



SECURITIES AND  
FUTURES COMMISSION  
證券及期貨事務監察委員會



Annual Report  
2024-25





Hong Kong is uniquely positioned to facilitate global capital flows between Mainland China and the rest of the world. For years, the Securities and Futures Commission has worked to drive this connectivity whilst upholding the integrity and transparency of the markets it regulates and safeguard the interests of the investing public.

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# Mission and Mandates

The Securities and Futures Commission (SFC) is an independent statutory body set up in 1989 to regulate Hong Kong's securities and futures markets.

## Mission statement

As a financial regulator in one of the world's leading international financial centres, the SFC strives to strengthen and protect the integrity, orderliness and competitiveness of Hong Kong's securities and futures markets for the benefit of the industry, investing public and the Hong Kong society as a whole.

## Mandates

Our work is defined and governed by the Securities and Futures Ordinance (SFO), which sets out our powers, roles and responsibilities.

## Our regulatory objectives

**Maintain and promote a fair, efficient, competitive, transparent and orderly securities and futures industry**

**Help the public understand the workings of the industry**

**Provide protection for the investing public**

**Minimise crime and misconduct in the industry**

**Reduce systemic risks in the industry**

**Maintain Hong Kong's financial stability**

In 2012, the SFO was amended to broaden our statutory investor education objective. Since then, our education function has been delegated to a wholly-owned subsidiary, the Investor and Financial Education Council (IFEC), which is fully funded by us and dedicated to promoting and delivering free and impartial investor and financial education resources and programmes to help improve the financial literacy level of the people in Hong Kong.

The Investor Compensation Company Limited, also an SFC subsidiary, was established in 2003 to manage and administer claims against the Investor Compensation Fund. It provides a measure of protection for investors in cases of broker default.

## Regulatory functions



Our work can be divided into five principal areas. We adopt a multidisciplinary approach under the "One SFC" ethos to leverage all of our regulatory tools and pool our expertise to achieve our objectives.

## Corporates

We oversee listing and takeovers matters in Hong Kong, including the vetting of listing applications, disclosure requirements for listed companies, corporate conduct and the listing-related functions of the Stock Exchange of Hong Kong Limited (SEHK).

Empowered by the Securities and Futures (Stock Market Listing) Rules and more generally under the SFO, we intervene in corporate cases at an early stage when we have reason to believe that a proposal may be harmful to investors or the broader public interest. We may raise objections to listing applications and transactions proposed by listed companies, or direct SEHK to suspend trading in a listed company's shares.

On a daily basis, we monitor company announcements to identify misconduct or irregularities. We facilitate the fair treatment of investors in corporate activities such as mergers, takeovers, privatisations and share buy-backs.



## Mission and Mandates

### Intermediaries

We set standards and qualifying criteria for corporations and individuals operating in our markets under the SFO. To protect the investing public, we allow only “fit and proper” persons to be licensed or registered.

We supervise licensed intermediaries to ensure their financial soundness and compliance with business conduct requirements through our off-site monitoring and on-site inspections. Our approach aims to detect risks early and through timely intervention prevent them from spreading. We promote the industry’s awareness of emerging issues and encourage proper market conduct by providing appropriate guidance.

We work closely with local and overseas regulatory counterparts and participate in international supervisory fora to enhance cooperation and coordination.

### Products

To develop Hong Kong as a full-service international asset and wealth management centre and preferred fund domicile, we formulate policies and support initiatives for the regulation of the asset and wealth management industry.

We maintain robust regulations for investment products offered to the public in Hong Kong under the SFO. We act as a gatekeeper in authorising investment products and monitoring their compliance with disclosure and other requirements.

We require offering documents for retail investment products to be accurate and to provide adequate information for investors to make informed decisions.

### Markets

We formulate policies to facilitate the development of market infrastructure and strengthen links with Mainland China and international markets. To help reduce systemic risks, we monitor and collect quantitative information about financial markets.

We also supervise market operators including exchanges, clearing houses, share registrars and alternative trading platforms in Hong Kong.

### Enforcement

To maintain market integrity and protect the investing public, we combat crime and misconduct in Hong Kong’s securities and futures markets through our

surveillance, investigative and disciplinary work. Where appropriate, we take action to remedy the effects of market misconduct by applying to the court for injunctive and remedial orders.

We work with other law enforcement agencies as well as Mainland and overseas regulatory bodies on investigations where required.

Our major enforcement actions include criminal prosecution and civil, disciplinary and market misconduct proceedings.

### Market development

To maintain Hong Kong’s status as a leading international financial centre, we endeavour to expand the breadth and depth of our financial markets and enhance our market infrastructure to provide an environment to nurture the healthy and sustainable growth of participants and businesses, without compromising investors’ interests. We also welcome innovation and constantly review our perimeters to ensure we have a clear, robust regulatory framework which accommodates technological advances.

### Regulatory collaboration

To ensure our regulatory framework aligns with global standards, we actively participate in the International Organization of Securities Commissions and other global rule-setting bodies. We work closely with local and Mainland authorities on regulatory and market development initiatives to support Hong Kong’s long-term strategic development amidst the high-level opening up of Mainland financial markets.

### Communications and education

We maintain close communication with the industry and investment community to promote a better understanding of our work and the rationale behind our initiatives. We reach out to the industry and the public frequently to explain our functions and policies as well as specific issues to promote and facilitate compliance. When formulating policy or rule changes, we engage the industry and the public at an early stage through a variety of channels to explain our rationale and listen to the perspectives of those who may be affected. We promote investor education to help the public understand the workings of the industry, working closely with the IFEC.

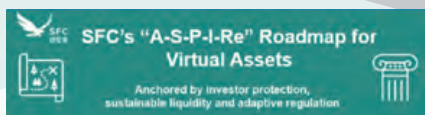
# A Decade of Market Developments

- Introduction of new listing regimes for innovative companies with weighted voting right (WVR) structure and biotech companies
- Introduction of new secondary listing regime to facilitate homecoming listings
- Introduces the open-ended fund companies regime
- Pioneers a regulatory framework for virtual assets (VAs)
- Announces the SFC's *Strategic Framework for Green Finance*

- Launch of Bond Connect

- Launch of Shenzhen-Hong Kong Stock Connect
- Shortens the processing time for public fund applications with a two-stream approach

- Introduces active exchange-traded funds (ETFs)



- Launch of new **"ASPIRE"** roadmap for Hong Kong's VA market
- Adopts a swift licensing process for deemed-to-be-licensed and new VATP applicants
- Adopts Fund Authorisation Simple Track (FASTrack) to expedite the processing time for public fund applications
- Authorises Asia Pacific's first batch of tokenised retail money market funds
- Launch of Asia's first batch of single stock leveraged and inverse products
- Enhances Mainland-Hong Kong MRF
- Launch of a dedicated Technology Enterprises Channel (TECH) to further facilitate listings of specialist technology and biotech companies<sup>^</sup>
- Enters into memoranda of understanding<sup>^</sup> with the Financial Services Regulatory Authority of Abu Dhabi Global Market, Ontario Securities Commission of Canada and the Central Bank of Ireland

<sup>^</sup> Post-reporting period.



- The SFC initiates and co-leads the Green and Sustainable Finance Cross-Agency Steering Group with the Hong Kong Monetary Authority
- Grants the first licence to a VA trading platform (VATP) in Hong Kong



## A Decade of Market Developments



- Launch of Mainland-Hong Kong Mutual Recognition of Funds (MRF)

2015



- Launch of Shanghai-Hong Kong Stock Connect
- A new regulatory regime for over-the-counter derivatives is introduced

2014

- Cross-boundary Wealth Management Connect Pilot Scheme (WMC) commences
- The first batch of ETF cross-listings on Hong Kong and Shanghai stock exchanges



- Launch of ETF Connect
- Launch of Asia's first VA futures ETFs in Hong Kong
- The first Special Purpose Acquisition Company (SPAC) lists in Hong Kong

2021

2022

- Launch of Swap Connect with northbound access
- Launch of Hong Kong dollar-renminbi Dual Counter Model
- New listing regime for Specialist Technology Companies becomes effective
- Licensing regime for VA trading platforms under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance takes effect
- Asia's first ETF investing in Saudi Arabian stocks lists in Hong Kong



- The SFC announces *Strategic Priorities for 2024-2026* to regulate and develop capital markets
- Fosters financial services collaboration with the Middle East — the first two Hong Kong ETFs are cross-listed on the Saudi Exchange
- Enhances ETF Connect and WMC schemes; eligible brokers' participation in WMC commences
- Asia's first VA spot ETFs and inverse product are authorised
- Enhances timeframe for the new listing application process with the Stock Exchange of Hong Kong Limited
- Severe weather trading commences

2023

2024

# Chairman's Message



"We must remind ourselves that regulation is not an end in itself but a means to an end: a prosperous, inclusive economy where capital flows freely, innovation thrives and investors trust the system for its fairness and ability to create wealth. The SFC remains fully committed to accomplishing this mission today and building a brighter future for our markets for more decades to come."

**Dr Kelvin Wong**  
*Chairman*

Over the past year, Hong Kong's capital markets have shown hallmark resilience in a fast-evolving, increasingly challenging environment. Equity markets are a case in point: total market capitalisation rebounded 32% year-on-year (YoY) to HK\$40 trillion as of end-March 2025, while the market turnover rose 65% YoY during April 2024 – March 2025. The market progress is mirrored by the SFC's own advancement to foster financial sustainability and broadly balance its budget in the past few years. This progress underpins the continued fulfilment of our mission to drive market development.

## Rich legacy of a market guardian

These performance metrics are a testament to the robust risk management systems that the SFC has instituted over the past 36 years, enabling Hong Kong to emerge swiftly and unscathed from financial crises. Our contingency plans for potential market disruptions, honed over the decades, are regularly updated to address emerging risks. The SFC strives at all times to ensure markets are efficient, fair and trustworthy, because these are essential to support capital formation and maintain the city's global appeal.

As we commemorate the 36th year of service, we are reminded of the statement by our first Chairman, Mr Robert Owen, in the 1989-90 Annual Report, which emphasised the primary purpose of regulation is to ensure that markets and investment grow on a sound



basis to contribute to economic growth and wealth creation. This philosophy has continued to guide our work since 1989, particularly as we navigate an era of unprecedented global challenges, where regulatory agility and foresight, as well as proactive stakeholder engagement, are paramount to maintaining Hong Kong's edges.

A fundamental challenge for any regulator is striking an equilibrium between the need for regulation and the imperative to allow markets the freedom to innovate, acquire funding, develop business and create wealth. The SFC has long recognised that this balancing act is dynamic and requires constant adjustments. We fully understand that excessive rigidity can stifle innovation, while insufficient oversight risks eroding trust.

As articulated in the Securities Review Committee Report in 1988 and embedded in the SFC's ethos since its inception, competitive markets and competitive regulation are the twin pillars of our approach. That is why, for decades, we have recognised the uncertainty of complex markets must be met with adaptive frameworks that protect investors without imposing unnecessary burdens on market participants.

### Facilitating development as top priority

Regulatory oversight in volatile conditions requires us to listen closely to market concerns, focus on the greatest risks and ensure regulatory costs do not choke off innovation. To achieve this, we maintain open and regular dialogue with market participants – investors, issuers, and industry groups, helping us to craft effective and empathetic policies that evolve in step with market needs. By wielding the SFC's invisible hands of regulation and market development, we must work alongside market forces – setting standards, guiding conduct and fostering efficient markets. At the same time, we must stay vigilant against the risks of regulatory capture, ensuring our independence in decision-making to serve the best interest of Hong Kong's society and economy.

Therefore, a top priority for FY2025-26 is: to enhance measures that support market growth, working hand-in-hand with regulatory counterparts, the Hong Kong Exchanges and Clearing Limited (HKEX), the business community and other stakeholders.

To achieve this, we must promote a paradigm shift in the spirit of corporate governance from conformance to performance. After all, investors look for performance of their investment and listed companies must focus their efforts on practising good governance. This will in turn attract global investors who demand transparency, accountability, strong board leadership and, last but not least, performance!

Moreover, Hong Kong's future is inextricably linked with the development of Mainland China, whose securities markets, boasting an aggregate market capitalisation of US\$12 trillion, present enormous opportunities. We are committed to reinforcing regulatory collaboration with Mainland authorities, particularly the China Securities Regulatory Commission, to enhance cross-border investments and facilitate further market integration.

Internationally, we work closely with HKEX to make our market attractive to overseas issuers and diversify our investor base. We also play a proactive role in global standard-setting bodies including the International Organization of Securities Commissions, to ensure Hong Kong's market follows international best practices and is regarded as a market of choice for global capital.

### Fostering SFC's governance and resilience

What's more, a regulator's effectiveness should come from within, hinging on its own governance and adaptability. In this light, we must continuously review our functions and objectives in order to remain a role model of transparency and accountability for the market. The Independent Commission Against Corruption and the Process Review Panel for the SFC conduct periodic reviews on our operations. Their recommendations will help maintain the highest governance standards for the SFC itself.

## Chairman's Message

In addition, given a challenging fiscal environment, we have demonstrated our commitment to the prudent use of public funds through multiple measures, such as the salary freeze for FY2025-26. However, the Board remains mindful of the importance to care for the well-being of our dedicated staff, and to motivate them to work not only harder but smarter in the face of mounting challenges.

None of our accomplishments would have been possible without the unwavering support of our stakeholders. Our achievements in FY2024-25 as reflected in this Annual Report owe very much to my predecessor, Mr Tim Lui, whose leadership established such strong foundations. To our Board, I am particularly indebted to the Non-executive Directors (NEDs) for their valuable insights, oversight and guidance, which strengthen our resolve to act in the public interest. I must thank Ms Agnes Chan, Dr James Lin and Mr Nicky Lo for their important contributions to the SFC Board after completing their six-year terms. I also welcome Mr Vincent Chan, Mr Keith Pogson and Mr Tony Tang as new NEDs to the Board.

To our staff, who are the backbone of the SFC, I want to express my deep gratitude for their commitment to upholding the highest standards and their pride in our rewarding mission in an evolving market environment.

### Vision for the future

Going forward, the road ahead is replete with both opportunities and challenges. The SFC will rise to the moment, building on a legacy of trust, evolution and reform, from the boardroom to the workbench, to ensure Hong Kong's capital markets remain a beacon of stability, innovation and global relevance.

In closing, we must remind ourselves that effective regulation is not an end in itself but a means to an end: a prosperous, inclusive economy where capital flows freely, innovation thrives and investors trust the system for its fairness. The SFC will strive to honour this purpose today and for more decades to come.



# CEO's Message

"During the ongoing transition to a new world order, the SFC will dedicate itself at all times to strengthening Hong Kong's capital market resilience as a "shield" against unprecedented challenges; we will also continue to build on the city's unique advantages through targeted strategies that will serve as the "arrows" to unlock upside potential."

**Julia Leung**  
*Chief Executive Officer*



CEO's  
Message

The global financial market landscape is undergoing profound transformation, driven by the conflation of multiple megatrends. With trade and supply chain disruptions threatening to derail the world's growth trajectory, capital market volatility is becoming a longer-term reality, which calls for an agile and robust regulatory response.

To ensure smooth sailing for Hong Kong through evolving challenges and unexpected turbulences, the SFC stays vigilant at all times to sustaining the city's market resilience, and is also dedicated to leveraging Hong Kong's unique advantages to capitalise on new opportunities. Our approach is embodied by a *shield and three arrows*: a shield of resilience that provides downside protection, and three arrows that serve as targeted strategies to harness disruptive forces and unlock upside potential.

## A sturdy shield of resilience

First and foremost, we rely on our shield of resilience to defend against bouts of extreme market volatility through the past decades. Our sound legal system,

effective regulatory framework and robust financial infrastructure are all part of this "shield", which anchors global investors' confidence in Hong Kong as an international financial centre. It is the cornerstone of Hong Kong markets' time-tested defensive capabilities.

To strengthen Hong Kong's markets' resilience, the duty is upon the SFC to proactively mitigate systemic vulnerabilities. Critical to this process is our market surveillance capability, which allows us to detect anomalies such as short position buildups and market manipulation. Regular stress tests on our exchange and intermediaries are also vital to assessing our risk management capabilities, ensuring their orderly operations in both good and bad times. To strengthen investor protection and maintain a healthy market ecosystem, we continue to step up our enforcement measures to ensure market integrity and our anti-scams initiatives to alert investors to potential harm.

Amid global trade tensions that have roiled equity, currency and debt markets, international regulatory collaboration is vastly important to support systemic resilience across borders. As a champion of international cooperation, the SFC continues to collaborate with global and local counterparts to enhance the exchange of critical information and coordinate joint responses to market issues. These efforts not only ensure a more unified and effective approach to tackling common challenges such as cross-border fraud and market volatility, but also closely align Hong Kong's regulation with international best practices.

