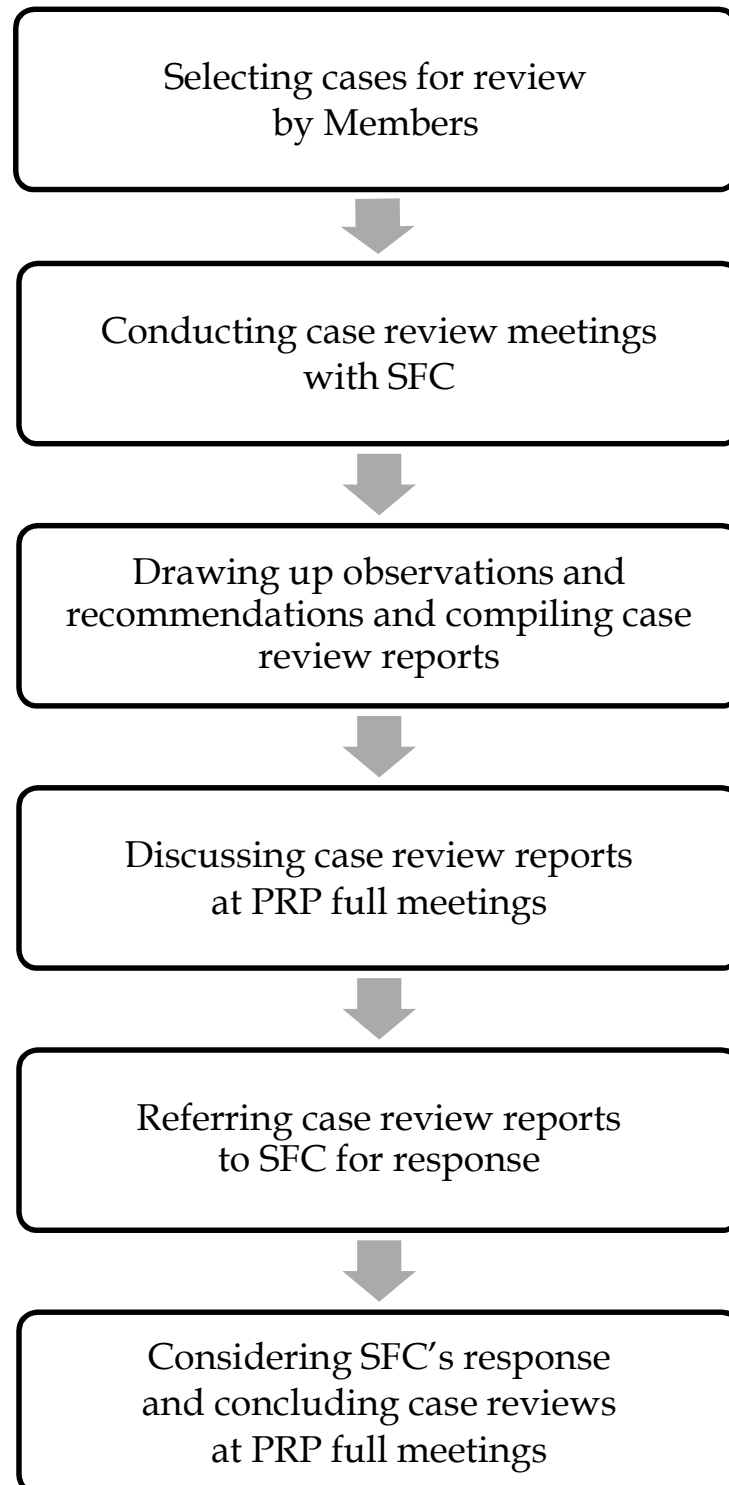
1.7 SFC provides PRP with monthly lists of completed and discontinued cases from which members of PRP select cases for review. Members pay due regard to areas such as processing time of completed cases, procedural steps taken by SFC in arriving at its decisions and relevant checks and balances.

1.8 SFC also provides PRP with monthly lists of on-going investigations and inquiry cases that have lasted for more than one year for PRP to take note of and consider for review upon completion of the cases.

1.9 PRP members are obliged to keep confidential the information provided to them in the course of PRP's work. To maintain the independence and impartiality of PRP, all PRP members are required to make declaration of interest upon commencement of their terms of appointment and declare their interest in the relevant matters before they engage in each case review and relevant discussions, as appropriate.

Case Review Workflow

1.10 The workflow of a PRP case review is set out below –



Membership

1.11 Mr. LEE Kam-hung, Lawrence is the Chairman of PRP.

1.12 PRP comprises members from the financial sector, the academia, and the legal and accountancy professions. In addition, there are two ex-officio members, namely the Chairman of SFC and the representative of the Secretary for Justice.

1.13 The membership of PRP in 2020-21 is as follows -

Chairman:

Mr. LEE Kam-hung, Lawrence, BBS, JP since 1 November 2018

Members:

Mr. CHAN Lap-tak, Jeffrey since 1 November 2018

Ms. Lena CHAN since 1 June 2016

Ms. CHAU Suet-fung, Dilys since 1 November 2018

Ms. CHING Kim-wai, Kerry since 1 November 2020

Ms. CHUA Suk-lin, Ivy since 1 November 2018

Mr. CHUI Yik-chiu, Vincent since 1 November 2018

Ms. DING Chen from 1 November 2014
to 31 October 2020

Ms. KWAN Wing-han, Margaret since 1 November 2018

Mr. KWOK Tun-ho, Chester since 1 November 2016

Mr. LAI Hin-wing, Henry since 1 November 2018

Dr. MAK Sui-choi, Billy since 1 June 2016

Mr. TSANG Sui-cheong, Frederick since 1 November 2016

Ms. YUEN Shuk-kam, Nicole from 1 November 2014
to 31 October 2020

Ms. Helen ZEE since 1 November 2020

Ex officio Members:

Chairman, the Securities and Futures Commission since 20 October 2018
Mr. Tim LUI, SBS, JP

Secretary for Justice's Representative
Ms. CHEUNG Kam-wai, Christina, JP from 26 February 2015
to 28 February 2021

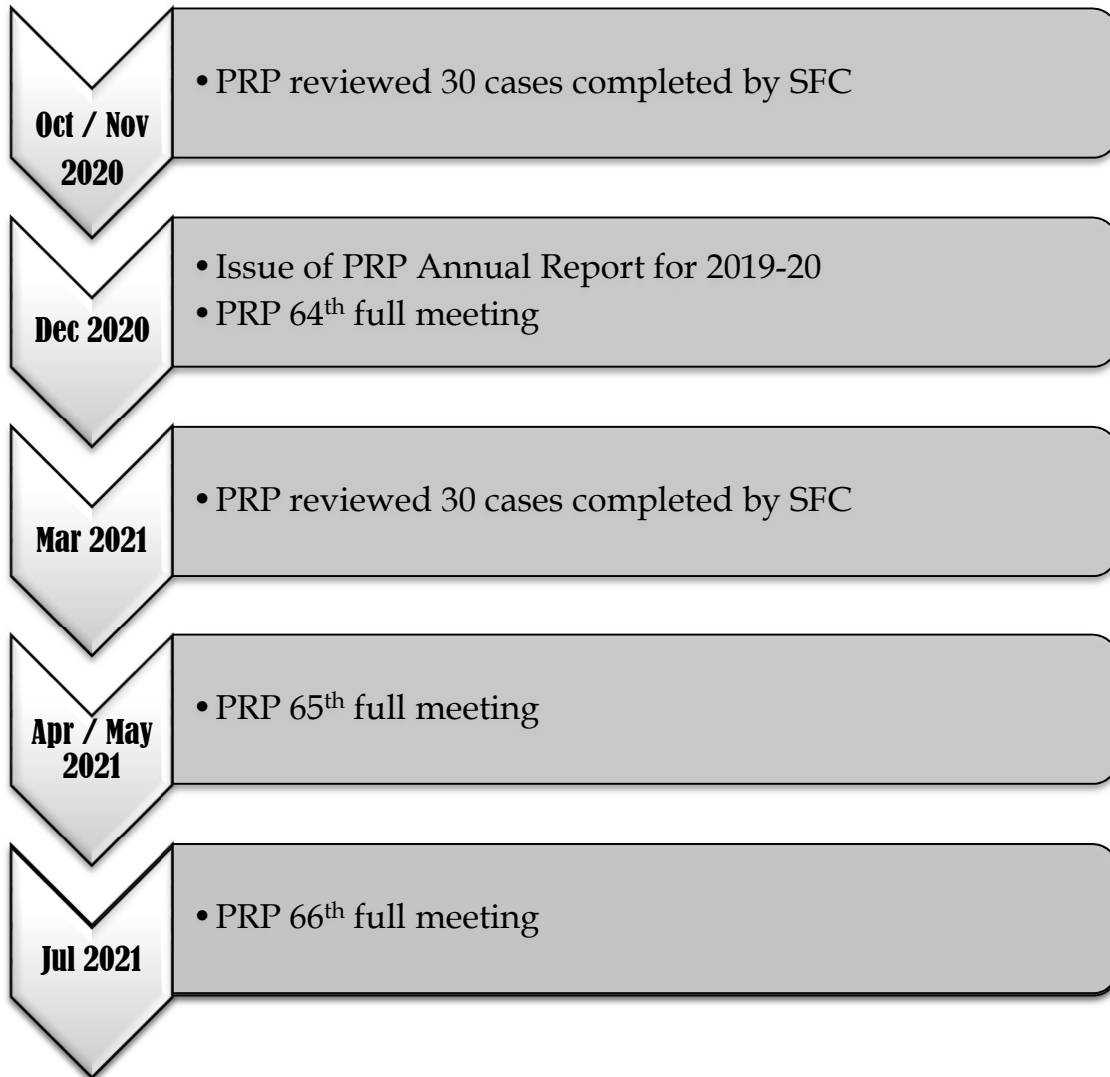
Mr. YUNG Yap-yan since 1 March 2021

Secretariat:

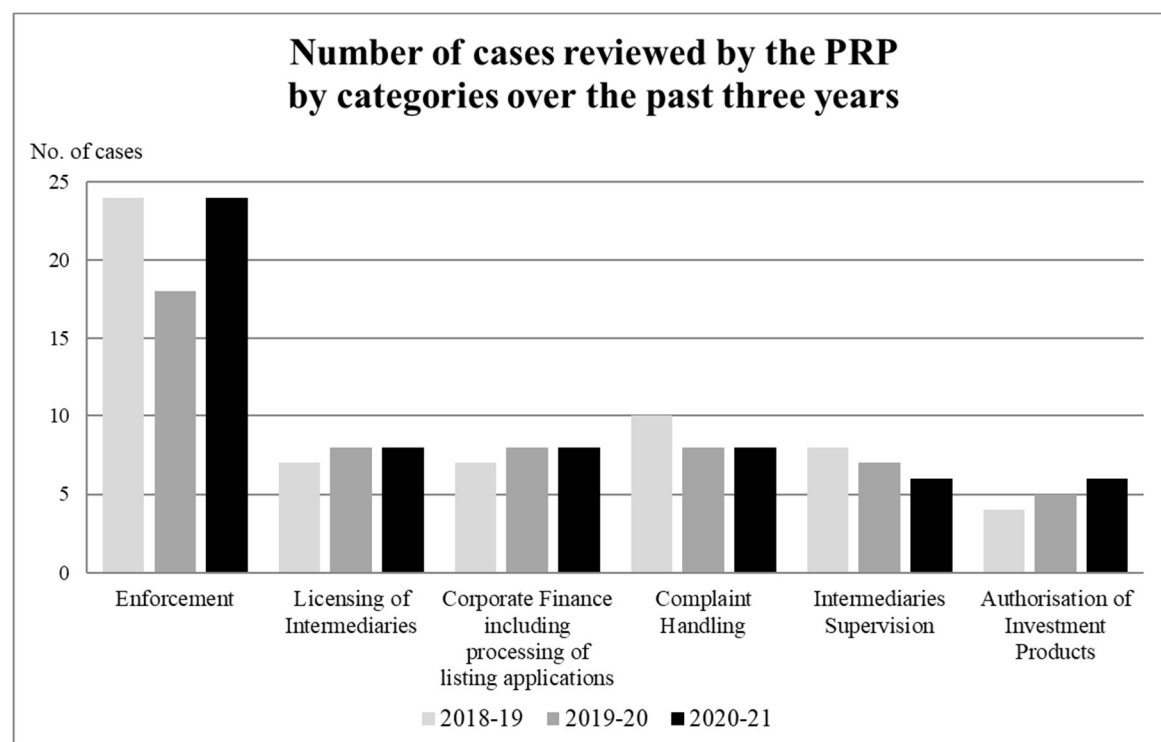
The Financial Services Branch of
the Financial Services and the Treasury Bureau

Chapter 2 Highlights of the Work of PRP

2.1 Major events in 2020-21 are set out below -



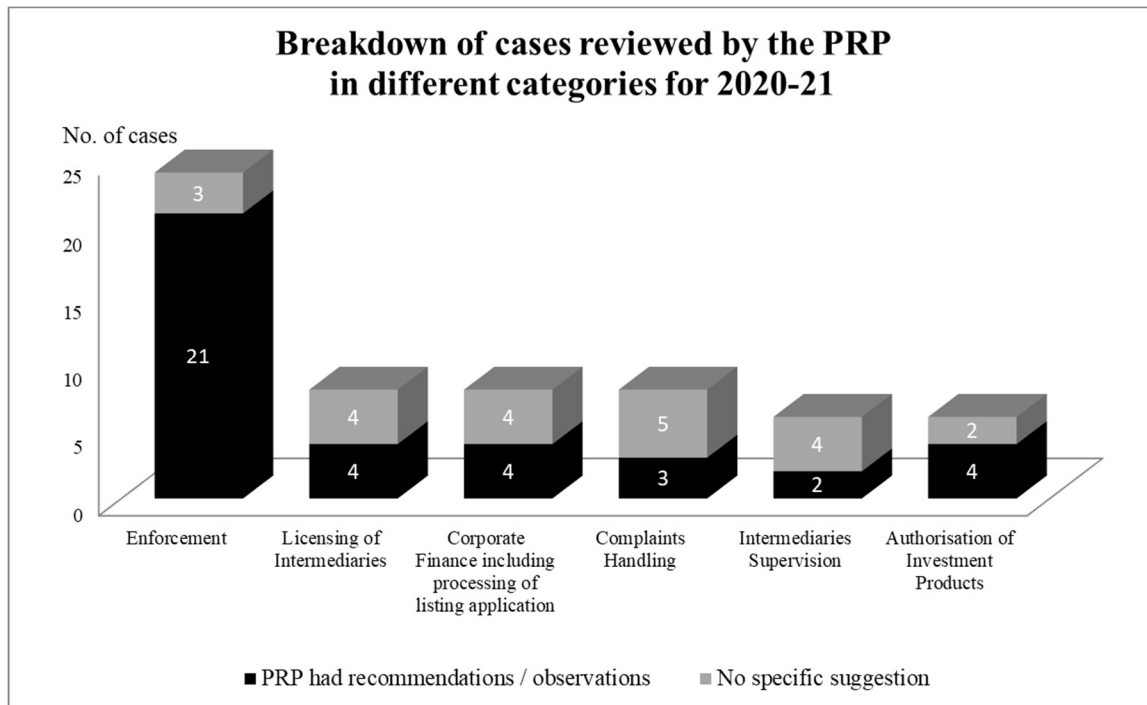
2.2 Distribution of the cases reviewed by PRP in the past three years is as follows -



2.3 Distribution of the 60 cases reviewed by PRP in 2020-21 is as follows -

| | No. of Cases |
|--|--------------|
| Enforcement | 24 |
| Licensing of Intermediaries | 8 |
| Corporate Finance including processing of listing applications | 8 |
| Complaint Handling | 8 |
| Intermediaries Supervision | 6 |
| Authorisation of Investment Products | 6 |
| Total | 60 |

2.4 Among these 60 cases, PRP made recommendations or observations on 38 cases, representing 63% of the reviewed cases.



2.5 Highlight of PRP's observations and recommendations is set out in Chapter 4. Follow-up actions taken by SFC on PRP's recommendations in the past years are set out in Chapter 3.

Chapter 3 Follow-up Actions Taken by SFC on PRP's Recommendations in Past Years

3.1 In response to the recommendations made by PRP in the past years, SFC had made progress in the following aspects –

- (a) More proactive actions to improve the standard of licensing applications;
- (b) Cooperation with CSRC; and
- (c) Enhanced collaboration between SFC and FRC.



A. More pro-active actions to improve the standard of licensing applications

3.2 In 2019-20, PRP noted LIC had taken quite some time to seek requisitions from the applicants in a number of cases because the applicants were seemingly half-hearted towards the requisitions, their applications were incomplete or lacked of correct/important information, or they failed to respond to LIC's requests to confirm details of the applications. PRP recommended SFC to take more proactive actions to deal with applicants who were unresponsive to its requisitions and deter people from submitting substandard applications.