### Enhancing core competencies as key arrow to seize opportunities

Building on the solid foundation of market resilience, Hong Kong's long-term success as a top-three international financial centre also hinges on us going on "offence": capitalising on the changing tides of the world to drive continued market development.

Among our three arrows, the first is enhancing Hong Kong's core competencies, which have made the city an attractive destination for global investors, financial firms, talents and listed companies. We continue to make tireless efforts to solidify the city's status as a premier fund-raising platform, by further diversifying our sources of listings and raising market efficiency. As we all know, market liquidity is essential to efficient asset pricing, and a liquid and efficient market appeals to both issuers and investors. In this light, we are collaborating with the Hong Kong Exchanges and Clearing Limited (HKEX) to increase our global competitiveness and reduce transaction costs.

Furthermore, the SFC is committed to bolstering Hong Kong's status as a world-leading asset and wealth management hub. We will continue to diversify our investment products to meet evolving investor demand. Over the past year, we made a stride by broadening the range of listed structured funds offered to the public in Hong Kong and also clarifying our regulatory requirements on alternative funds investing in private assets, thereby opening up new opportunities for asset managers and more sophisticated investors. Yet, the

mission is upon us to continue to diversify product offerings and cater to a cross-section of investors looking to manage risks and generate returns in different ways.

### Deepening connectivity and broadening market ties

The second arrow is about extending our global market ties. Hong Kong's unique positioning as a premier gateway between Mainland China and the rest of the world is a true differentiator, and strengthening its connectivity with both Mainland China and new regional markets will enhance its global influence, therefore creating new avenues of growth.

For Mainland China-Hong Kong Connect schemes, we achieved many firsts in the first decade, advancing from equities and bonds to fund products and derivatives. To ride on this shiny success, deepening our markets' integration with the Mainland remains a top priority. Expanding the Connect schemes to include renminbi (RMB) counters in southbound trading, block trading, real estate investment trusts and more exchange-traded funds (ETFs) will further boost cross-border investment activities.

Moreover, after an encouraging year for new listings under the China Securities Regulatory Commission's support, we continue to welcome more leading Mainland companies to go public in Hong Kong. Advancing the Wealth Management Connect and Mutual Recognition of Funds schemes will strengthen our core competencies – the first arrow – and also enhance market connectivity – the second arrow.

The other end of this bridge connects with the world. The SFC is pulling its weight to build bridges regionally with the Middle East and Southeast Asian markets, as well as globally with traditional markets. Further internationalising our sources of capital and listings not only helps Hong Kong's highly open markets navigate ongoing geopolitical headwinds but also bolsters their long-term development. We continue to expand initiatives such as Mutual Recognition of Funds to broader markets and facilitate more international listings in Hong Kong – these efforts will firmly place Hong Kong as a financial hub in the global network.



### Leveraging innovative technology responsibly

Innovative technology – the third arrow – provides a transformative force for the SFC to shape future-ready financial markets. Hong Kong should continue to champion responsible innovation to remain competitive over the long run.

One clear example is our tremendous efforts to foster a healthy virtual asset (VA) ecosystem in Hong Kong with a focus on investor protection. This allows investors to harness emerging opportunities in a regulated, risk-mitigated and sustainable market environment. By supporting VA trading platforms with a robust and transparent licensing regime, the listing of VA ETFs as well as the expansion of VA products and services including staking, we ensure Hong Kong stays at the forefront of global regulatory development for the VA market.

Another example of leveraging blockchain technology in finance is the tokenisation of securities and investment products. Through a happy marriage of traditional and decentralised finance, we can foster more efficient and compliant markets. Once achieving scale, we envision the tokenised asset market will unlock vast business opportunities for the financial industry along with cost savings and efficiency gains.

Moreover, the game-changing technology of generative artificial intelligence (GenAI) is set to become a powerful assistant to financial professionals as well as a driver of innovation for institutions – if it is used responsibly. The SFC is adopting GenAI language models to drive efficiency in enforcement and other work processes. Also, having issued clear guidance to intermediaries especially in relation to high-risk use cases, we continue to ensure licensed firms adopt a risk-based approach to deploy GenAI language models in a responsible way.

### The way forward

In this new age of fragmentation and unilateralism, risk shall beget opportunity, and collaboration remains the key to fostering a financial ecosystem that is robust, connected and future-ready.

On the SFC's regulatory journey, we are deeply thankful to our Board for the diverse perspectives and continued steer, and also to our like-minded regulatory partners and stakeholders who stand with us in an increasingly uncertain macro environment. We also applaud the efforts and dedication of all members of Team SFC through market ups and downs. Together, let's embrace the new era of change to shape a sustainable future for Hong Kong's capital markets.

# Strategic Priorities

It is vital for the SFC to set strategic priorities in response to changing market conditions and steer market development to guard Hong Kong's position as a world-class financial centre. Our top four priorities for 2024-26 are:

## Maintaining market resilience and mitigating harm

- Contingency planning for extreme market events
- Enhancing HKEX oversight and clearing house resilience
- Guiding intermediaries on risk management and cybersecurity
- Combatting misconduct of all forms
- Protecting investors from suspicious activities and fraud
- Enhancing enforcement powers and collaboration
- Increasing surveillance and investigatory capabilities
- Continuing the reform for over-the-counter derivatives regime
- Leading international standard-setting efforts

## Enhancing Hong Kong market's global competitiveness

- Developing Hong Kong as a premier listing platform
- Enhancing securities market microstructure
- Nurturing fixed income and currency markets
- Deepening Mainland-Hong Kong market connect
- Developing Cross-boundary Wealth Management Connect Scheme beyond 2.0
- Building an offshore renminbi and risk management hub
- Strengthening international market connectivity
- Facilitating growth of investment fund market
- Supporting phased launch of digital platform for retail funds
- Further enhancing and elevating securities market operations and infrastructure

## Enhancing SFC's resilience and efficiency

- Prudent financial control and effective resource deployment
- Improving operational efficiency
- Deploying artificial intelligence and other technologies
- Guarding against cyber threats

## Leading market transformations via technology and ESG

- Developing VA market and regulatory regimes
- Collaborating with industry in building tokenisation ecosystem
- Leading regional and global efforts in sustainable finance
- Growing local sustainable finance ecosystem
- Stemming greenwashing



### Strategic Priority 1

#### Maintaining market resilience and mitigating serious harm to our markets

We commit ourselves to keeping markets resilient against global challenges and heightened risks to financial stability. This involves strengthening the risk management capabilities of our markets and intermediaries, as well as driving better outcomes from law enforcement and investor protection through regulatory collaboration, technology deployment and greater education efforts.



- **Contingency planning for extreme market events**

To strengthen our financial market resilience, we maintain and update our contingency plan to enable us to respond swiftly to crisis situations. We regularly review this plan to take the latest risks into account, and conduct rehearsals to improve it. Additionally, we maintain an effective monitoring mechanism and closely communicate with our exchange operator and other financial regulators.

- **Enhancing HKEX oversight and clearing house resilience**

To ensure robust securities markets, we closely supervise Hong Kong Exchanges and Clearing Limited's (HKEX) operations with a focus on its governance and control processes. We also engage with HKEX to strengthen risk management of recognised clearing houses.



- **Guiding intermediaries on risk management and cybersecurity**

We continue to facilitate intermediaries' compliance through regulatory guidance. We conduct stress tests regularly and in times of market volatility, and follow up with thinly-capitalised intermediaries on risk controls and contingency funding plans. To enhance supervision of global financial firms, we are in the process of revamping our system to augment our collection of their key risk indicators and financial information. We also aim to comprehensively review cybersecurity requirements and develop a framework to guide all licensed corporations on managing cybersecurity risks.

- **Combatting misconduct of all forms**

We employ a multi-faceted enforcement strategy to safeguard the integrity of our markets: disrupting criminal syndicates' operations, freezing their assets and pursuing legal action. Additionally, we hold accountable those responsible for corporate misfeasance and seek court orders to compensate investors, while remaining vigilant regarding intermediaries' internal control deficiencies.



- **Protecting investors from suspicious activities and fraud**

To tackle the surge in scams and suspicious activities, including those related to virtual assets (VAs), we engage in strategic collaboration and intelligence sharing with the Hong Kong Police Force and other law enforcement agencies. In addition, we proactively alert the public to suspected fraud and suspicious VA trading platforms and investment products, as well as dedicate additional resources to anti-scam publicity campaigns.

- **Enhancing enforcement powers and collaboration**

To ensure a robust and responsive regulatory framework, we continue to monitor and identify emerging patterns of fraudulent as well as deceptive practices that threaten market integrity, and explore options to enhance our regulatory powers. We strive to utilise all available tools to bring culprits to justice and seek redress for victims. We cooperate with other local regulators and law enforcement agencies, as well as the China Securities Regulatory Commission (CSRC) and overseas regulators to combat financial misconduct and crimes.



- **Increasing surveillance and investigatory capabilities**

We are committed to leveraging advanced technology to enhance our surveillance and investigatory capabilities. Our robust data strategy is designed to detect emerging patterns of market abuse and to consolidate risk data in a holistic manner. We are also harnessing artificial intelligence (AI) to monitor social media platforms and identify potentially harmful content.

- **Continuing the reform for over-the-counter derivatives (OTCD) regime**

To strengthen the resilience of our market, we will launch in 2025 a public consultation on amendments to the Securities and Futures (Financial Resources) Rules and the application guidelines for the internal models approach as part of the reform for the regulation of the OTC derivative market.

- **Leading international standard-setting efforts**

We actively contribute to the work of international standard-setting bodies and maintain close global collaboration with overseas counterparts. We lead Asia-Pacific regulatory discussions on diverse market topics to build consensus and collaborate on cross-border issues. At the International Organization of Securities Commissions (IOSCO), we shape policy development and foster regulatory cooperation in sustainable finance, investment management and enforcement cooperation.

### Strategic Priority 2

#### Enhancing global competitiveness and appeal of Hong Kong capital markets

To help Hong Kong stay competitive globally and uphold its status as a hub for raising funds as well as asset management, the SFC is dedicated to raising the quality, liquidity and efficiency of our equity market, deepening ties with Mainland and global capital markets, diversifying market access, as well as broadening our products and risk management tools.



- **Developing Hong Kong as a premier listing platform**

The SFC works closely with the Stock Exchange of Hong Kong (SEHK) to enhance the listing regime and promote the long-term development of our listing market. Together with SEHK, we are reviewing the IPO price discovery process and enhancements to corporate governance standards, in order to foster a dynamic and liquid stock market and attract more institutional investors to the city's initial public offerings (IPOs), following various enhancements in the past year.

- **Enhancing securities market microstructure**

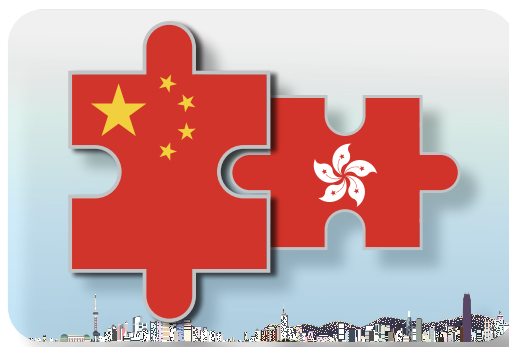
The SFC is working together with HKEX on a range of medium to long-term measures to reduce market frictions, increase capital efficiency and lower transaction costs. To facilitate the trading of high-priced stocks and odd lots, we continue to engage with HKEX to review the board lot arrangement in 2025. We are also exploring cost reduction for market participants posting cash and non-cash collaterals with HKEX for meeting margin requirements.

- **Nurturing fixed income and currency (FIC) markets**

The SFC and the Hong Kong Monetary Authority (HKMA) are collaborating in a task force to produce a roadmap for developing the city as the Asia Pacific's premier FIC centre. The regulators are soliciting the industry and stakeholders' views on ways to grow our FIC markets, while also studying initiatives to develop the bond, repo and forex markets and increase debt issuance in Hong Kong.

- **Deepening Mainland-Hong Kong market connect**

We remain steadfast in developing the mutual market connect schemes beyond the first decade of success in order to bring more securities, products and risk management tools into coverage, including REIT Connect. We collaborate closely with the CSRC on key capital market policies, as well as ways to enhance Hong Kong's role as an international asset allocation platform for the Mainland's medium to long-term funds, especially through Connect schemes.



- **Developing Cross-boundary Wealth Management Connect Scheme (WMC) beyond 2.0**

We are working closely with the HKMA, Mainland and Macao authorities, as well as industry stakeholders to further enhance the scheme. We aim to facilitate sales and marketing activities and further expand the individual investment quota, product scope and geographical coverage beyond the Greater Bay Area in the longer term. In addition, we continue to monitor fund flows and investment activities under WMC after the participation of eligible brokers.

- **Building an offshore renminbi (RMB) and risk management hub**

We collaborate with Mainland authorities to include RMB counters into southbound Stock Connect. Relevant technical preparations are expected to be completed before end-2025. To enable offshore investors to further manage risks to their onshore bond holdings, we continue to work with HKEX and authorities on broadening the product suite and enhancing the trading and clearing operations under Swap Connect, as well as launching China Treasury bond futures contracts in Hong Kong. To contribute to RMB internationalisation and reduce funding costs for clearing participants, we are exploring expanded use of Mainland onshore bonds as eligible margin collateral to clear more products.

- **Strengthening international market connectivity**

To broaden the sources of investors and capital for Hong Kong's markets, we continue to deepen collaboration with regulators in the region and Europe to promote mutual market developments such as cross-border distribution of funds. We are looking to cooperate with overseas market regulators, especially those in the Middle East, North America and Europe, to facilitate cross-market industry collaboration through memoranda of understanding.



- **Facilitating growth of investment fund market**

The SFC continues the holistic review of the regulatory requirements for SFC-authorised funds including the Code on Unit Trusts and Mutual Funds, in order to broaden the range of investable assets, reduce compliance burden and implement updated international standards. In addition, to broaden the range of SFC-authorised funds, we work with the industry to facilitate the offering of eligible alternative funds in Hong Kong, building on our recent efforts in issuing relevant guidance.

- **Supporting phased launch of digital platform for retail funds**

The SFC is working closely with HKEX and other parties to implement the Integrated Fund Platform in various stages after its first-phase launch, in order to develop Hong Kong's retail fund market. Other functionalities include a communication network and a business platform to facilitate business-to-business dealing of funds.

- **Further enhancing and elevating securities market operations and infrastructure**

We are on track to launch the uncertificated securities market (USM) regime in early 2026. This year, we will conclude our consultation on fee limits for approved securities registrars, and oversee both HKEX and securities registrars' readiness for the regime. We will oversee the logistical arrangements for issuers' structured transition to USM, and conduct publicity and education programmes. In addition, the SFC is overseeing HKEX's efforts to further enhance market infrastructure through the development of two new platforms, which will raise derivative trading, clearing and risk management capabilities, and improve post-trade services.



### Strategic Priority 3

#### Leading financial market transformation through technology and ESG

We embrace both technology and sustainable finance in order to future-proof our financial markets. On one hand, we nurture a robust virtual asset (VA) ecosystem and support the tokenisation of securities; on the other, we bolster Hong Kong's leading position as a sustainable finance hub by driving adoption of corporate disclosure standards and intermediating between emerging and developed economies.



- **Developing VA market and regulatory regimes**

The SFC will continue to drive the progress of Hong Kong's VA markets under its five-pillar framework laid out in its "**ASPIRe**" roadmap. Designed to future-proof the city's VA ecosystem, the roadmap provides a pragmatic approach for Hong Kong to navigate global VA market challenges and solidify its role as a trusted nexus for VA liquidity. Under the roadmap, new frameworks for regulating VA over-the-counter and VA custodian services will be developed, while VA product and service offerings will be expanded. See page 72 for details on this roadmap.



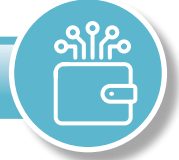
- **Collaborating with industry in building tokenisation ecosystem**

The SFC sees potential benefits of tokenisation for the financial markets in terms of cost and efficiency. It co-leads the tokenisation initiatives for the asset management industry with the HKMA under Project Ensemble. The SFC also continues to engage with fund managers on their tokenised product proposals to facilitate timely launches. We will continue to collaborate with asset managers to build a complete tokenisation ecosystem, achieve scale and reap tangible economic benefits.

- **Leading regional and global efforts in sustainable finance**

We continue to bolster Hong Kong's status as a premier sustainable finance hub by promoting the adoption of international best practices and fostering the growth of ESG<sup>1</sup> products and markets. We shape international discussions and policy setting efforts through our active participation in the IOSCO and other global initiatives. We promote sharing of knowledge and experience and alignment of approaches on sustainability disclosures, addressing greenwashing and voluntary carbon markets.

<sup>1</sup> Environmental, social and governance.



- **Growing local sustainable finance ecosystem**

As Co-chair of Hong Kong's Green and Sustainable Finance Cross-Agency Steering Group, we collaborate closely with the Government and other local authorities to facilitate growth of sustainable and transition finance products and markets and advance the global sustainability agenda. We continue to build industry capacity, nurture ESG talents and drive innovation in data and technology to facilitate sustainability reporting. The SFC is also co-leading efforts to enhance the greenhouse gas emissions calculation and estimation tools launched in 2024.



- **Stemming greenwashing**

To strengthen investors' confidence in our sustainable finance market, we closely monitor the implementation of our regulatory initiatives concerning corporates, asset management and ESG funds, while supporting the use of green Fintech and industry's development of good practices around ESG ratings and data products providers.

### Strategic Priority 4

#### Enhancing institutional resilience and operational efficiency

The SFC pursues its own institutional resilience and operating efficiency in light of its critical role in developing Hong Kong's capital markets. We apply robust budgeting and internal controls to ensure financial sustainability and sound operations, while stepping up our cyber resilience in light of heightened risks. To enhance efficiency, we continue to streamline workflows across divisions and digitalise processes.



- **Prudent financial control and effective resource deployment**

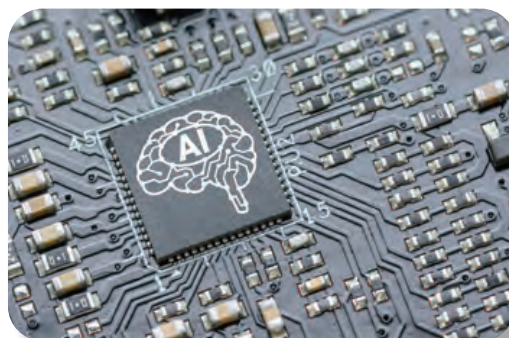
We continue to enhance operational resilience by effectively deploying internal resources to optimise productivity. Moreover, we adhere to a set of predefined measures to tightly monitor and control expenditures. In order to strengthen our financial resilience, we also continue to reassess our sources of revenue and balance it against our expenditure base. These measures include resuming the collection of annual licensing fees for 2025-26, saving rental costs by purchasing our own office premises, headcount control and staff redeployment.

- **Improving operational efficiency**

The SFC is making a series of enhancements to increase the operational efficiency of its Legal Services and Enforcement divisions, in order to enhance enforcement outcomes. These efforts will streamline workflows, advance digitalisation, strengthen electronic discovery capabilities and improve evidence management. Internally, we will increase transparency of case information across divisions, thereby allowing quicker access to case-related knowledge. Externally, electronic information exchange with government authorities will be enabled.

- **Deploying AI and other technologies**

The SFC is taking automation and digitalisation further, and meanwhile using AI and generative AI to drive operational efficiency, streamline market surveillance and strengthen case investigations. We are also leveraging the technologies to process information and embed them into the daily work to improve productivity. Our custom AI solution is undergoing continuous enhancement to further increase processing capacity, while our technology infrastructure is being upgraded to support wider AI adoption.



- **Guarding against cyber threats**

We are keeping abreast of cybersecurity intelligence and solutions, while also strengthening partnerships with global cybersecurity solution providers, law enforcement agencies and security experts to pre-empt and respond swiftly to cyber-attacks.



## Our Board



1. Kelvin WONG Tin Yau

2. Keith POGSON

3. Michael WONG Yick-kam

4. Christina CHOI Fung-yee

5. Victor DAWES

6. Michael DUIGNAN

7. Eric YIP Chee Hang

8. Vincent CHAN Chun Hung

## Our Board



9. Julia LEUNG Fung-yee

13. CHEW Fook-aun

10. Nicky LO Kar-chun

14. Lisa CHEN Ping

11. Johnson KONG

15. Rico LEUNG Chung-yin

12. Christopher WILSON

16. Dieter YIH Lai-tak

## Our Board



**Dr Kelvin WONG  
Tin Yau SBS, JP**

Chairman

From 20 October 2024

Current appointment to  
19 October 2027

### Other SFC-related positions

- Chairman: Investment Committee and Advisory Committee
- Member: Audit Committee and Remuneration Committee
- Member: Nominations Committee and SFC (HKEC Listing) Appeals Committee
- Member, Process Review Panel for the Securities and Futures Commission

### Current offices and public service

- Member, Banking Advisory Committee, Hong Kong Monetary Authority
- Member, Listing Nominating Committee, The Stock Exchange of Hong Kong Limited
- Director, Hong Kong Academy of Finance
- Chairman, Corruption Prevention Advisory Committee; Member, Advisory Committee on Corruption, Hong Kong Independent Commission Against Corruption (ICAC)

### Past offices and public service

- Chairman, Accounting and Financial Reporting Council (2018-2024)
- Chairman, Investor and Financial Education Council (2017-2018)
- Chairman, The Hong Kong Institute of Directors (2009-2014)
- Executive Director and Deputy Managing Director, COSCO SHIPPING Ports Limited (1996-2024)
- Non-Executive Director, SFC (2012-2018)
- Convenor-cum-member, Financial Reporting Review Panel (2013-2016)
- Member, Standing Committee on Company Law Reform (2010-2016)
- Member, Main Board and GEM Listing Committees, The Stock Exchange of Hong Kong Limited (2007-2013)
- Member, Operations Review Committee, ICAC (2017-2023)



**Julia LEUNG  
Fung-yee SBS, JP**

Chief Executive Officer

From 1 January 2023

Current appointment to  
31 December 2025

### Other SFC-related positions

- Member: Budget Committee and Investment Committee
- Member: Advisory Committee and SFC (HKEC Listing) Committee

### Current public service

- Council Member, Treasury Markets Association
- Vice President, Council of The Hong Kong Institute of Bankers

### Past offices and public service

- Julius Fellow, International Economics, Chatham House (2014)
- Under Secretary for Financial Services and the Treasury, the HKSAR Government (2008-2013)
- Executive Director, Hong Kong Monetary Authority (2000-2008)

### Past SFC positions

- Deputy Chief Executive Officer (2018-2022)
- Executive Director, Intermediaries (2016-2022)
- Executive Director, Investment Products (2015-2016)

### Publication

- The Tides of Capital (London: OMFIF Press, 2015)



## Our Board



**Vincent CHAN  
Chun Hung**

Non-Executive Director

From 1 August 2024

Current appointment to  
31 July 2026

### Other SFC-related position

- Member, Remuneration Committee

### Current offices and public service

- Treasurer and Executive Director, Hong Kong Venture Capital and Private Equity Association
- Member, Antiquities Advisory Board
- Member, Board of the Hong Kong Foundation for the University of Manchester
- Member, Investment Committee, Corporate Venture Fund of Hong Kong Science and Technology Parks
- Member, Hospital Governing Committee, Castle Peak Hospital and Siu Lam Hospital
- Member, Investment Committee of the Investment Sub-Committee, the University of Hong Kong endowment fund

### Past SFC-related position

- Member, Public Shareholders Group (2006-2012)

### Past offices

- Partner, Beyond Ventures (2023-2024)
- Senior Managing Director and Head of Asia, Samena Capital (2016-2022)
- Founding Chief Executive Officer, Spring Capital (2007-2015)
- Managing Director and Head of North Asia, JAFCO Asia (2000-2007)



**Lisa CHEN Ping**

Executive Director,  
Legal Services

From 22 May 2023

Current appointment to  
21 May 2026

### Past SFC positions

- Senior Director, Enforcement (2017-2023)
- Deputy Chief Counsel, Legal Services (2014-2017)
- Senior Counsel, Legal Services (2004-2009)

### Past offices

- Counsel, Davis Polk & Wardwell (2013-2014)
- Consultant, Clifford Chance (2009-2013)

## Our Board



### **CHEW Fook-aun**

Non-Executive Director

From 1 January 2023

Current appointment to  
31 December 2026

#### **Other SFC-related positions**

- Chairman, Budget Committee
- Member: Investment Committee and Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

#### **Current offices, public service and professional affiliations**

- Independent Non-Executive Director, Karex Berhad
- Fellow Member, Hong Kong Institute of Certified Public Accountants
- Fellow Member, The Institute of Chartered Accountants in England and Wales
- Fellow Member, The Hong Kong Institute of Directors
- Member, Hong Kong Judiciary Barristers Disciplinary Tribunal Panel
- Vice Chairman, Hong Kong Sports Institute Limited
- Council Member, The Hong Kong Polytechnic University
- Director, Asian Youth Orchestra
- Vice President, Hong Kong Football Club
- Honorary Treasurer, Golf Association of Hong Kong, China

#### **Past SFC-related position**

- Member, Advisory Committee (2007-2013)

#### **Past offices**

- Deputy Chairman, Malaysian Chamber of Commerce (2022-2024)
- Deputy Chairman and Non-Executive Director (2023); Deputy Chairman and Executive Director (2012-2023), Lai Sun Garment (International) Limited
- Deputy Chairman and Non-Executive Director (2023); Deputy Chairman and Executive Director (2012-2023), Lai Sun Development Company Limited
- Deputy Chairman and Non-Executive Director (2023); Chairman and Executive Director (2012-2023), Lai Fung Holdings Limited
- Executive Director, eSun Holdings Limited (2012-2023)
- Executive Director and Group Chief Financial Officer, Esprit Holdings Limited (2009-2012)
- Executive Director and Chief Financial Officer, The Link Management Limited (2007-2009)
- Executive Director, Kyard Limited (2004-2007)
- Director of Corporate Finance, Kerry Holdings Limited (1998-2004)
- Chief Financial Officer, Kerry Properties Limited (1996-2004)



### **Christina CHOI Fung-yee**

Executive Director,  
Investment Products

From 1 August 2016

Current appointment to  
31 July 2025

#### **Other SFC-related positions**

- Chairman: Committee on Real Estate Investment Trusts and Products Advisory Committee
- Member, SFC (HKEC Listing) Committee

#### **Current public service**

- Chairman, Committee on Investment Management, International Organization of Securities Commissions
- Member: Asian Financial Forum Steering Committee and Financial Services Advisory Committee, Hong Kong Trade Development Council

#### **Past SFC position**

- Senior Director, Investment Products (2012-2016)

#### **Past offices**

- Partner, Clifford Chance (2001-2004)

## Our Board



### Victor DAWES sc

Non-Executive Director

From 1 August 2020

Current appointment to  
31 July 2026

#### Other SFC-related positions

- Chairman, Investor and Financial Education Council
- Deputy Chairman, Audit Committee
- Member, Remuneration Committee
- Member: Nominations Committee and SFC (HKEC Listing) Appeals Committee

#### Current offices and public service

- Senior Counsel, Temple Chambers
- Recorder, High Court
- Council Member, Hong Kong International Arbitration Centre



### Michael DUIGNAN

Executive Director,  
Corporate Finance

From 1 November 2022

Current appointment to  
31 October 2025

#### Other SFC-related positions

- Chairman, Public Shareholders Group
- Member: Advisory Committee, Committee on Real Estate Investment Trusts and Nominations Committee

#### Current public service

- Member, Listing Nominating Committee, Hong Kong Exchanges and Clearing Limited

#### Past SFC positions

- Senior Director, Enforcement (2019-2022)
- Senior Director, Corporate Finance (2014-2018)

#### Past offices

- Director of Securities and Markets Supervision, Malta Financial Services Authority (2012-2014)
- Head of Market Supervision, Irish Stock Exchange (2008-2011)
- Manager, UK Financial Services Authority (2000-2008)

## Our Board



### Johnson KONG

Non-Executive Director

From 15 November 2021

Current appointment to  
14 November 2025

#### Other SFC-related positions

- Chairman, Audit Committee
- Deputy Chairman, Budget Committee
- Member, Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

#### Current offices, public service and professional affiliations

- Managing Director, BDO Limited
- Fellow, Chair of the Governance Committee and Member of Remuneration Committee, Hong Kong Institute of Certified Public Accountants (HKICPA)
- Fellow and Member of the Hong Kong Chapter Committee, Institute of Chartered Accountants in England and Wales
- Accounting Advisor (Hong Kong), Ministry of Finance, People's Republic of China
- Member, Election Committee, the HKSAR Government
- Member, Hong Kong Academy of Finance
- Member, Operations Review Committee, Independent Commission Against Corruption
- Council Member, Association of Hong Kong Accounting Advisors
- Alternate Director, Hong Kong Association of Registered Public Interest Entity Auditors



### Rico LEUNG Chung-yin

Executive Director,  
Supervision of Markets

From 28 August 2019

Current appointment to  
27 August 2025

#### Other SFC-related positions

- Chairman: Investor Compensation Fund Committee and Securities Compensation Fund Committee
- Director, Investor Compensation Company Limited
- Member: Advisory Committee and SFC (HKEC Listing) Committee

#### Current public service

- Member, Risk Management Committee, Hong Kong Exchanges and Clearing Limited
- Member, Council of Advisers for Applied Research, Hong Kong Institute for Monetary and Financial Research

#### Past SFC position

- Senior Director, Supervision of Markets (2008-2019)

#### Past offices

- Chief Operations Officer, HKFE Clearing Corporation Limited (1994-2000)



## Our Board



**Nicky LO**  
**Kar-chun SBS, JP**

Non-Executive Director

From 24 April 2019

Current appointment to  
23 April 2025

### Other SFC-related positions

- Chairman, Remuneration Committee
- Member: Budget Committee and Investment Committee
- Member, SFC (HKEC Listing) Appeals Committee

### Current offices and public service

- Director, Italade Technology Holdings
- Chairman, Governance Sub-committee; Member, Exchange Fund Advisory Committee, Hong Kong Monetary Authority

### Past offices

- President and Chief Executive Officer, Synnex Distributions (China) Ltd (1987-2013)
- President and Chief Executive Officer, Synnex Technology International (HK) Ltd (1987-2013)
- Principal Assistant Secretary and Deputy Secretary for Trade and Industry, the Trade and Industry Branch of the Government Secretariat (1985-1987)
- Administrative Officer, the Hong Kong Government (1974-1987)



**Keith POGSON**

Non-Executive Director

From 20 October 2024

Current appointment to  
19 October 2026

### Other SFC-related positions

- Member: Audit Committee and Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

### Current offices, public service and professional affiliations

- Asia-Pacific Financial Services Senior Partner and Global Assurance Leader, Banking & Capital Markets, Ernst & Young
- Practising Fellow and Deputy Chair of the Governance Committee, Hong Kong Institute of Certified Public Accountants (HKICPA)
- Fellow and Member of the Greater China Advisory Panel, Institute of Chartered Accountants in England and Wales
- Fellow, Hong Kong Securities and Investment Institute
- Member, Hong Kong Academy of Finance
- Chair and Treasurer, Financial Service Committee, British Chamber of Commerce



**Tony TANG**  
**Xiaodong**

Non-Executive Director

From 24 April 2025

Current appointment to  
23 April 2027

### Current offices and public service

- Head of China and Chairman of Greater China, Citadel Securities
- Board member, Financial Services Development Council of Hong Kong
- Member, Dean's Council, University of Chicago Booth School of Business

### Past offices

- Head of China, BlackRock (2019-2023)
- Chief Executive Officer of the international business, GF Securities (2018-2019)
- Chief Executive Officer and Chief Compliance Officer, China Asset Management Company (2014-2018)
- Senior Advisor of the Strategic Planning Department, Deputy Director-General of the Fund Supervision Department and Deputy Director-General of the International Affairs Department, China Securities Regulatory Commission (2009-2014)

## Our Board



### Christopher WILSON

Executive Director,  
Enforcement

From 1 November 2022  
Current appointment to  
31 October 2025

#### Past offices

- Deputy General Counsel, Asia Global Banking and Markets, HSBC (2016-2022)
- Deputy General Counsel, Citizens Bank (2015-2016)
- Managing Director of Legal, JPMorgan Hong Kong (2004-2015)
- Associate Counsel, Simpson Thacher & Bartlett (1998-2004)



### Michael WONG Yick-kam SBS, MH, JP

Non-Executive Director

From 1 April 2021  
Current appointment to  
31 Mar 2027

#### Other SFC-related positions

- Deputy Chairman, Investment Committee
- Member, Remuneration Committee
- Member, SFC (HKEC Listing) Appeals Committee

#### Current offices and public service

- Member, Exchange Fund Advisory Committee, Hong Kong Monetary Authority
- Member, Estate Agents Authority
- Member, Land and Development Advisory Committee
- Member, Board of Trustees of New Asia College, The Chinese University of Hong Kong
- Member, Executive Committee, Hong Kong Youth Hostels Association (HKYHA)

#### Past offices

- Non-Executive Director (2013-2015); Non-Executive Director and Group Principal Advisor (2009-2013); Executive Director (1996-2009), Sun Hung Kai Properties Group

## Our Board



### Dieter YIH Lai-tak JP

Non-Executive Director

From 15 November 2021

Current appointment to  
14 November 2025

#### Other SFC-related positions

- Deputy Chairman, Remuneration Committee
- Member: Audit Committee and Budget Committee
- Member: SFC (HKEC Listing) Appeals Committee, Takeovers and Mergers Panel, and the Takeovers Appeal Committee

#### Current offices and public service

- Partner, Kwok Yih & Chan, Solicitors
- Chairman, Quality Education Fund Steering Committee
- Non-Executive Director; Chairman of Risk Committee, eMPF Platform Company Limited
- Member, University Grants Committee
- Member, Standing Committee on Legal Education and Training



### Dr Eric YIP Chee-hang

Executive Director,  
Intermediaries

From 2 May 2024

Current appointment to  
1 May 2027

#### Past offices

- General Manager and Head of China Division, The Bank of East Asia, Limited (2015-2024)
- Chief Executive Officer, Verdant Capital Group (2011-2015)
- Deputy Chief Operating Officer, Hong Kong Exchanges and Clearing Limited (2003-2011)

Notes: Except for the Chairman and CEO, other board members are listed in alphabetical order.