3.3 In connection with the above and as part of SFC's strategic licensing reform, SFC had, further to the launching of new forms and new edition of Licensing Handbook, updated the licensing section on the SFC website to provide more user-friendly guidance and instructions on the licensing requirements and application processes. Issues such as applications for employment visas which impacted on the progress of SFC's licensing processes were brought to the attention of licence applicants.

3.4 To actively deal with unresponsive applicants and substandard consultants for their incomplete or poor-quality applications, SFC had also introduced the following measures:

- (a) Upon granting AIP, LIC will inform the applicant that the AIP status will lapse in three months, unless otherwise extended by SFC on a case by case basis. If the applicant fails to fulfil pre-conditions for formal approval within three months without sufficient justifications, SFC may refuse the application;
- (b) The AIP status will lapse if the applicant subsequently makes substantial changes to its application, such as changing its business model, shareholding structure or proposed Responsible Officers; and
- (c) All outstanding cases that have been granted AIP for over three months are highlighted in the monthly review of long outstanding applications. LIC management will discuss specific circumstances of each case and decide whether extension or refusal is required.



B. Cooperation with CSRC

3.5 In 2019-20, PRP recommended SFC to enhance communication with and institutionalize referral to external parties such as other regulators, law enforcement agencies and professional bodies to ensure smooth work processes in SFC and proper handling of suspected misconduct by relevant parties. In the area of combating cross boundary securities crimes and misconduct, SFC is acutely aware of the importance of close cooperation with its Mainland counterpart, the CSRC. Further to its entering into a tripartite MOU with the MOF and CSRC in July 2019 to enhance cooperation and combatting instances of misconduct among Mainland businesses listed in Hong Kong, SFC has been enhancing its cooperation with CSRC through

a number of administrative measures, which include –

- (a) Prioritizing ENF's requests to CSRC to facilitate CSRC's allocation of resources. ENF has been able to receive prompt assistance from CSRC in most high-priority cases;
- (b) Conducting case status checks with CSRC regularly to follow up on outstanding requests;
- (c) Holding annual high-level meetings between the senior executives of the two authorities and biannual meetings between CSRC's Head of Enforcement and SFC's ED(E), as well as working-level meetings between case officers of each authority at the operational level; and
- (d) Other initiatives such as active secondment programmes, working-level staff exchange visits and annual joint training events (SFC has held annual joint training workshops with CSRC since 2016).



C. Enhanced collaboration between SFC and FRC

3.6 In the aspect of enhancing communication with local regulators, SFC had entered into an MOU with FRC in February 2021 to strengthen the regulation of the capital markets through enhanced collaboration between the two regulators. Under the new MOU, SFC and FRC agreed to foster closer cooperation in the regulation of the securities and futures market, particularly in relation to the regulation under their respective supervisory regimes of listed entity auditors and compliance by listed entities with financial reporting requirements.

3.7 The enhanced collaboration between SFC and FRC covers case referrals, joint investigations, mutual assistance, capacity building and the exchange and use of information. The two regulators will notify each other when preparing and issuing policies or guidelines which may have a

significant impact on their respective regulatory functions to ensure that their regulatory efforts are well coordinated. It is anticipated that the MOU will increase the overall effectiveness of both SFC and FRC in ensuring the quality of financial reporting by listed entities and the audit quality of listed entity auditors.



Chapter 4 Observations and Recommendations of Cases Reviewed in 2020-21

4.1 In 2020-21, PRP reviewed 60 cases which were concluded by SFC during the period from December 2019 to November 2020. The processing time of these cases, which were of different nature and complexity, ranged from around a month to several years.

4.2 In the past few years, PRP had made various recommendations to SFC to improve the processing of ENF cases. To further increase the efficiency of enforcement actions, PRP suggested ways to enhance the internal communication and coordination in the investigation process and the recruitment of external market experts as well as the overall quality of expert reports. PRP also recommended SFC to consider ways to establish closer liaison with other regulators, law enforcement agencies and professional bodies so as to achieve better results.

4.3 In this year's case review, PRP noted the improvement measures taken by SFC in its enforcement investigations. The forming of a Market Misconduct Team by reorganizing its market surveillance and investigation functions, for example, had helped SFC detect and investigate complex and sophisticated market misconduct more effectually. SFC had also strengthened its strategic cooperation with other regulators such as CSRC to tackle market misconduct more effectively.

4.4 PRP was delighted to note that some of these measures had led to improvements in the coordination between SFC's operating divisions in enforcement cases. Nevertheless, PRP observed room for improvement in SFC's actions to address persistent problems such as insufficient qualified and experienced external market experts for SFC's market expert reports.

4.5 PRP also observed in some investigation processes the need

to enhance the timeliness of making strategic decisions and the monitoring of case progress as well as the situation of suspects and key witnesses. PRP considered that although SFC concentrated its enforcement resources on key risk areas and hence the investigation process of low-priority cases might inevitably be lengthened, some of the cases reviewed seemed to show issues other than deployment of resources that had retarded the case progress. One of the issues that came to PRP's attention was the delay of action that was imputed to the heavy workload of the case officer. In a few cases, delay was observed in taking administrative action against the subjects under investigation (i.e. issuing CALs) or notifying them of the case result.

4.6 As always, PRP fully appreciated case officers' efforts in taking forward enforcement cases. PRP also recognized the challenges and limitations faced by SFC in upholding a high and consistent standard of its work. To help SFC achieve its goal of enforcing coordinated, targeted and effective regulatory actions, PRP made comments and recommendations to SFC on the following key areas in this year's case review –

- (a) Monitoring of case progress;
- (b) Expediting case processing and more thorough planning of investigations;
- (c) Stepping up actions to expand the pool of external market experts; and
- (d) Timely administrative action and notification of case result / inspection findings.