The Nominations Committee nominates members of the Takeovers and Mergers Panel, the Takeovers Appeal Committee and the Disciplinary Chair Committee. See pages 201-211 for information about SFC external committees.

# Highlights

## Key figures for 2024-25<sup>1</sup>

### Corporates



**158**

new listing applications received, +22% year-on-year (YoY)

**76**

new listings +13% YoY

**395**

takeovers-related transactions and applications reviewed

### Enforcement



**5,428**

requests for trading and account records

**222**

cases initiated for investigation

**271**

individuals and corporations subject to ongoing civil proceedings

**\$96.7 million**

in fines imposed on licensees

### Communications and technical assistance requests



**209**

press releases, statements and announcements

**70**

circulars to the industry

**404**

social media posts

**90+**

executive speaking engagements

**223**

technical assistance requests and enquiries from overseas regulators and organisations

**4,175**

general enquiries

**4,150**

complaints against intermediaries and market activities

### Intermediaries



**8,496**

new licence applications under the SFO<sup>2</sup>, +16% YoY:

**8,200+**

individuals

**260**

and corporations

A total of **48,825** licensees and registrants under the SFO, including

**45,389**

licensed individuals,

**108**

registered institutions, and

**3,328**

licensed corporations (LCs),

+3% YoY with **2,241** licensed for

Type 9 (asset management) regulated activity (RA), +%5 YoY

**10**

VATPs<sup>3</sup> licensed under the AMLO<sup>4</sup>:

**8**

VATP licence applications being considered, including

**4**

deemed-to-be licensed applicants under the AMLO

**256**

on-site inspections of LCs and associated entities

### Products



**218**

new authorised CIS<sup>5</sup>, including 33 ETFs<sup>6</sup> and 12 L&I<sup>7</sup> products listed on HKEX<sup>8</sup>

**221**

new open-ended fund companies registered

**3,021**

authorised CIS, including

**976**

Hong Kong-domiciled funds

**218**

authorised ESG<sup>9</sup> funds

**2**

new derivatives products listed on HKEX

<sup>1</sup> All figures as of 31 March 2025.

<sup>2</sup> Securities and Futures Ordinance.

<sup>3</sup> Virtual asset trading platform.

<sup>4</sup> Anti-Money Laundering and Counter-Terrorist Financing Ordinance.

<sup>5</sup> Collective investment schemes.

<sup>6</sup> Exchange-traded funds.

<sup>7</sup> Leveraged and inverse.

<sup>8</sup> Hong Kong Exchanges and Clearing Limited.

<sup>9</sup> Environmental, Social and Governance.



This Highlights chapter reviews the SFC's key initiatives undertaken in the year 2024-25 to implement our four Strategic Priorities:

### 1. Maintaining market resilience and mitigating serious harm to our markets

#### Combatting suspicious activities and investment scams

- Alerted the public against **25 suspicious VATPs** and **12 suspicious investment products**.
- Launched the new **"Don't be Sucker" anti-scam campaign**.

#### Combatting misconduct of all forms

- Disciplined **seven corporations** and **17 individuals**, totalling fines of **\$96.7 million**.
- Achieved a **landmark settlement to compensate shareholders** of Combest Holdings Limited.
- Initiated **41 new enquiries** into listed company affairs and **40 new investigations** into corporate misconduct.

#### Bolstering surveillance and cross-boundary enforcement cooperation

- Conducted our first joint search operation with the **Macao Judiciary Police**.
- Tackled with the **Insurance Authority** suspected irregularities of an insurance firm.
- Collaborated in law enforcement with the **Singapore Police Force** and **British Columbia Securities Commission of Canada**.

#### Enhancing supervisory powers and intermediaries' risk management

- Highlighted **deficiencies and substandard conduct in the asset management industry** in a circular.
- Published our 2023-24 **thematic cybersecurity review** of LCs.
- Hosted the SFC AML/CFT Regtech Forum to encourage the financial services sector to embrace Regtech in **combatting Money Laundering and terrorist financing**.

#### Managing systemic risks

- Proposed to enhance the **Securities and Futures (Stock Market Listing) Rules** for IPO cases and post-IPO matters.
- Worked towards implementing the **Uncertificated Securities Market** initiative.
- Enhanced regulatory regimes for **REITs<sup>10</sup>** and **CIS**.
- Reviewed **SEHK's<sup>11</sup>** 2022-23 performance in its **regulation of listing matters**, and made recommendations.
- Supervised **HKEX** to improve its **overall resilience** and completed an on-site inspection of its Connect Schemes.
- Concluded a consultation on guidelines for **market soundings**, effective May 2025.
- Enhanced contingency plans to mitigate risks and minimise disruptions.

#### Leading international standard-setting efforts

- Chaired the **IOSCO APRC<sup>12</sup> Plenary Meeting** in Vietnam and the inaugural **IOSCO APRC Supervisory Directors' Network meeting** in Hong Kong.

<sup>10</sup> Real estate investment trusts.

<sup>11</sup> Stock Exchange of Hong Kong Limited.

<sup>12</sup> The International Organization of Securities Commissions' Asia-Pacific Regional Committee.

## 2. Enhancing Hong Kong market competitiveness and appeal

### Reinforcing Hong Kong's position as asset and wealth management hub

- Facilitated cross-listings of the **first two Hong Kong ETFs on the Saudi Exchange**.
- Authorised **one of the largest US ETFs** for cross-listing in Hong Kong.
- Broadened the **scope of ETFs and listed funds** trading on HKEX.
- **Streamlined application processing** for simple funds from certain jurisdictions by launching Fund Authorisation Simple Track (**FASTTrack**).

### Boosting listing market competitiveness and efficiency

- Enhanced the timeframe for the **new listing application process**.
- Accelerated the timeframe for **eligible A-share listed companies to list in Hong Kong**.
- Worked with SEHK which consulted on proposals to **optimise IPO<sup>13</sup> price discovery** and **open market requirements** to boost market liquidity.
- Facilitated **listings of specialist technology companies** and **de-SPAC<sup>14</sup> transactions**.
- Added **Dubai, Abu Dhabi** and **Thailand** to SEHK's list of recognised stock exchanges.
- Approved the launch of SEHK's **new treasury share regime**.
- Collaborated with SEHK to enhance its **Corporate Governance Code** to strengthen **listed issuers' board effectiveness**.
- Explored measures with HKEX to **reduce market friction, lower transaction cost** and **boost capital efficiency**.

### Strengthening Hong Kong's role as super-connector

- Fostered financial services collaboration with the **Middle East**.
- Bolstered capital market cooperation with **Mainland China**.
- Enhanced mutual market access; made good progress with **Stock Connect, ETF Connect, Mainland-Hong Kong Mutual Recognition of Funds, Swap Connect** and **Wealth Management Connect 2.0**.

### Enhancing the regulatory regime

- Proposed to enhance the **position limit regime** for exchange-traded derivatives.
- Implemented the **new Type 13 RA regime** for governing public fund depositaries.
- Proposed to facilitate visiting professionals to conduct RAs in Hong Kong for a longer period.

### Enhancing local market infrastructure

- Worked with the HKMA<sup>15</sup> on implementing a regulatory regime for Hong Kong's **over-the-counter derivatives market**.
- Enabled **normal trading under severe weather** in our markets.

<sup>13</sup> Initial public offering.

<sup>14</sup> A special purpose acquisition company (SPAC) raises funds through a listing for the purpose of acquiring a business (a de-SPAC target) at a later stage (a de-SPAC transaction) within a pre-defined time period.

<sup>15</sup> Hong Kong Monetary Authority.

### 3. Leading financial market transformation via technology and ESG

#### Promoting use of technology in financial markets

- Co-led with the HKMA **tokenisation initiatives for the asset management industry** via the Project Ensemble Sandbox.
- Authorised **Asia Pacific's first batch of tokenised retail money market funds**.
- Guided the industry on using **generative artificial intelligence (AI) language models**.

#### Nurturing a virtual asset (VA) ecosystem

- Rolled out our new **"ASPIRe<sup>16</sup>" roadmap** with **12 major initiatives** to streamline access for global liquidity, enable adaptive compliance and product frameworks focusing on security, and drive infrastructure upgrades.
- Provided **staking** guidance to **expand VA product and service offerings**.
- Authorised **Asia's first VA spot ETFs** in Hong Kong, which are the first in the Asia-Pacific region to engage in staking.
- Adopted a **swift licensing process for deemed-to-be-licensed** and **new VATP applicants**.
- Established the **Virtual Asset Consultative Panel** to identify policy priorities.

#### Leading global and Hong Kong's sustainable finance development

- Supported the **voluntary code of conduct for ratings and data products providers** to promote higher transparency and quality of ESG information.
- Co-chaired the Green and Sustainable Finance Cross-Agency Steering Group, developing the **Roadmap on Sustainability Disclosure** in Hong Kong, **Transition Finance Knowledge Hub** and free climate data tools.
- Nurtured Hong Kong's sustainable finance talent via the **Sustainable Finance Internship Programme** and other initiatives.

16 Access, Safeguards, Products, Infrastructure, and Relationships.

### 4. Enhancing SFC's institutional resilience and efficiency

#### Deploying AI and other technologies

- Implemented **AI initiatives** to strengthen our **AML/CFT efforts** and **operational efficiency**.
- Enhanced our **key surveillance and monitoring platform** for Hong Kong's securities and derivatives markets.

#### Driving regulatory and operational efficiency

- Streamlined investment product-related processes by launching **e-IP** platform.
- Achieved **greater enforcement outcome** following a joint internal review of our investigation and enforcement processes.
- Commenced initiatives to **improve our internal efficiency** and **address procedural bottlenecks**.

#### Proactive communications to facilitate regulatory efficiency and transparency

- Hosted the **SFC's 35th anniversary cocktail reception** at which HKSAR Chief Executive Mr John KC Lee and Financial Secretary Mr Paul Chan delivered speeches.
- Co-hosted the **"Conversations with Global Investors" forum** with the HKMA and Hong Kong Academy of Finance.
- Held the **inaugural IPO Sponsor Forum** to explain our proactive IPO vetting approach.
- Spoke at **over 90** local and international events on a wide range of topics.
- **Engaged with the industry** by organising regular meetings, briefing sessions and workshops; supported seminars and events organised by industry bodies.

#### Upholding financial discipline

- Instituting careful management of the expenses to income ratio to maintain a **balanced and self-funding position** throughout the past number of years.
- **Directed and actively managed expenditure control** during heightened regulatory requirement demands and evolving market complexity.

#### Meeting performance pledges

- **Fulfilled our performance pledges** across a wide variety of functions such as complaint handling, product authorisation and licence application processing.



# Year in Review

Our strategic priorities are the guiding force behind our multidisciplinary approach under the “One SFC” ethos. We effectively harness the full range of our regulatory tools and resources to maintain market resilience and mitigate serious harm to our markets, enhance the global competitiveness and appeal of Hong Kong capital markets, lead financial market transformation through technology and ESG, as well as enhance our institutional resilience and operational efficiency as a financial regulator of a leading international financial centre.



# Maintaining market resilience and mitigating serious harm to our markets

Resilience is crucial to strengthening our financial markets to withstand volatilities and achieving sustainable growth. We are committed to upholding market integrity, resilience and investor protection in maintaining Hong Kong's status as a leading international financial centre and risk management hub.

## Combating suspicious activities and investment scams

We strive to safeguard the integrity of Hong Kong's financial markets through detecting suspicious activities and combatting investment scams. We push ahead investor education initiatives to raise awareness of common scam tactics and promote informed decision-making among investors.

## Alerting investors against suspicious entities and investment products

We monitor and investigate illegal activities involving or purporting to involve virtual asset trading platforms (VATPs) through our joint working group with the Hong Kong Police Force (Police). Our concerted efforts resulted in the Police promptly restricting access to the websites of entities involved in suspected virtual asset (VA)-related fraud at the SFC's request.

During the year, we added 25 entities to the alert list for suspicious VATPs on our website to warn the public of suspected VA-related fraud and unlicensed activities. We also cautioned the public against 12 suspicious investment products involving real property, digital tokens and other investments by posting related information on our Suspicious Investment Products Alert List, accompanied by social media posts and press releases to increase public awareness.



Social media posts on suspicious entities and investment products



New alerts against

**25** suspicious VATPs

**12** suspicious investment products

## Supporting Anti-Scam Consumer Protection Charter

We fully support the Anti-Scam Consumer Protection Charter 2.0 launched in April 2024 by the Hong Kong Monetary Authority (HKMA) and Hong Kong Association of Banks. Under the Charter, participating institutions commit to not sending customers any instant electronic messages with embedded hyperlinks to acquire key personal data. They also pledge to provide their own contact information through appropriate channels for customer enquiries and promote anti-scam messages.

In a joint circular we issued with other financial regulators on the Charter launch day, we invited regulated financial institutions to join the Charter. Over 100 licensed corporations (LCs), covering more than 80% of all active clients, have signed up. Our Chief Executive Officer (CEO) Ms Julia Leung spoke at the Charter's launch ceremony, which aimed to help the public avoid credit card and digital frauds.



CEO Ms Julia Leung at Anti-Scam Consumer Protection Charter 2.0 launch ceremony



## Maintaining market resilience and mitigating serious harm to our markets



Video broadcast at MTR stations



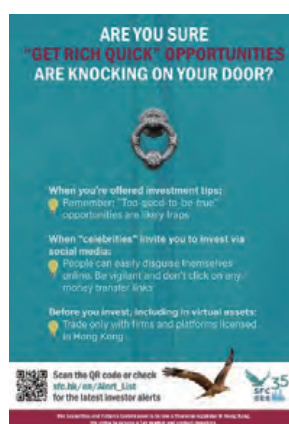
### Empowering the public to stay scam-savvy

To caution the public against investment scams, we rolled out advertising campaigns and participated in community outreach activities.

We launched a TV commercial in June 2024 and broadcasted the video at Central and Hong Kong MTR stations. Our anti-scam messages were publicised in the June/July 2024 issue of *Pangyao*, a magazine targeting domestic helpers, to help them be wary of “too-good-to-be-true” investment offers.

In May-June 2024, we launched a radio advertising campaign highlighting the risks of investing via unlicensed VATPs, and reminded the public to check the SFC’s list of licensed platforms before investing.

We supported community events organised by the Anti-Scam Alliance, during which our Senior Manager of Secretariat and External Mr Joseph Lee shared tips to avoid scammers’ traps in June and August.



Disseminating anti-scam do's and don'ts to domestic helpers



Supporting Anti-Scam Alliance's community outreach event



## Maintaining market resilience and mitigating serious harm to our markets

### Stepping up anti-scam publicity to caution the public

Our new anti-scam campaign “Don’t be Sucker (咪做水魚)” launched in December 2024 cautions the public against common tactics used in fraudulent schemes. An original cartoon character Shui Yu (“水魚” in Cantonese), symbolising an impulsive and gullible personality easily trapped by investment scams, debuted in the campaign. Our publicity efforts initially focused on three common scam scenarios: online romance scams, impersonation, and deceptive tips from financial influencers.

We featured an original campaign theme song and a music video on Shui Yu’s YouTube channel, and the latest anti-scam tips on Shui Yu’s dedicated Instagram account. We also produced Shui Yu-themed WhatsApp stickers to spread our anti-scam messages in a light-hearted way.

As at end-March 2025, about three months since its launch, the music video recorded over one million views on the campaign’s dedicated YouTube channel. The Instagram account had 27 published posts and attracted more than 1,000 followers, with views by nearly 280,000 unique Instagram users.

To further drive home our anti-scam messages featuring Shui Yu, we launched both online and offline advertisements on buses, trams, screens at commercial buildings as well as radio and digital platforms.

In December 2024, we set up a booth at the Anti-Scam Carnival hosted by the Police, providing Shui Yu-themed educational games catered for both children and adults. The carnival attracted over 8,500 participants.



Shui Yu’s promotional materials



Advertisements on common scam scenarios



Educational games at the Anti-Scam Carnival catered for all age groups



## Maintaining market resilience and mitigating serious harm to our markets

### Combatting misconduct of all forms

#### Counteracting insider dealing and market manipulation

- Following a landmark 22-day High Court jury trial in May 2024, the Court of First Instance (CFI) sentenced Lam Wing Ki, Sit Yi Ki and Tam Cheuk Hang to prison terms ranging from four years and four months to six years and eight months. This is the heaviest prison term imposed in a market manipulation case since the Securities and Futures Ordinance (SFO) came into effect in 2003.

The jury found them guilty of conspiracy to carry out false trading in the shares of Ching Lee Holdings Limited. Our extensive investigations revealed that the syndicate conspired to maintain an artificial turnover in Ching Lee's shares via manipulative transactions. This created a false or misleading appearance of active trading and artificially increased Ching Lee's share trading volume, thus generating profits exceeding \$124 million.

- We commenced proceedings in the Market Misconduct Tribunal (MMT) against Equity Advantage Limited and Dickson Poon, chairman of Dickson Concepts (International) Limited, for alleged insider dealing in Dickson Concepts' shares. We also alleged that Poon and his son, Dickson Pearson Guanda Poon, executive director (ED) of Dickson Concepts, caused the company to breach the requirements on disclosure of inside information.
- We commenced MMT proceedings against Sui Guangyi, former chairman and non-executive director (NED) of Ding Yi Feng Holdings Group International Limited, two corporate entities, and 28 other suspects for alleged manipulative trading in the shares of Smartac International Holdings Limited. The trading created a false or misleading appearance of active trading and increased Smartac's share price, which significantly contributed to an investment gain by Ding Yi Feng, as Smartac shares accounted for over 21% of its then gross assets.

- We obtained an interim injunction order from the CFI against 11 suspected manipulators of Ding Yi Feng's shares under section 213<sup>1</sup> of the SFO, prohibiting them from (i) removing any of their assets in Hong Kong, or (ii) disposing of, dealing with or diminishing the value of any of their assets in Hong Kong, up to the value of approximately \$6.35 billion.
- We commenced criminal proceedings against Segantii Capital Management Limited, its director and chief investment officer, and a former trader for insider dealing in the shares of Esprit Holdings Limited prior to a block trade in June 2017. The case is set down for trial at the District Court from May to June 2026.
- A suspected core member of a sophisticated ramp-and-dump syndicate, Cheng Ming, was charged with the offence of conspiracy to defraud at the Eastern Magistrates' Courts (EMC) following his arrest in our joint operation with the Police<sup>2</sup>.
- We obtained disgorgement orders from the MMT against three individuals:
  - Jonathan Dominic Lu Wai Ching, a former responsible officer of Tarascon Capital Management (Hong Kong) Limited, was ordered to disgorge profits of over \$5.6 million from false trading in the shares of Sinopharm Tech Holdings Limited and Quantum Thinking Limited. The MMT disqualified Lu from being a director or involvement in the management of any corporations in Hong Kong. It also banned him from dealing in securities, futures contracts, etc in Hong Kong for four years. In addition, we prohibited Lu from re-entering the industry for 15 years;
  - Wu Kam Shing, a former executive deputy general manager of China CITIC Bank International Limited, was ordered to disgorge close to \$3 million in gains from insider dealing in the shares of Bloomage BioTechnology Corporation Limited. The MMT prohibited Wu from being a director, liquidator or receiver or manager of the property or business, or taking

<sup>1</sup> Section 213 of the SFO enables the SFC to apply to the CFI for injunctions and other orders, including an order to restore the parties to any transaction to the position in which they were before the transaction was entered into.

<sup>2</sup> The arrest was made based on a public report of his whereabouts. Subject to an arrest warrant since October 2022, Cheng was listed on the "Have you seen these people?" section of our website, which contains details of individuals who are the subject of arrest warrants or whom the SFC believes have important information that may assist in enforcement inquiries.

## Maintaining market resilience and mitigating serious harm to our markets

part in the management of any corporations in Hong Kong. The MMT also banned him from dealing in securities, futures contracts, etc in Hong Kong, for three years; and

- Choi Ban Yee, the wife of a chauffeur (Sit Yuk Yin) who worked for the family of the chairman of Tian An China Investments Company Limited, was ordered to disgorge \$106,968 in profits from insider dealing. Sit possessed inside information about the takeover of Asiasec Properties Limited<sup>3</sup> by Tian An, and counselled or procured Choi to trade Dan Form shares ahead of the takeover announcement. The MMT also imposed against Sit and Choi cold shoulder orders for 16 months, cease and desist orders, and an order to pay the costs and expenses of the Government and the SFC.

### Tackling corporate misconduct

We initiated 41 new enquiries into listed company affairs under Section 179<sup>4</sup> of the SFO, and 40 new investigations into different forms of corporate misconduct under Section 182<sup>5</sup> of the SFO.



As part of our front-loaded approach to combat corporate misconduct, we review corporate announcements and disclosures daily to identify potential misconduct and irregularities. During the year, we issued section 179 directions to gather additional information in 77 cases. In two cases, we separately wrote to relevant issuers explaining our concerns that their corporate action or transaction may be conducted in a manner which is oppressive or unfairly prejudicial to their shareholders.

<sup>3</sup> Formerly known as Dan Form Holdings Company Limited.

<sup>4</sup> Section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

<sup>5</sup> Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

<sup>6</sup> Under section 214 of the SFO, the SFC may seek disqualification, compensation and other orders for breaches of duty by current and former directors of listed corporations.

<sup>7</sup> Formerly known as Hong Kong Resources Holdings Limited.

During the year, we commenced legal proceedings in the CFI under section 214<sup>6</sup> of the SFO to seek:

- a share repurchase order to protect the interests of independent minority shareholders of LET Group Holdings Limited and Summit Ascent Holdings Limited due to alleged misconduct by Lo Kai Bong, chairman, ED, and controlling shareholder of both companies. We also sought a disqualification order against Lo for being responsible for the two companies' affairs being conducted in a manner involving misconduct towards members of the two companies;
- disqualification orders against seven former directors and two former de facto directors of SoftMedx Healthcare Limited for allegedly causing the company to publish false and misleading information and breaching their fiduciary duties. We are also seeking an order for SoftMedx to publish the court's findings in the proceedings so that shareholders will be informed of the former de facto directorships and the company's false and misleading disclosures.
- disqualification and compensation orders against eight former directors of 3DG Holdings (International) Limited<sup>7</sup> for their alleged failures in preventing the misappropriation of \$74.4 million in corporate funds.

We obtained orders from the CFI under section 214 of the SFO against different individuals:

- a disqualification order against Au Yeung Ho Yin, former chief financial officer and ED of Fujian Nuoqi Co., Ltd., for his failure to discharge his duties as senior management. He failed to investigate multiple withdrawals from the company's initial public offering (IPO) proceeds that were made without proper board approval, did not serve any genuine commercial purposes, and were purportedly used outside the scope specified in the company's listing prospectus;

## Maintaining market resilience and mitigating serious harm to our markets

- compensation and disqualification orders against Chen Ruomao, a former ED and chief financial officer of Changgang Dunxin Enterprise Company Limited, for allowing the proceeds of share and bond placements (totalling \$163 million) to be misappropriated by the company's former chairman and ED. He went on to conceal the misappropriation with falsified records. As compensation, Chen was ordered to pay \$163 million with interest to the company. He was also disqualified from acting as a director, liquidator, receiver, manager, or being involved in the management of any corporations for 10 years;
- disqualification orders against former chairman and ED, Li Wing Sang, and former EDs Liu Xinsheng and Chiu Chi Hong, of Tech Pro Technology Development Limited for, among other things, failing to properly manage the company's investment through a joint venture (JV) with a Mainland partner. The three directors failed to obtain sufficient control and supervision over the JV and left the daily management to the Mainland partner, who misappropriated over RMB300 million; and
- a disqualification order against Yang Shuyan, former financial controller of Anxin-China Holdings Limited, for failing to discharge her duties with due and reasonable skill, care and diligence and to carry out her duties to the requisite standard in ascertaining the company's financial position. Yang failed to take reasonable steps which would have enabled her to realise that Anxin's cash position between 2011 and 2015 had been grossly overstated.
- We directed the Stock Exchange of Hong Kong Limited (SEHK) to suspend dealings in the shares of Tianyun International Holdings Limited under the Securities and Futures (Stock Market Listing) Rules (SMLR). Our ongoing investigation revealed that Tianyun might have fabricated a purported transfer of RMB34 million, and its reported bank balances from 31 December 2019 to 30 June 2022 might also have been significantly overstated.
- We obtained in the MMT a disgorgement order for \$353.43 million against Li Han Chun, former CEO of China Forestry Holdings Company Limited, and his investment vehicle, Top Wisdom Overseas Holdings Limited, for the losses they avoided through insider dealing of China Forestry's shares. We also obtained disqualification, cold shoulder, and cease and desist orders against Li Han Chun and Li Kwok Cheong (former chairman of China Forestry) for disclosing false or misleading information.
- The District Court convicted Chim Pui Chung and his son Ricky Chim Kim Lun of conspiracy to defraud Asia Resources Holdings Limited, its board of directors and shareholders as well as SEHK over a secret backdoor listing arrangement concerning Asia Resources. The convictions arose from a prosecution brought by the Independent Commission Against Corruption (ICAC) following a referral by the SFC.
- Following our joint operation with the ICAC, Tsang Chung Yu, a former independent NED of Metaverse Yunji Technology Group Company Limited<sup>8</sup>, and 11 other individuals were charged for conspiracy to defraud and conspiracy to deal with property known or believed to represent proceeds of an indictable offence. We will continue to collaborate with the ICAC on this matter.



<sup>8</sup> Formerly known as Zioncom Holdings Limited.

## Maintaining market resilience and mitigating serious harm to our markets

### Detecting key risks and governance issues of listed companies

Leveraging artificial intelligence (AI)-empowered analytics, we have launched a Market Scanning Detection Model that assesses financial disclosures, market trends and governance indicators to identify listed companies with elevated risk profiles.

This new initiative aims to prevent rather than discipline. By nudging market players toward stronger governance practices through early detection and engagement, we seek to drive meaningful changes in management behaviour among listed companies and enhance investor confidence in the integrity of the market.

As a pilot exercise, we have applied the model to companies which engaged in money-lending activities and identified some common red flags:

- Granting substantial loans to third parties with little or no due diligence;
- Significant provisions for impairment made shortly after loan disbursements, raising concerns about internal controls and oversight; and
- Disclosure of impairment valuation as one of the key audit matters in published financial statements.

We will proactively engage with company boards and audit committees to highlight key risk areas and governance concerns. This provides an opportunity for directors to address potential weaknesses before they worsen. We will carefully review their responses and, where necessary, may consider further regulatory action.

### Taking firm action against intermediary misconduct

During the year, we disciplined seven corporations and 17 individuals<sup>9</sup>, resulting in total fines of \$96.7 million. Key disciplinary actions included:

#### *Internal control deficiencies*

- We reprimanded and fined Hang Seng Bank Limited \$66.4 million for serious regulatory failures in relation to its sale of collective investment schemes (CIS) and derivative products, overcharging its clients and making inadequate disclosures of monetary benefits to them for nine years. These issues were brought to our attention by self-reports from the bank or referrals from the HKMA. Hang Seng has compensated impacted clients, taken remediation steps and enhanced its internal controls.
- We reprimanded and fined Enlighten Securities Limited \$5 million for internal control failures over securities margin financing. Our investigation revealed that Enlighten provided financial accommodation to margin clients who had long

outstanding margin shortfalls and a poor history of settling margin calls, and the company failed to implement prudent measures to manage related risks. We also suspended the licence of Denny Kua Kong Chak for seven months for failing to discharge his duties as a responsible officer and senior management of the company.

#### *Asset manager misconduct*

- We banned Ng Ka Shun, a responsible officer of Agg. Asset Management Limited, from re-entering the industry for life and fined him \$1.7 million for window-dressing Agg's financial resources and mismanaging two funds, for which Ng was responsible for making investment decisions.

#### *Mishandling client assets*

- We reprimanded and fined Profitech Securities Limited \$3.99 million for failing to comply with the Securities and Futures (Financial Resources) Rules and other regulatory requirements, including failures in maintaining its required liquid capital and improper repledges of client securities collateral.

<sup>9</sup> Comprising nine responsible officers/managers-in-charge, six licensed representatives, and two relevant individuals of a licensed bank in Hong Kong. Fines paid by intermediaries in disciplinary actions go into the general reserve of the HKSAR Government.



## Maintaining market resilience and mitigating serious harm to our markets

### *AML/CFT-related breaches*

- We reprimanded and fined CSC Futures (HK) Limited, Xinhua International Futures (Hong Kong) Co., Limited and Zheshang International Financial Holdings Co., Limited \$4.95 million, \$9 million, and \$2.66 million for failures in complying with anti-money laundering (AML) and counter-financing of terrorism (CFT) and other regulatory requirements. We also suspended Ngai Wai's licence for nine months for failing to discharge his duties as Xinhua's responsible officer and manager-in-charge for overall management oversight, compliance, information technology and risk management.

### *Sponsor failures*

- We reprimanded and fined Ever-Long Securities Company Limited \$3 million for failing to discharge its duties as the sole sponsor in Coastal Corporation Limited's 2016 application to list on SEHK's GEM. We also suspended Wilson Cheung Kin, a former responsible officer and director of Ever-Long, for nine months for failing to discharge his duties as a sponsor principal, responsible officer and a member of Ever-Long's senior management in Coastal's listing application.

### Other notable cases

The EMC sentenced Lai Ka Yi to two weeks' imprisonment, and ordered her to compensate a victim and pay our investigation costs after she was convicted of holding herself out as carrying on a business in dealing in securities without an SFC licence. Lai has appealed against both the conviction and sentence.

The EMC convicted Tse Tsun Wai of holding himself out as performing a regulated function in dealing in securities without an SFC licence. Tse was fined and ordered to compensate a retail investor who was a victim of the purported investment scheme. This was the first compensation order made by the Court in a case under section 114(3)<sup>10</sup> of the SFO.

Our joint SFC-ICAC investigation resulted in the ICAC laying charges against a former SFC employee and two other defendants for conspiracy to commit misconduct in public office. The joint investigation followed our

internal probe into the former employee for obtaining and misusing confidential information. We are considering other offences under the SFO.

The EMC convicted Tse Yin Fung for contravening the SFO's secrecy provisions, marking the first time a Hong Kong practising solicitor has been convicted of such an offence. Tse, the legal representative of an individual who was the subject of our investigation, disclosed confidential information concerning a restriction notice to two other individuals. He was fined and ordered to pay our investigation costs.

The EMC convicted Wong Ming Chung for providing investment advice without an SFC licence on a subscription-based chat group on Telegram hosted by him. Wong was fined and ordered to pay our investigation costs.

The EMC sentenced two former licensees, Yip Chi Wing and Tsoi Chiu Kwan, to three months of imprisonment each following their convictions for false trading in the shares of Forebase International Holdings Limited. Between 2015 and 2016, they conducted a large number of manipulative transactions, resulting in an artificial increase in the trading volume of Forebase's shares and creating a false or misleading appearance of active trading.

We commenced criminal proceedings at the EMC against Lin Tai Fung and Or Chun Nin for conspiracy to commit false trading in the shares of Pa Shun International Holdings Limited. Lin was also charged with the offence of failing to notify SEHK of his interest in Pa Shun's shares.

We commenced criminal proceedings at the EMC against Wong Pak Ming for insider dealing involving the shares of Transmit Entertainment Limited<sup>11</sup>. Wong allegedly counselled or procured another person to deal in the company's shares while he was its chairman and controlling shareholder, possessing information that he knew was inside information in relation to the company.