A. Monitoring of Case Progress

(a) Closer monitoring of enforcement cases to ensure timely making of strategic decisions

4.7 PRP noted a case where a key witness was invited to sign a witness statement around five years after commencement of the investigation. Though the witness subsequently signed the witness statement, he then indicated that he could not remember the details of the case. Given the change in the attitude of the witness foreshadowed serious concerns about the reliability of his evidence in court, which would adversely affect the prospect of a successful conviction given he was the only key witness, the director and senior director of the subject team reviewed the case priority, and categorized it as low-priority. Finally, ESC approved to take no further action and by then, almost six years had been spent on the case.

4.8 PRP noted another similar case which could not be pursued further due to uncooperative witnesses. In that case, the witnesses were invited to comment on the draft witness statements almost five years after the commencement of investigation when LSD advised that there was sufficient evidence to proceed with the prosecution against an accounting staff and her close friend. Although the witnesses were eventually informed of SFC's intention not to bring enforcement action against the company for a related suspected breach of SFO, they were still not willing to give evidence against their colleague in the criminal prosecution. In the absence of their evidence, SFC would not be able to prove beyond reasonable doubt the suspected misconduct in the intended proceedings. The case was then closed with around six years spent.

4.9 In another case, PRP noted that by the time it received DoJ's advice that there was sufficient evidence for prosecution, ENF found that the suspect had already left Hong Kong for almost a year, the intended prosecution was not successful as a result.

4.10 The above cases were concluded passively due to the non-

cooperation of key witnesses or the abscondence of the suspect. PRP observed in four other enforcement cases where SFC spent around four to eight years to investigate. Three of them were eventually closed without legal or disciplinary actions having regard to, amongst others, the limited market impact of the suspected market misconduct or insufficiency of evidence.

4.11 In one of these four cases, internal market expert opinion indicated that the concerned trades in the suspected market manipulation in dealings in the shares of a company did not have a material impact on the price or supply and demand for the shares, although it did not appear to be normal trading behavior. Even though the market expert opinion did not provide strong evidence substantiating the suspected market manipulation, over two years were then spent on seeking legal advice from LSD and external counsel. The external counsel eventually opined that there was insufficient evidence to prosecute or initiate MMT proceedings.

4.12 In a case concerning suspected mark-close activities where internal market expert opinion was sought twice, with the first one on whether the suspects were making genuine attempts to acquire shares, and the second one on the market impact of the orders placed by the suspects for the shares concerned, SFC eventually decided to take no further action having regard to the expert opinion on market impact and having taken into account the small price change and limited number of days of the trade orders involved. Although those factors such as price change and the number of trading days involved were known at the outset, the case had spanned over four years.

4.13 In another case concerning suspected failure of the sponsor in the listing of a few companies to perform reasonable due diligence, the investigation and resolving of disciplinary action with the sponsor spanned four years. PRP observed that this case could have been closed sooner following the conclusion of the investigation.

4.14 In a case concerning suspected insider dealing by a number of traders, SFC's investigation had eliminated its suspicion against all the

traders except one in less than two years' time of investigation. Although the amount of profit made by the remaining suspect was insignificant, SFC had spent four more years seeking external market expert opinion and legal advice from LSD before concluding the case with no further action.

§ *PRP's comments*

4.15 For those cases which were concluded because of the non-cooperation of the key witnesses or the suspect's abscondence, PRP considered that there was room for improvement in SFC's monitoring of the situation of witnesses and suspects whenever practicable, in particular, the willingness of witnesses to cooperate with SFC and the timing of preparing witness statements for witnesses' signature.

4.16 For the cases concerning suspected mark-close activities and insider dealing which involved limited market impact, PRP commented that SFC had taken an unduly long period of time in processing these cases. In particular, the assessment in relation to the scale and impact of the suspected mark-close activities could have been made earlier, for example, before referring the case to LSD in order to save time and resources. While PRP appreciated that it was SFC's judgment call as to when to stop pursuing a case and there are a range of factors to consider in reaching that decision, PRP saw the need for a more holistic view of the investigation throughout the process so that cases could be handled more efficiently.

4.17 PRP also considered that the cases concerning suspected market manipulation and failure of the sponsor to perform reasonable due diligence could be closed earlier. In the former case, considering that the case was of low-priority and the market expert opinion did not seem to be favourable for SFC's intended proceedings, PRP commented that resources could be saved by negating a referral to LSD. In the latter case, PRP opined that there could have been earlier deliberation whether to take the case further given that the investigation did not seem to reveal sufficient evidence.

§ PRP's recommendations

4.18 Based on the above observations, PRP had made recommendations to SFC as summarized below –

- (a) **Proper monitoring of the situation of suspects and key witnesses:** SFC should keep track of the situation of suspects and monitor the key elements with respect to the prospect of a case, including key witnesses' cooperation more closely. SFC should explore ways to train up frontline officers' ability to have more holistic views in such monitoring work;
- (b) **Timely pursuing alternative civil route and curtailing cases with poor prospect or limited market impact:** SFC should more closely and proactively monitor cases, in particular, long outstanding ones and take a more holistic approach in conducting investigation to ensure that strategic decisions such as taking alternative civil route or curtailing cases with poor prospect are timely taken. This would also ensure that prompt decisions can be made in cases where investigations reveal poor prospects for successful outcomes, hence saving resources for more complicated and high-priority cases with more significant market impact; and
- (c) **Introducing higher level involvement in the investigation process to map out better strategy to investigate:** To ensure the efficiency of investigation, for example, in the aspect of arranging witnesses to sign witness statements, SFC should consider introducing higher level involvement in the investigation process. This would ensure that, while following the current system and procedure in processing cases, key actions such as solicitation of key witnesses' cooperation were timely taken by case officers.