In November 2024, we publicly censured and imposed a six-year cold shoulder order against Zuo Ping for increasing her shareholding interest in CBK Holdings Limited from 0% to over 30% in November 2023 without making a general offer as required under the Takeovers Code.

<sup>10</sup> Under section 114(3) of the SFO, no person shall perform any regulated function in relation to a regulated activity except a licensed representative.

<sup>11</sup> Formerly known as Pegasus Entertainment Holdings Limited.

## Maintaining market resilience and mitigating serious harm to our markets

### Achieving landmark settlement to compensate shareholders

We endeavour to keep our markets clean, seek justice for minority shareholders and go after wrongdoers.

Our investigation revealed serious problems regarding Combest Holdings Limited's operations and its management's integrity. To protect the interest of the investing public, we directed SEHK to suspend trading in Combest's shares in 2019.

In 2020, we commenced proceedings against Ng Kwok Fai, Liu Tin Lap and Lee Man To, who served as shadow or executive directors of Combest, for their misconduct in relation to the company's business affairs.

In September 2024, we secured a first-of-its-kind settlement to compensate independent public shareholders of the now delisted Combest.

Under the terms of the settlement, the three individuals acknowledged their breaches of fiduciary duties towards Combest and will collectively pay the company approximately \$192 million. This amount is designated for distribution as special dividends to independent public shareholders. Each shareholder will receive \$0.066 per share, which was 2.75 times higher than Combest's last closing price.

### Other disciplinary actions

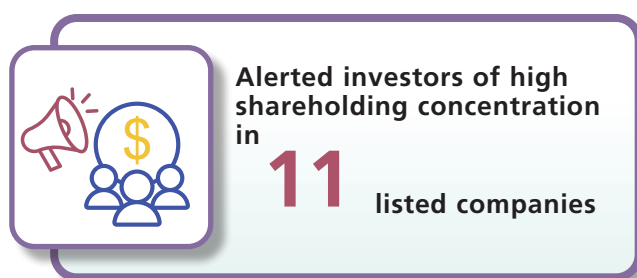
#### Other regulatory breaches and criminal convictions

Company/Name	Breach/Conviction	Action/Fine	Date
CHAN Ka Him	Conviction of fraud (inducing clients to transfer funds to him)	Banned from re-entering the industry for life	6 January 2025
WANG Shian-tang	Maintained secret account and entered into private deal with client without his employer's knowledge or consent	Suspended for 26 months	20 November 2024
Charles LAM Chung Yiu	Conviction of theft and dealing with theft property	Banned from re-entering the industry for life	2 September 2024
WU Chao	Maintained a secret account	Banned from re-entering the industry for three years and seven months	26 June 2024
HA Po Kwan	Falsified documents and misled a client	Banned from re-entering the industry for 12 months	17 June 2024
WONG Ka Ching	Failures as the responsible officer of the placing agent in a share placement	Suspended for four years	28 May 2024
CHEUNG Wing Hung	Conviction of unlicensed activities	Banned from re-entering the industry for 18 months	27 May 2024

## Maintaining market resilience and mitigating serious harm to our markets

### Bolstering surveillance and cross-boundary enforcement cooperation

Our surveillance of untoward price and turnover movements resulted in 5,428 requests for trading and account records from intermediaries during the year. We also received and assessed 329 notifications from intermediaries regarding suspicious equity and derivative trading.



During the year, we published 11 high shareholding concentration announcements to caution investors of the potential risks associated with trading in the shares of companies with a high concentration of ownership in a small number of shareholders.

We issued restriction notices to 20 brokers, prohibiting them from dealing with or processing assets held in their client accounts which are related to suspected market and corporate misconduct. We also issued restriction notices to two LCs due to doubts over their fitness and properness to remain licensed.

During the year, our Enforcement Division continued to enhance its cooperation with the Enforcement Bureau of the China Securities Regulatory Commission (CSRC), which is crucial for protecting the interests of both Mainland and Hong Kong investors. We provided each other with mutual investigatory assistance and actively sought to enhance our request-handling processes for greater efficiency.

In June 2024, we held the 16th regular high-level meeting on enforcement cooperation with the CSRC in Kunming, Yunnan Province, where both regulators discussed strengthening collaboration to better tackle cross-boundary securities crimes and misconduct. The meeting highlighted our joint efforts to protect investor interests and the quality of our markets.



16th Regular high-level meeting on enforcement cooperation with the CSRC

In November, we conducted a two-day joint SFC-CSRC enforcement training, which was attended by over 130 enforcement officers, to enhance the effectiveness of our enforcement teams as we continue to foster strong working relationships with the CSRC. The training covered market surveillance, cross-boundary enforcement cooperation as well as strategies for conducting investigations into listed company and intermediary misconduct.

### Stepping up regulatory collaboration

In July 2024, our senior executives met with the CSRC and the National Financial Regulatory Administration in Beijing to exchange supervisory updates and regulatory concerns on licensed intermediaries. We agreed to enhance cross-boundary collaboration with both regulators. As a result, our Intermediaries Division co-organised a staff experience sharing session with the CSRC's Department of Fund and Intermediary Supervision in Shenzhen in January 2025. The two-day joint training was attended by more than 70 officers from the SFC, CSRC and its regional offices. The event provided a valuable platform for networking and sharing insights into regulatory updates and supervisory experiences.

In November 2024, we participated in the Fifth Anti-Money Laundering and Counter-Financing of Terrorism Tripartite Meeting in Chengdu, Sichuan Province, organised by the Anti-Money Laundering Bureau of the People's Bank of China. The meeting facilitated the sharing of the latest AML/CFT developments and fostered discussions among the regulatory authorities and enforcement agencies in the Mainland, Hong Kong and Macao.

## Maintaining market resilience and mitigating serious harm to our markets

### Joining forces to combat cross-boundary fraud and misconduct

By collaborating with other regulatory bodies and law enforcement agencies, we have strengthened our capabilities in detecting and deterring illicit activities, thereby fostering a safer investment environment and maintaining trust in the financial system.

#### Our first joint search operation with Macao Judiciary Police

In August 2024, we conducted a joint operation with the ICAC and Macao Judiciary Police targeting suspected cross-boundary fraud and misconduct of senior executives of a Hong Kong-listed company.

During the joint operation, six premises were searched, resulting in the ICAC's arrest of seven individuals.

#### Joint efforts with SEHK yield significant results

Our joint enforcement efforts with SEHK have resulted in its prompt disciplinary actions against several listed companies and their management:

- Our investigation revealed that certain loan proceeds and investment subscription funds of various subsidiaries of China Ecotourism Group Limited were improperly directed to individuals and entities related to the company's two former EDs. As a result, SEHK imposed prejudice to investors' interests statements against the two former EDs and a current ED; and

- Investigations revealed that FingerTango Inc.'s former directors engaged in problematic investments and loans to external parties, resulting in losses exceeding \$660 million for the company and its subsidiaries. Thus, SEHK took disciplinary actions against FingerTango and its eight former directors for misconduct and breaches of their duties.

#### Addressing irregularities with Insurance Authority

We have joined forces with the Insurance Authority (IA) to tackle suspected irregularities concerning the investment portfolio of Tahoe Life Insurance Company Limited over the past four years. Our collaboration in information exchange since 2020 has yielded a positive outcome, as the IA appointed managers in July 2024 to take full control of Tahoe Life.

#### International collaboration in law enforcement

- Following the SFC's investigation and an application by the Department of Justice of the HKSAR, the Singapore Police Force arrested a fugitive core suspect and surrendered her to Hong Kong to face securities fraud charges. This marks the first instance where the SFC sought assistance from overseas authorities in naming a fugitive offender on the Red Notice of the International Criminal Police Organization (INTERPOL) and surrendering a fugitive offender wanted for prosecution under the SFO.
- With the assistance of the British Columbia Securities Commission of Canada, we obtained preservation orders against Leung Anita Fung Yee Maria, former CEO and ED of SMI Culture & Travel Group Holdings Limited (formerly known as Qin Jia Yuan Media Services Company Limited).





## Maintaining market resilience and mitigating serious harm to our markets

### Handling complaints against intermediaries and market activities

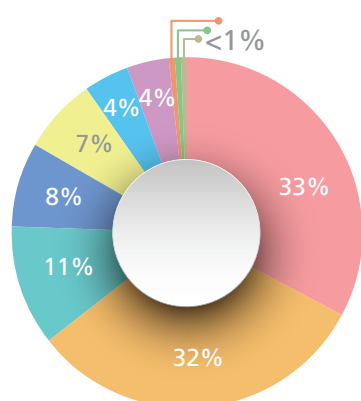
We administer and evaluate public complaints on matters within the SFC's jurisdiction about intermediaries' conduct, public offerings of securities and market activities. After conducting preliminary assessments, we decide on the next course of action for complaints. We also handle petitions or protests and liaise internally and with the Police. We foster a positive complaint handling culture and administer procedures to ensure complaints, petitions or protests are handled diligently and properly with professionalism.

During the year, we received 4,150 complaints and handled 2,892 calls with complainants, 163 walk-in requests and one protest against intermediaries and

market activities. The total number of complaints increased 29% year-on-year, among which licensees' conduct and listing-related matters accounted for two-thirds. Complaints against listed companies were mainly about the promotion of products, proposed privatisation or unfair IPO shares allotment, whereas those against intermediaries were related to redemption problems and trading disputes. Other complaints were mostly about crypto-related scams and frauds, and impersonation cases.

We took part in the revamp of the IOSCO<sup>12</sup> Investor Alert Portal, a list on which IOSCO members post alerts and warnings about unlicensed firms, impostors, and fraudulent investments. The revamp aims to facilitate instant checking of information by financial institutions.

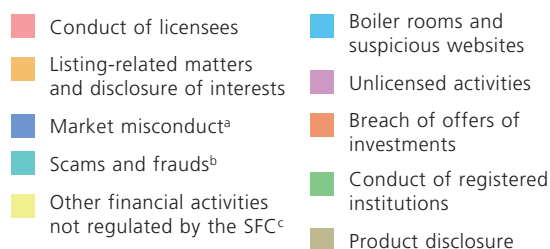
### Complaints against intermediaries and market activities



<sup>a</sup> Primarily, alleged market manipulation and insider dealing.

<sup>b</sup> Such as identity fraud and impersonation.

<sup>c</sup> For example, bullion trading and banking services.



### Investor compensation

The current compensation limit of \$500,000 per investor per default is reviewed regularly. During the year, the Investor Compensation Company Limited, the SFC's wholly-owned subsidiary, received and processed seven claims against the Investor Compensation Fund.

### Investor compensation claims

	2024/25	2023/24	2022/23
Balance brought forward	37	39	37
Received	7	2	9
Processed	7	4	7
– Compensation payments made	0	0	0
– Rejected	7	4	5
– Withdrawn	0	0	2
– Reconsidered	0	0	0
Balance carried forward	37	37	39

<sup>12</sup> The International Organization of Securities Commissions (IOSCO) is responsible for developing, implementing and promoting adherence to internationally recognised standards for securities regulation. IOSCO's membership regulates more than 95% of the world's securities markets across 130 jurisdictions.

## Maintaining market resilience and mitigating serious harm to our markets

### Net asset value of compensation funds

	As at 31.3.2025 (\$ million)	Change	As at 31.3.2024 (\$ million)	Change	As at 31.3.2023 (\$ million)
Unified Exchange Compensation Fund (UECF) <sup>a</sup>	89.5	1.6%	88.1	2.7%	85.8
Investor Compensation Fund (ICF) <sup>b</sup>	2,748.5	4.2%	2,636.8	4.8%	2,517.0
<b>Total</b>	<b>2,838.0</b>	<b>4.2%</b>	<b>2,724.9</b>	<b>4.7%</b>	<b>2,602.8</b>

<sup>a</sup> See pages 180-193 for the financial statements of the UECF. The ICF was established by the SFO on 1 April 2003 to replace the UECF. After settlement of all claims against the UECF and its other liabilities, any remaining balance will be transferred to the ICF.

<sup>b</sup> See pages 167-179 for the financial statements of the ICF.

### Managing systemic risks and enhancing regulatory regimes

#### Enhancing targeted tools to address corporate misconduct

To provide broader protection for the investing public against imminent financial harm and improve regulatory efficiency in Hong Kong's listing market, we launched a consultation in March 2025 to propose enhancements to the SMLR for IPO cases and post-IPO matters. Key proposals included requiring listing applicants to meet continuing disclosure obligations post-listing without objecting to a listing. Also, a less disruptive alternative to suspension as proposed would be to require listed issuers to make more transparent and complete disclosure by imposing post-listing conditions. The trading resumption process would be streamlined to potentially reduce suspension time. In addition, issuers aggrieved by the SFC's decisions may request a full merits review by the Securities and Futures Appeals Tribunal.

#### Reviewing SEHK's regulation of listing matters

In December 2024, we published our review report on SEHK's performance in its regulation of listing matters during 2022 and 2023, and made recommendations to SEHK. The review covered SEHK's handling of issuers' non-compliance with the Listing Rules requirements for the disclosure of material information, handling of issuers' unusual stock price and volume movements, and vetting of IPO applications.

#### Enhancing regulatory regimes for REITs and CIS

In October 2024, we published consultation conclusions on proposals to introduce a statutory scheme of arrangement and compulsory acquisition

mechanism for real estate investment trusts (REITs), together with an enhanced market conduct regime for listed CIS under the SFO. We are working with the Government on the legislative amendments to implement the proposals.

#### Supervising HKEX

Our ongoing supervision of Hong Kong Exchanges and Clearing Limited (HKEX) focuses on a number of initiatives to improve its resilience. We completed an on-site inspection of project management and operation controls of HKEX's Connect Schemes during the year, and made various recommendations. We will monitor HKEX's implementation of our recommendations.

Over the past year, we engaged in discussions with HKEX on various initiatives aiming at enhancing its risk management capabilities. These included introducing scheduled intra-day margin calls for the derivatives market and enhancing the default fund sizing methodology for the cash market.

#### Providing guidelines for market soundings

Our guidelines for market soundings became effective in May 2025. We published the consultation conclusions on these guidelines last October, after receiving respondents' constructive feedback and general support for the objectives of the proposals in upholding market integrity.

The guidelines set out our requirements on licensed or registered persons when they conduct market soundings (most commonly seen in block trades), including safeguarding confidential information that licensed or registered persons are entrusted with during market soundings. To facilitate intermediaries' implementation, we also provided practical guidance and frequently asked questions.

# Maintaining market resilience and mitigating serious harm to our markets

## Enhancing supervisory oversight and intermediaries' risk management

### Supervising intermediaries

We conduct on-site reviews to understand LCs business operations, risk management and internal controls as well as to gauge their compliance with legal and regulatory requirements. During the year, we commenced 256 risk-based on-site inspections<sup>13</sup>. Last year's thematic inspections covered selected securities

brokers' safeguarding of client assets (which included a circularisation exercise on these brokers' client accounts), asset managers managing private funds and discretionary accounts, and deemed-to be-licensed VATPs.

In addition, we conduct off-site monitoring to analyse LCs' regulatory filings and intelligence from other sources. We also interact with LCs regularly to assess their financial strength, internal controls and risk management practices.

## Encouraging responsible Regtech adoption for AML/CFT

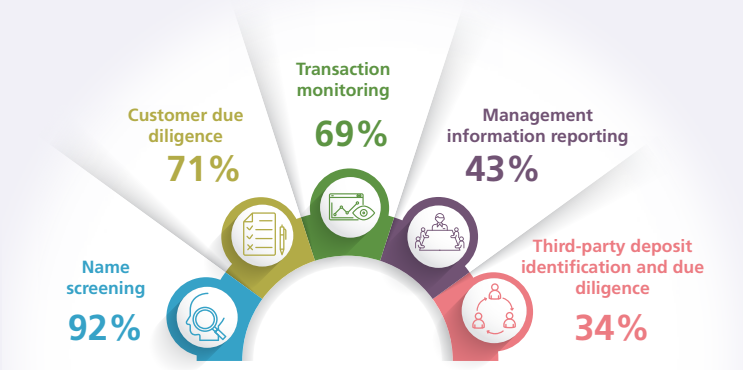
We hosted the SFC AML/CFT Regtech Forum in November 2024, to encourage the financial services sector to embrace regulatory technology (Regtech) in combatting money laundering and terrorist financing. More than 300 participants, including Government officials, industry representatives and experts, attended the full-day event. They discussed the latest developments and adoption trends in Regtech, encompassing its practical application in legal and regulatory compliance for AML/CFT as well as risk management.

We also published a report to share the Regtech adoption progress, key drivers and illustrative use cases.