§ *SFC's response*

4.19 SFC responded that ENF consistently and closely monitored the progress of cases at management and working levels. In addition to the high-level oversight provided by ESC, the case director or senior director supervises the progress of a case and regularly reviews the investigation strategy with the case team to ensure that strategic decisions are taken or escalated promptly.

4.20 In the case where the three key witnesses refused to cooperate, some of them were also suspects in another related investigation. As such, ENF could only approach these witnesses with a view to seeking their cooperation in respect of the intended prosecution not related to them when ENF resolved (based on the strength of evidence) to take no further action in the investigation against them. Besides, ENF was only in a position to determine whether a statement would be required for a particular witness and the contents of the statement after having decided whether, for example, the matter would be prosecuted in a criminal court or be referred to MMT.

4.21 Notwithstanding the above, SFC agreed that when the circumstances of a case permit, for example a straightforward case in which the evidence is clear from the beginning of the investigation, ENF should explore the feasibility of obtaining witness statements earlier and, subsequently, seeking the cooperation of potential witnesses to give evidence in court or tribunal proceedings, subject to the limits of the law.

4.22 As for the case where the suspect had already left Hong Kong when prosecution was conducted, SFC advised that it would consider the circumstances of each case more closely to ascertain the current situation of witnesses and suspects.

4.23 With regard to timely curtailment of cases with poor prospect or limited market impact, SFC noted the need to ensure that these cases should be reviewed regularly and concluded within a reasonable time to ensure freshness of evidence and fairness. SFC

mentioned that following the ENF Strategic Review a few years ago, ENF has established a case monitoring system under which ENF management monitors the progress of cases effectively and proactively. With the information on this system, ENF regularly reviews the prospects of all cases and closes low prospect cases as soon as possible. Apart from high-level oversight of low priority cases by Mini-ESC at regular intervals, the case director and senior director are responsible for the day-to-day supervision of these cases.

4.24 In addition, the formation of specialized teams and the implementation of the new case prioritization mechanism following the ENF Strategic Review had enabled SFC to focus its resources on high-priority cases. There are also guidelines assisting ENF staff in forming an earlier decision on whether to proceed with a case and, as a result, expedite the decision-making process concerning cases with lower prospects and/or limited market impact.

4.25 However, in deciding whether SFC could have made an earlier decision to close a particular case, usually a fair and holistic assessment could only be made following the development of a case theory and verification of key facts and evidence upon the completion of the investigation. For example, in the case concerning suspected failure of some listing sponsors to perform reasonable due diligence, which was complex in nature, ENF was only able to conclude whether there was sufficient evidence to substantiate the suspected misconduct after a final review of the investigation findings that involved voluminous evidence.

4.26 With respect to pursuing alternative civil routes in a timely manner as appropriate, SFC responded that it always considers alternative ways in handling each case having regard to the strength of evidence, resource constraints and the need to deliver strong deterrent outcomes.

(b) Monitoring of workload and resources allocation

4.27 There were two cases reviewed in the year which were processed by ENF in a consolidated investigation. ENF investigated

into different misconduct as well as fitness and properness concerns on the part of the company and related persons. PRP noted from one of these two cases that there was a lapse of over a year since ESC approved to take no further action against the subjects under investigation till ENF issued letters to notify them of SFC's decision. In the other case, there was a lapse of approximately 20 months since ESC approved to issue CAL to the company under investigation till its issuance.

4.28 PRP noted that the delays were attributed to the heavy workload of the case officer at the time. Despite repeated reminders given by her supervisor, the case officer was unable to issue the notification letter and CAL before she left SFC. The cases were reallocated to a new case officer who issued the letters.

4.29 PRP commented that the prolonged delays were undesirable and SFC should improve its case supervision and monitoring of workload and resources allocation.

§ PRP's recommendations

4.30 To ensure efficiency, PRP suggested SFC to review its manpower allocation and work priority and consider implementing a workload monitoring system that would facilitate more flexible and human-based reallocation of workload and resources as and when necessary.

§ SFC's response

4.31 SFC acknowledged that the delays were undesirable. Measures had been taken to ensure more effective case supervision, including that the case closure process would be monitored more closely. SFC would also make continued efforts to ensure more even distribution of workload among case officers. Currently, weekly or bi-weekly meetings are held to review the workload of individual case officers as well as the assignment of cases. The implementation of more effective

enforcement priority and other enhancement measures following the ENF Strategic Review also helped reduce caseload with unpromising and low priority cases dropped out.



B. Expediting Case Processing and More Thorough Planning of Investigations

4.32 In a few enforcement cases which were closed in around or more than six years' time, PRP questioned that the processing time could be reduced by expediting actions in conducting interviews, requesting documents and seeking legal advice and expert opinion.

4.33 In one of these cases which mainly concerned suspected accounting fraud, PRP noted one of the individuals under investigation was asked to attend an interview by SFC almost three years after the relevant allegation arose. However, when SFC sought the interview, the person was no longer fit for it due to a stroke. Noting that the case was eventually closed with no further action having regard to, amongst others, the status of the persons under investigation, PRP questioned if the investigation process could be expedited by, for example, arranging interviews earlier, which might help achieve better case outcome.

4.34 PRP made similar observations in another case with respect to the timeliness of making case referral to LSD, where ENF spent over a year reviewing and clarifying with the external market expert on his draft expert statement and preparing the evidence matrix for referring the case to LSD.