SFC AML/CFT Regtech Forum

## Regtech adoption rate in major AML/CFT processes of selected LCs participated in the Regtech survey<sup>a</sup>



<sup>a</sup> Findings from the *Report on the Adoption of Regtech for Anti-Money Laundering and Counter-Financing of Terrorism*.

<sup>13</sup> See Table 1 in Operational Data on page 194 for details.

## Maintaining market resilience and mitigating serious harm to our markets

### Enhancing asset managers' compliance

In October 2024, we issued a circular highlighting the deficiencies and substandard conduct we identified in the asset management industry and our four key areas of concern: conflicts of interest, risk management and investment within mandate, information for investors, and valuation methodologies. We reminded asset managers about their obligations and informed them that a thematic inspection of managers of private funds is underway.

### Cybersecurity review of LCs

In February 2025, we issued the 2023/24 Thematic Cybersecurity Review of Licensed Corporations report, and conducted webinars together with the Police to share our findings and the common cybersecurity threats in Hong Kong. The report highlighted our key observations from a review of LC's compliance with the SFC's cybersecurity requirements and relevant incidents over the past years. It also set out our expected standards in phishing detection and prevention, using end-of-life software, remote access, managing third-party providers and cloud security.

### Findings on distribution and sale of non-exchange-traded products

In April 2024, we issued a joint circular with the HKMA to share our findings from the concurrent thematic review of intermediaries' distribution of non-exchange traded investment products. The circular highlighted how a deficient product due diligence process could lead to inappropriate product recommendations. We reminded intermediaries to provide adequate training to their staff on product characteristics, nature and risk levels.

In September 2024, we and the HKMA published a report on our annual joint survey on the sale of non-exchange-traded investment products. It found that 380 LCs and registered institutions engaged in the sale of investment products in 2023, with an aggregate transaction amount of \$4,338 billion, up 14% year-on-year. About 68% of these firms reported growth in transaction amount. The number of participating clients also grew by 15% to over 940,000.

### Financial resources management

In July 2024, we issued a circular setting out our expectations for LCs' financial resources management and compliance with the Financial Resources Rules. We



also highlighted the deficiencies in internal controls and governance relating to LCs' compliance with the Rules.

### Leading international standard-setting efforts

#### IOSCO

We foster close working relationships with our overseas regulatory counterparts to develop global regulatory initiatives, contribute to the work of international standard-setting bodies, and promote international cooperation and capacity building. Our leadership roles in IOSCO and the Financial Stability Board (FSB) enable us to influence and shape international policies.

#### *Leadership in global standard-setting bodies*

Our CEO Ms Julia Leung has represented the SFC on the IOSCO Board since 2016. During the year, Ms Leung took part in IOSCO Board meetings and calls to identify, discuss and address emerging regulatory issues and share information on capital market developments. Areas of focus included retail investors' online safety, sustainable finance, digital assets, and non-bank financial intermediation.

Ms Leung chairs the IOSCO Asia-Pacific Regional Committee (APRC), one of IOSCO's four regional committees which comprises over 30 Asia-Pacific regulators, focusing on addressing cross-border regulatory issues, enhancing regional supervisory and enforcement cooperation and experience sharing. Ms Leung is also a member of the Management Committee of the IOSCO Asia Pacific Hub based in Kuala Lumpur, which delivers capacity building programmes for securities regulators in the region.



## Maintaining market resilience and mitigating serious harm to our markets



IOSCO APRC Plenary meeting in Vietnam in February 2025

At the IOSCO APRC meetings in February 2025, members reached consensus on the way forward to address wide-ranging capital market issues, including a coordinated regional approach to tackle scams and online harms. They also shared experiences and techniques to detect and investigate investment frauds and discussed the latest developments in sustainable finance, public markets, crypto assets, tokenisation and AI.

Ms Leung also serves as a Vice Chair of the IOSCO Sustainable Finance Task Force (STF) and co-leads the STF's Corporate Reporting Workstream.

Other SFC senior executives also play leading roles in key international initiatives, holding key positions in IOSCO committees and working groups.

- Dr Eric Yip, our ED of Intermediaries, is the Chair of the IOSCO APRC Supervisory Directors' Network. He chaired its inaugural meeting, hosted by the SFC in Hong Kong, for over 30 regulators from 13 jurisdictions. They discussed supervisory and regulatory approaches to crypto-assets, generative AI and market sounding.



CEO Ms Julia Leung chairs the IOSCO APRC Plenary meeting

- Mr Christopher Wilson, our ED of Enforcement, chairs the IOSCO APRC Enforcement Directors' Network, a dedicated platform for enforcement executives to share their latest enforcement priorities and developments, as well as support the regional initiatives led by the APRC Working Group on Scams and Online Harms.
- Ms Christina Choi, our ED of Investment Products, continues to serve as Chair of IOSCO's Committee on Investment Management until 2026. The Committee is leading work to revise the recommendations for Liquidity Risk Management for Collective Investment Schemes and develop the complementary guidance.
- Mr Kenneth Lai, our Director of Enforcement, serves as a member of the IOSCO MMoU<sup>14</sup> Monitoring Group Steering Committee for 2025-26, which seeks to implement international enforcement cooperation under the IOSCO MMoU. He completed his two terms as Vice Chair of the IOSCO Committee on Enforcement and the Exchange of Information in October 2024.
- Ms Christine Kung, our Senior Director and Head of International Affairs and Sustainable Finance, leads the IOSCO APRC Sustainable Finance Working Group, which aims to promote knowledge sharing and capacity building on corporate sustainability disclosures and carbon markets across the region.

### *Stepping up global regulatory collaboration at IOSCO*

The SFC is represented in all of IOSCO's task forces at the Board level. We also participate in the eight policy committees of IOSCO, the Committee on Emerging Risks and the Assessment Committee.



IOSCO APRC Supervisory Directors' Network meeting in Hong Kong in October 2024

14 Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

## Maintaining market resilience and mitigating serious harm to our markets

The SFC also contributes to other key international efforts to spearhead regulatory collaboration:

- Our CEO Ms Leung co-chaired the first high-level workshop jointly organised by the IOSCO APRC and the FSB's Regional Consultative Group for Asia (RCGA) in October. Senior representatives from securities market regulators, central banks, and finance ministries discussed the implications of crypto-assets, tokenisation and AI for financial stability, emphasising the need for continued collaboration.



IOSCO Annual Meeting in Greece in May 2024

- The SFC participates in the BCBS<sup>15</sup>-CPMI<sup>16</sup>-IOSCO's Joint Working Group on Margin, which published three final reports on margin in centrally and non-centrally cleared markets in January 2025.
- The SFC participates in the CPMI-IOSCO Steering Group which is responsible for coordinating regulatory work on the oversight and supervision of financial market infrastructures, including central counterparties (CCPs).
- The SFC participated in the Eighth International Conference on Technology Applied to Securities

Markets Enforcement (IOSCO TASMEC 8) in Spain in April 2024 to share expertise on the use of data analytics and AI to fight financial crimes.

### FSB

Ms Choi also co-chaired the Open-ended Funds (OEFs) Working Group under the FSB Standing Committee on Supervisory and Regulatory Cooperation, which concluded a data pilot programme relating to liquidity risks and management of OEFs.

Mr Rico Leung, our ED of Supervision of Markets, participated in meetings of the FSB RCGA and the FSB Standing Committee on Standards Implementation, which supports the implementation of international financial standards and carries out peer reviews of FSB members, including the thematic review of the FSB Global Regulatory Framework for Crypto-asset Activities.

We are also a member of the FSB Cross-Border Crisis Management Group for Financial Market Infrastructures, where regulators discuss matters and formulate policies regarding the resolution of CCPs. Through these international forums, the SFC participates in the policymaking process and keeps abreast of the latest developments in global CCP regulations. This has helped enhance our supervision of CCPs in Hong Kong.

### Deepening international supervisory collaboration

We have deepened collaboration with both international and local regulators through attending various supervisory colleges hosted by US, Asian and European financial regulators covering recovery and resolution plans, supervisory risk assessments and capital and liquidity plans. Additionally, we have conducted joint reviews and enhanced exchanges of supervisory information to strengthen intermediaries' risk management.

## Requests for regulatory assistance

	2024/25		2023/24		2022/23	
	Received	Made	Received	Made	Received	Made
Enforcement-related requests for assistance	69	84	73	79	56	53
Licensing-related requests for assistance	98	15	168	8	140	7
Information and meeting requests	223	0	143	0	118	0

<sup>15</sup> The Basel Committee on Banking Supervision.

<sup>16</sup> Committee on Payments and Market Infrastructure.

# Enhancing Hong Kong market competitiveness and appeal

To enhance Hong Kong's appeal as a leading fundraising and asset management hub, the SFC continues to serve as a capital market enabler to improve liquidity and efficiency while deepening connectivity with Mainland and global markets through regulatory collaboration.

## Enhancing listing market competitiveness and efficiency

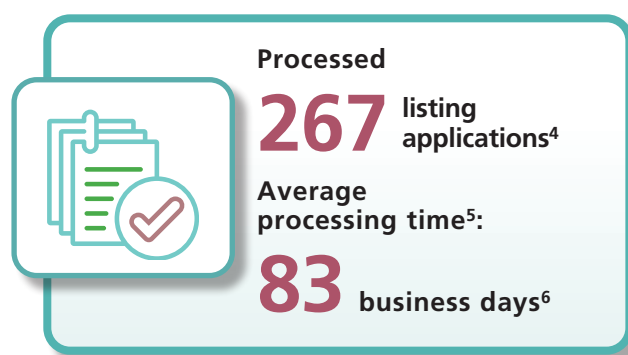
### Gatekeeping listing applications

We vet listing applications and make enquiries to determine whether a listing application gives rise to any concerns under the Securities and Futures (Stock Market Listing) Rules (SMLR). We may object to a listing based on one or more of the grounds set out in section 6(2) of the SMLR.

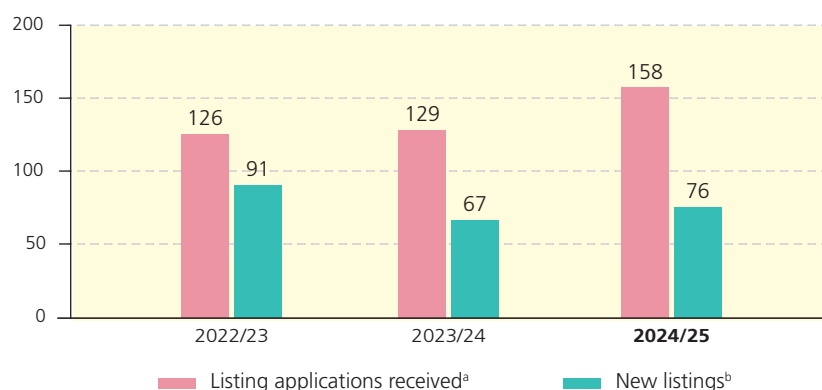
We processed 267 listing applications during the year, up 2% year-on-year. These included 158 new listing applications<sup>1</sup>, comprising those from four companies

with a weighted voting rights (WVR) structure, 17 pre-profit biotech companies, two companies seeking to list by way of de-SPAC<sup>2</sup> transactions and five specialist technology companies<sup>3</sup>.

Exercising our powers under the SMLR, we issued a requisition letter directly to one listing applicant during the year (2023-24: three). Our main concern was about the genuineness and reasonableness of the listing applicant's financial performance. As at 31 March 2025, the listing applicant had satisfactorily addressed our concerns.



### New listing applications



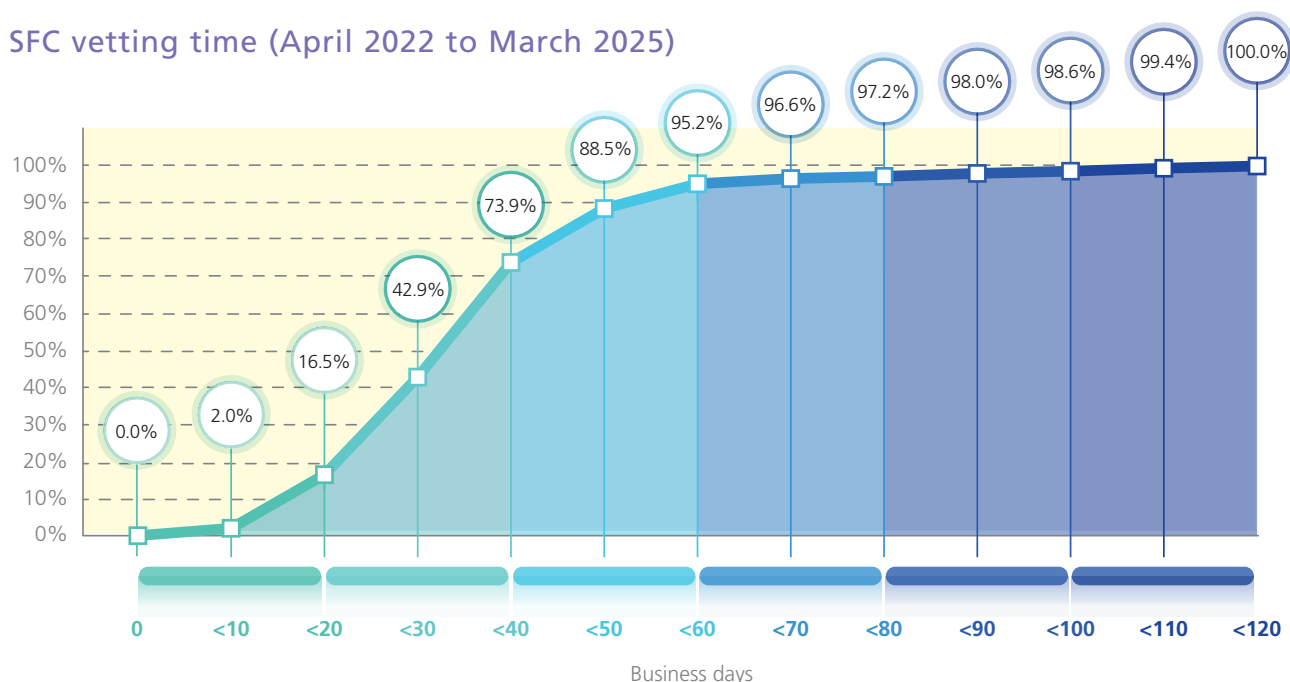
a The figures include applications for transfer from GEM to the Main Board (2024/25: 3; 2023/24: 1; 2022/23: 3).

b Including successful transfers from GEM to the Main Board (2024/25: 1; 2023/24: 3; 2022/23: 0). The Hang Seng Index closed at 23,119 on 31 March 2025 (31 March 2024: 16,541; 31 March 2023: 20,400).

- 1 New listing applications include (i) any application filed for the first time; and (ii) any application refiled by the same applicant where its previous application has been returned, rejected, withdrawn, or has lapsed by more than three months.
- 2 A special purpose acquisition company (SPAC) raises funds through a listing for the purpose of acquiring a business (a de-SPAC target) at a later stage (a de-SPAC transaction) within a pre-defined time period.
- 3 Including one company with a WVR structure.
- 4 Including 158 new listing applications and 109 cases brought forward from the previous reporting period.
- 5 Including the average SFC's vetting time of 28 business days and the response time of the listing applicants or their advisers.
- 6 For the 118 cleared cases of listing applications during the year ended 31 March 2025.

## Enhancing Hong Kong market competitiveness and appeal

### SFC vetting time (April 2022 to March 2025)



Note: In the chart, "SFC vetting time" refers to the total number of business days we spent to process and clear a listing application, which includes a number of rounds of comments. The figure excludes the response time of the listing applicants or their advisers.

### Raising vetting efficiency for listing applications

During the past three years ended 31 March 2025, we cleared 357 listing applications in total and 95% of them were cleared in less than 60 business days. During the past year, we cleared 118 cases in total and 99% of them were cleared in less than 60 business days. The average processing time for the 118 cleared cases was 83 business days<sup>7</sup>, down 17.8% from the previous year.

### Enhancing timeframe for new listing application process

To further increase Hong Kong's appeal as a leading international listing venue, the SFC and the Stock Exchange of Hong Kong Limited (SEHK) jointly announced an enhanced timeframe for the new listing application process and an accelerated timeframe

for eligible A-share listed companies<sup>8</sup> in October 2024. This provides greater clarity and certainty to the regulators' processing timeline. After the joint announcement, we received 11 listing applications from A-share listed companies eligible for the accelerated timeframe up to 31 March 2025. The SFC responded within the enhanced timeframe for all new listing applications received after the joint announcement.

### Enhancing market liquidity

Working together with the SFC, SEHK launched a three-month consultation in December 2024 on its proposals to optimise IPO<sup>9</sup> price discovery and open market requirements to boost Hong Kong's listing market competitiveness. Key proposals included allocating a meaningful portion of shares to the book-building placing tranche and ensuring sufficient shares of issuers in public hands for trading at listing.