4.35 In two other cases, PRP noted an internal market expert had taken 22 months to draft and finalize his expert statement before the case was referred to DoJ; and ENF had taken almost ten months to seek expert opinion from the second external market expert as the analysis of the first market expert was found problematic. PRP questioned that the unduly long period of time taken by the internal market expert might have caused a delay in referring the case to DoJ in the first case; and the engagement of the second market expert had increased the processing time and resources used in the second case. PRP also questioned that instead of seeking expert opinion from the two external market experts on the market effect of the suspected misconduct, whether SFC could form its view internally to save time and resources.

§ PRP's comments

4.36 PRP commented that SFC should reinforce better planning of investigations with respect to the timing of key actions such as arranging interviews and requesting documents. In general, the SFC's management should monitor case progress more proactively to avoid any delay of actions.

4.37 SFC should also take more proactive actions to shorten the process of seeking market expert statement and speed up other procedures as far as possible.

§ SFC's response

4.38 SFC responded that there was no delay in handling the investigation in the case concerning mainly suspected accounting fraud. The ENF management had monitored the progress closely and proactively. The interview mentioned by PRP was arranged for a new allegation arising approximately 1.5 years after the investigation started. ENF became aware six months after the expansion of investigation scope that the individual concerned suffered a stroke. Given the person to be interviewed was unable to speak, ENF considered that there was no urgency to interview him and priority was given to other more urgent tasks. After having completed these tasks, ENF met him and confirmed that he was unfit for an interview.

4.39 With respect to the case where 22 months were taken for drafting and finalizing an internal market expert statement, SFC responded that the length of time required for finalizing an expert statement was case specific. In that case, SFC had taken some time to obtain the internal expert opinion because the internal expert considered the scope of the instructions in relation to the expert statement too wide which gave rise to discussions to fine-tune the scope of the instructions;

and the internal expert requested for additional information which necessitated additional investigation work to be carried out by ENF. The case was referred to DoJ once the expert statement was finalized and hence SFC does not believe there was any delay in obtaining advice from DoJ.

4.40 As for the case where ENF spent over a year reviewing and clarifying with the external market expert on his draft expert statement and preparing the evidence matrix for referring the case to LSD, longer handling time was taken as it was a low priority case and resources were allocated to other cases with higher priority. Besides, as the issue of inside information was complicated, it had taken ENF longer time to liaise with the market expert and review his expert statements.

4.41 In the case where the second external market expert was engaged, whilst SFC's internal assessment of the market impact and preliminary view on the suspected misconduct had necessitated an investigation, an independent view on the suspected mark-close orders from a market perspective was considered necessary following its investigation. Therefore, ENF sought opinion from an external market expert. It was regrettable that the second market expert was required as the analysis of the first market expert did not support his own conclusion in the report.



C. Stepping up Actions to Expand the Pool of External Market Experts

4.42 PRP considered that the cases mentioned in paragraphs 4.34 and 4.35 which involved extra time and resources spent on clarifying with the external market expert on his draft expert statement; and engaging the second external market expert revealed that issues relating to the engagement of external market experts such as insufficient qualified and experienced external market experts in the existing pool of SFC and maintaining consistency in the standard of external market expert reports remained to be a challenge to the efficiency of enforcement actions.

4.43 While PRP had, over the years, made various recommendations to SFC to improve the efficiency of market experts and maintain the overall quality of expert reports as well as to expand SFC's pool of market experts, PRP commented that SFC should step up actions to take forward these recommendations so as to ensure that time and resources were more wisely spent on the engagement of external market experts, which would in turn facilitate case processing.

§ PRP's recommendations

4.44 Noting that expert opinion was often sought on the market impact of the suspected market misconduct under investigation, PRP drew SFC's attention to academic studies and researches on market misconduct, including those relating to market impact and suggested SFC to explore recruiting market experts from the academia, including finance professionals.

4.45 PRP recommended SFC to take more proactive actions to expand its pool of external market experts and enhance its training to market experts to maintain the overall quality of expert reports.

§ *SFC's response*

4.46 Finding and engaging a suitable external market expert for each case has been a recurring issue for some years in many jurisdictions. There were observations that active market participants tended to avoid acting as an expert for SFC as they might be making a statement against a potential future client. Pure academics generally lack sufficient practical industry experience and are therefore susceptible to challenge in giving evidence in courts or tribunals. In the past, expert witnesses have been challenged on the ground that they did not trade a particular tier of shares. However, SFC had begun expanding the potential pool of market experts by reaching out to finance professionals who also work in the academia, starting discussions with expert witness networks and approaching trade bodies to seek expressions of interest from suitably qualified members. As cases arise that require the engagement of market experts, SFC will approach these new contacts based on the relevance of their experience.

4.47 SFC is also prepared to dedicate more efforts to groom more potential candidates as market experts through training and other means. Annually, ENF and LSD jointly run a training course for external market experts. Market experts in SFC's existing pool as well as new and potential appointees are invited to attend the course, which covers the preparation of reports and statements for courts and tribunals, giving evidence in chief and in cross-examination, handling of the communication with courts and tribunals, etc. There are also case studies to encourage discussion and demonstrate practical skills.



D. Timely Administrative Action and Notification of Case Result / Inspection Findings

(a) Timely issuance of CAL

4.48 Apart from the case where PRP noted a delay of approximately 20 months in issuing CAL to the company under investigation due to the heavy workload of the case officer as mentioned in paragraphs 4.27 and 4.28, PRP made similar observations concerning the timing of issuing CALs in two other cases reviewed.

4.49 One of these cases involved investigations into market misconduct as well as fitness and properness concerns on the part of two companies and their connected persons. Before the case was referred to DIS to consider whether there would be sufficient evidence to take disciplinary action, Mini-ESC had, based on the investigation findings, already formed a view that the fitness and properness concerns of one of the companies and its connected person could be dealt with by issuing CAL, subject to review by DIS. Eventually, DIS concurred with Mini-ESC's view and IMT issued the CALs over three years after the case was referred to and all actions against the other company were taken by DIS.

4.50 In the other case involving investigations into the conduct of three joint sponsors in a listing application, ESC made a similar decision of holding up the CALs to two of the sponsors until conclusion of the ongoing investigations involving the third sponsor in the other cases, on the ground that those investigation findings might have an impact on SFC's view on the fitness and properness of that sponsor. As a result, the CALs were issued to these two sponsors over three years after ESC first agreed to issue the CALs.

§ PRP's comments

4.51 PRP noted from these cases a long lapse of time between the approval of issuing CALs and their issuance. For the two cases where

the CALs were issued to the companies and individual after SFC had concluded other outstanding actions or intended proceedings which were not related to them, PRP considered it undesirable to have subjected these companies and individual to unnecessary distress during the period. PRP commented that CALs should be issued once relevant decisions were made.

§ SFC's response

4.52 Relevant practice has been streamlined so that SFC would issue CALs as soon as practicable once a decision has been made to avoid unnecessary delays to the issuance of CALs.

(b) Timely notifying subjects under investigation / intermediaries under supervisory inspection of case result / inspection findings

4.53 In a routine supervisory inspection of intermediaries conducted by ISD on a licensed corporation, PRP noted the inspection team discussed its preliminary findings, including certain red flags, with its reporting director three months after its completion of the onsite fieldwork. It was then decided that the inspection team should expand the scope of a circularization exercise to contact a few more clients of the corporation. ISD issued an interim letter of deficiencies shortly afterwards, pending the conduct of the circularization exercise, and the final letter of deficiencies around five months later to the corporation. PRP considered that improvement could be made on the timeliness of reporting inspection findings to the management, and correspondingly informing the corporation of the inspection findings.

§ PRP's recommendations

4.54 PRP reminded SFC that the licensed corporations were put under high pressure during inspections. While PRP noted that the

inspection team had discussed the preliminary concerns and deficiencies with the corporation before issuing the interim letter of deficiencies, PRP suggested SFC to communicate with the corporations more proactively during supervisory inspections and keep them posted about the progress and findings more closely. SFC should also ensure that inspection findings were made known to the corporations as early as practicable, for example, during onsite inspection where necessary, to enhance efficiency.

4.55 In the enforcement case mentioned in paragraphs 4.27 and 4.28 where PRP noted a delay of over a year due to the ENF officer's heavy workload at the time, in notifying the subjects under investigation of SFC's decision to take no further action, PRP also reminded SFC of its obligation, as a public body, to timely inform relevant parties of the case outcome.

§ SFC's response

4.56 With respect to the cases of supervisory inspections reviewed, SFC advised that it needs time to review the information provided by the licensed corporations at different stages of the inspection and finalize the issues and findings noted. Notwithstanding, it maintains active dialogue with licensed corporations during the inspection process. In the inspection case referred to by PRP, the inspection team had communicated with the corporation closely and kept it informed of the inspection progress. For example, the inspection team had discussed the inspection findings and conducted a meeting with the corporation, including issues related to the circularization exercise.

4.57 For the enforcement case referred to by PRP, SFC acknowledged that the delay was undesirable. Going forward, there would be more effective case supervision by the management, such that the case closure process would be monitored more closely.



Chapter 5 Way Forward

5.1 PRP recognizes the efforts made by SFC to streamline work processes, improve coordination and collaboration between operating divisions and enhance the effectiveness of regulatory actions having regard to PRP's recommendations. Through case reviews, PRP observed new challenges facing SFC stemming from changing market situation and evolving systemic risks. PRP looks forward to working with SFC to enhance SFC's ability to deal with associated issues in performing its regulatory functions by refining SFC's operational policies and procedures.

5.2 PRP also anticipates that SFC would continue to address areas of concerns identified by PRP over the years, such as difficulties in engaging external market experts in enforcement work and delay in the licensing process caused by applicants. PRP is mindful of the resource implications of such issues and is ready to work closer with SFC to fundamentally solve associated problems.

5.3 The benefits of SFC's review and revamp of procedures and processes in recent years are yet to be fully and consistently shown in the cases reviewed by PRP. This reflects the need for more coordinated efforts to sustain continuous improvements and drive new initiatives. Going forward, PRP will continue to advise SFC upon the adequacy of these revamping initiatives as well as other internal procedures and operational guidelines to ensure that SFC's actions are taken in a fair, consistent and efficient manner.

5.4 PRP welcomes and attaches great importance to the views from market practitioners. Comments on the work under PRP's terms of reference can be referred to PRP through the following channels¹-

¹ Matters relating to non-procedural matters could be directed to SFC through the following channels –

By post to : Securities and Futures Commission,
 54/F, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong
By telephone to : (852) 2231 1222
By fax to : (852) 2521 7836
By email to : enquiry@sfc.hk

By post to: The Secretariat of the Process Review Panel
for the Securities and Futures Commission
24th Floor, Central Government Offices
2 Tim Mei Avenue
Tamar
Hong Kong

By email to: prp@fstb.gov.hk

Chapter 6 Acknowledgement

6.1 PRP would like to extend its gratitude to SFC for its support and cooperation in the review work. Special thanks must go to its Senior Director and Commission Secretary, Mr. Paul Yeung and his team, for their assistance in facilitating the case reviews and in consolidating the responses from different divisions in SFC.

6.2 PRP would also like to express its appreciation of the valuable contribution made by the then representative of the Secretary for Justice, Ms. Christina Cheung and the other two retiring members, Ms. Ding Chen and Ms. Nicole Yuen to PRP over the past six years.

6.3 While the PRP Secretariat has continued providing its solid support to the work of PRP, the Chairman and Members wish to thank its staff.

**Process Review Panel
for the Securities and Futures Commission
November 2021**