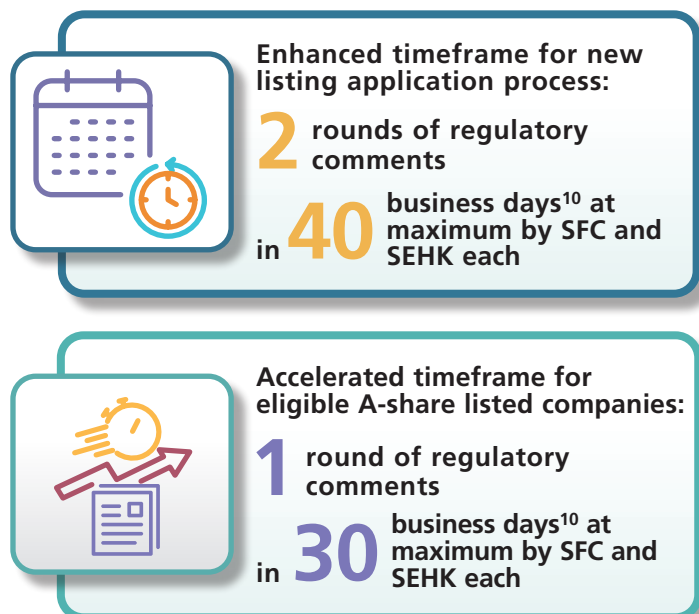
<sup>7</sup> Including the SFC's vetting time and the response time of the listing applicants or their advisers.

<sup>8</sup> An A-share listed company is eligible for the accelerated timeframe if it meets the following criteria when submitting a new listing application: (a) it is expected to have a minimum market capitalisation of \$10 billion; and (b) it can confirm, with the support of legal advisers' opinion, that it has complied with all laws and regulations, in all material respects, applicable to its A-share listing throughout the two full financial years immediately preceding the new listing application and up to the date of submitting the new listing application.

<sup>9</sup> Initial public offering.



## Enhancing Hong Kong market competitiveness and appeal



### Facilitating listings of specialist technology companies and de-SPAC transactions

Since the launch of the two new listing regimes for specialist technology companies and SPACs, five SPACs and three specialist technology companies had been listed and two de-SPAC transactions had been completed as of March 2025.

To address the change in market conditions after introducing these regimes, the SFC and SEHK jointly announced in August 2024 temporary modifications to the Listing Rules and published related guidance materials. These were about (a) the minimum thresholds on initial market capitalisation for the listing of specialist technology companies; and (b) the minimum independent third-party investment thresholds and related independence requirements for de-SPAC transactions.

### Promoting international and secondary listings

After discussions with the SFC, SEHK added Dubai Financial Market and Abu Dhabi Securities Exchange of the United Arab Emirates (UAE) and the Stock Exchange of Thailand to the list of recognised stock exchanges in July 2024 and March 2025, respectively. This enables UAE-incorporated public joint stock companies and Thailand-incorporated public limited companies primarily listed on the main market of these exchanges to apply for secondary listings in Hong Kong.

### Launching new treasury shares regime

With the SFC's approval, SEHK's treasury shares regime became effective in June 2024. It allows listed issuers to retain their repurchased shares in treasury for future resale, giving them greater flexibility in managing their capital structure and reacting promptly to market conditions. In January 2025, the Legislative Council passed the Companies (Amendment) Bill 2024 to allow Hong Kong-incorporated listed issuers to retain their repurchased shares in treasury. The new law took effect in April 2025.

### Furthering paperless listing reforms

We work closely with SEHK to promote sustainable best practices. Following our approval, SEHK published the consultation conclusions in January 2025 to further expand the paperless regime, with more digital and web-based options to the listing framework. Under the new rules, securities holders can send electronic instructions to issuers and adopt digital methods for receiving corporate action proceeds and paying subscription monies.

In parallel with SEHK's plan to remove mixed media offers (MMOs), we published consultation conclusions on removing the exemption permitting MMOs under the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice. This paves the way for fully digitalised public offerings of equity securities and interests in collective investment schemes that will be listed on SEHK. The SFC will proceed with the relevant legislative amendments.

<sup>10</sup> This refers to the time taken by each regulator to confirm whether there are any material regulatory concerns, being the number of business days in the hands of the regulators and excludes the response time of the applicant and its sponsor.

## Enhancing Hong Kong market competitiveness and appeal



Mr Michael Duignan, Executive Director of Corporate Finance, at a seminar of Hong Kong Chartered Governance Institute

### Strengthening corporate governance of listed issuers

We collaborated with SEHK to review the corporate governance framework for listed issuers to support Hong Kong's drive towards international best practices. After taking into account market feedback and the SFC's approval, SEHK published consultation conclusions on enhancements to its Corporate Governance Code in December 2024.

The new rules will take effect starting July 2025, with transition periods. To enhance board effectiveness, SEHK has set a cap on the number of Hong Kong-listed issuer directorships that an independent non-executive director (INED) may concurrently hold at six; to reinforce board independence, an issuer's board must not include an INED who has served more than nine years.

### Update on medium to long-term measures to lower transaction cost and boost market efficiency

The SFC has continued to work with Hong Kong Exchange and Clearing Limited (HKEX) to explore medium to long-term measures to reduce market friction, lower transaction cost and boost capital efficiency. In late 2024, HKEX issued consultation conclusions to finalise the plan to reduce the minimum trading spreads of the securities market after receiving strong market support. The first phase will be implemented in mid-2025.

## Strengthening Hong Kong's role as super-connector

### Fostering cross-boundary capital market cooperation

The China Securities Regulatory Commission (CSRC) announced five measures on capital market cooperation with Hong Kong in April 2024, as a result of the long-term concerted efforts between the SFC and relevant Mainland authorities. Among them, the scope of eligible exchange-traded funds (ETFs) was expanded under Stock Connect and the Mutual Recognition of Funds (MRFs) scheme was enhanced during the year, while several leading Mainland companies also went public in Hong Kong with the CSRC's support. We are working with our Mainland counterparts on the other initiatives<sup>11</sup>.

### Driving Stock Connect progress

Stock Connect continues to make new records under the Mainland authorities' firm support. During the year, which marked its tenth anniversary, Stock Connect saw southbound net inflows surge to an annual record high of \$1,113 billion as at 31 March 2025, about three times of the level in the previous year. In addition, average daily southbound trading increased 129% year-on-year to \$67.5 billion. This accounted for 20% of market turnover in Hong Kong, up from 15% in the previous year and marking an annual record high. As of 31 March 2025, cumulative southbound net inflows reached nearly \$4.14 trillion.

We are preparing for including renminbi (RMB) counters under southbound Stock Connect and relaxing the investor eligibility criteria for trading ChiNext and STAR Market<sup>12</sup> stocks under northbound Stock Connect. Additionally, we are exploring further initiatives with our Mainland counterparts, such as the introduction of block trading and inclusion of real estate investment trusts (REITs).

<sup>11</sup> Including (a) incorporating real estate investment trusts into Stock Connect; and (b) supporting the inclusion of renminbi-denominated stocks into southbound Stock Connect.

<sup>12</sup> STAR Market refers to the Shanghai Stock Exchange Science and Technology Innovation Board.

## Enhancing Hong Kong market competitiveness and appeal

### Enhancing ETF Connect

ETF Connect was enhanced in July 2024: the minimum fund size requirement was lowered and the weighting requirements were relaxed for the underlying index tracked by an ETF. As a result, the number of eligible ETFs increased by 60%, with a total of 85 Mainland ETFs and six Hong Kong ETFs newly added.

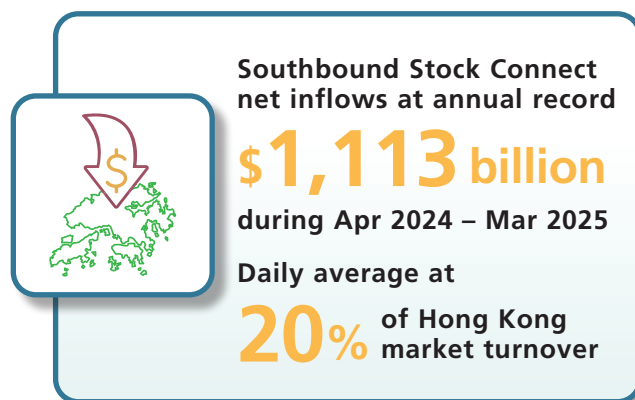
As at 31 March 2025, a total of 248 Mainland ETFs and 17 Hong Kong ETFs were eligible for trading under the scheme. The average daily turnovers of eligible Hong Kong and Mainland ETFs in March 2025 increased by 188% and 136% respectively, compared to July 2024 (ie, when the enhancements took effect).

To improve investors' understanding of the products in both markets and facilitate trading, the CSRC clarified in September 2024 that the arrangements for Mainland securities companies to forward research reports of eligible Hong Kong stocks on the Mainland apply to research reports of eligible Hong Kong ETFs under Stock Connect. Reciprocally, the SFC set out its requirements for intermediaries to distribute research reports on eligible Mainland ETFs in Hong Kong.

### More traction for Wealth Management Connect 2.0

After the enhancements<sup>13</sup> to the Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) took effect in February 2024, the total number of Mainland investors engaging in the southbound scheme (ie, investing in Hong Kong and Macao) rose significantly by 261% as at end-March 2025. The total two-way remittance amount also surged by 611% compared to end-February 2024.

In November 2024, the SFC announced the first batch of 14 brokers eligible to participate in the scheme. They commenced offering cross-boundary investment services with their Mainland partner brokers to GBA investors in December 2024. This further supports the development of Hong Kong's wealth management sector.



### Building offshore RMB and risk management hub

#### Swap Connect

Offshore investors' participation in Swap Connect has grown steadily since its launch in mid-2023. As of 31 March 2025, 78 offshore investors participated in Swap Connect, and the majority of them were international banks and asset management firms. The aggregate notional amount of executed RMB interest rate swap (IRS) transactions was over RMB6 trillion since its launch, representing a daily average of about RMB13 billion.

Swap Connect was enhanced in May 2024, through expanding the types of eligible RMB IRS and introducing trade compression service. These provide participating institutions with increased flexibility in mitigating interest rate risks and greater capital efficiency. Moreover, onshore bonds issued by the Ministry of Finance and policy banks held under northbound Bond Connect have been accepted as eligible margin collateral for clearing Swap Connect transactions since January 2025 and subsequently for clearing all transactions at OTC Clear since March 2025, further reducing the funding cost of collateral for participating institutions.

13 Including expanding investment product scope and increasing the individual investor quota.

## Enhancing Hong Kong market competitiveness and appeal

### HKD-RMB dual counter trading

The HKD-RMB dual counters for 24 stocks have been operating smoothly since their launch in mid-2023. They allow investors to trade RMB-denominated securities and help enhance Hong Kong's status as the leading offshore RMB centre. We have been working closely with HKEX on including RMB-denominated stocks in southbound Stock Connect, which encompasses enhancements to the settlement arrangements to improve operational efficiency.

### Treasury bond futures

Given the steady increase in the amount of China onshore bonds held by offshore investors since the 2017 launch of Bond Connect, we are working closely with HKEX and Mainland authorities to prepare for the launch of China Treasury bond futures contracts in Hong Kong. The contracts would facilitate overseas investors' hedging of their China bond holdings and encourage their participation in the Mainland bond market.

### Meeting fund-raising needs of Mainland enterprises

After the CSRC's announcement in April 2024 to further support listing in Hong Kong, 64 Mainland enterprises completed filings with the CSRC and listed in Hong Kong as of March 2025, including leading enterprises in various sectors, such as electrical appliances, packaged drinks, artificial intelligence, logistics and fresh-made drinks.

### Deepening Mainland-Hong Kong collaboration

To consolidate Hong Kong's role as a super-connector between Mainland markets and the rest of the world, we work closely with our Mainland counterparts and relevant authorities to enhance various mutual market access schemes and strengthen cross-boundary supervisory and enforcement cooperation.



SFC Chairman Dr Kelvin Wong (left) and CEO Ms Julia Leung (right) met with CSRC Chairman Mr Wu Qing (middle) in Hong Kong in November 2024

At the 15th Mainland and Hong Kong Regulatory High-level Meeting with the CSRC held in Shenzhen in September 2024, we and the CSRC reviewed the latest developments of each other's market and achievements in cross-boundary regulatory cooperation and market development initiatives. Both sides reached consensus to further enhance and expand the existing Mainland-Hong Kong mutual market access schemes and further explore new projects to promote the sound development of both Mainland and Hong Kong capital markets.

To ensure resilient response to evolving challenges, we keep frequent high-level dialogues with Mainland authorities. Throughout the year, our senior executives had multiple meetings with the top officials of the CSRC, the Ministry of Finance, the People's Bank of China, the National Financial Regulatory Administration, the State Administration of Foreign Exchange and the China Central Depository and Clearing Corporation. On these occasions, we exchanged views on the latest economic and market conditions, examined the implementation progress of Mainland-Hong Kong market cooperation initiatives and discussed ways to strengthen regulatory cooperation.



## Levelling up Mainland-Hong Kong Mutual Recognition of Funds

With the smooth implementation of Mainland-Hong Kong MRF over the past decade, we have been proactively communicating with the CSRC and other Mainland authorities to provide more flexibility to the scheme. Following the CSRC's announcement of the five measures on market cooperation with Hong Kong during the year, the industry-welcomed enhancements to MRF came into effect as 2025 started.

First, the cap on the value of units of a recognised Hong Kong fund sold to investors on the Mainland was relaxed from 50% to 80% of the fund's total assets. This results in a three-fold increase in the maximum potential sales value of Hong Kong MRF funds on the Mainland.

Second, recognised Hong Kong funds can delegate the investment management functions to an overseas entity within the same group located in a jurisdiction that has entered into a memorandum of understanding (MoU) on regulatory cooperation with the CSRC. This opens up opportunities for

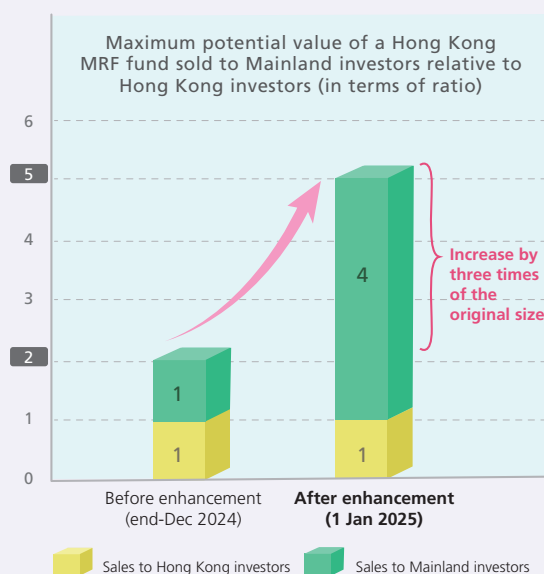
international asset managers to leverage their expertise and extensive knowledge of global markets to offer more offshore solutions and products to Mainland investors.

A total of 40 Hong Kong funds were approved by the CSRC and 43 Mainland funds were authorised by the SFC under MRF as at 31 March 2025.

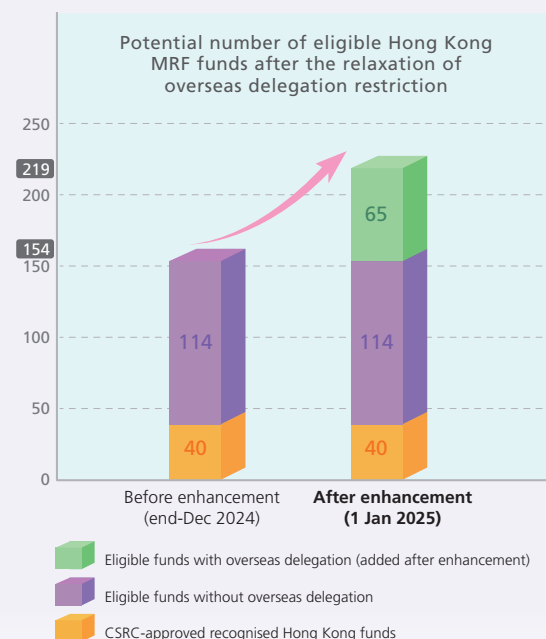
We also see increasing fund flows into Hong Kong MRF funds under the scheme. During the year, Hong Kong funds and Mainland funds recorded net subscriptions of about RMB125.6 billion and net redemptions of RMB111.2 billion, respectively. The aggregate cumulative net subscription for both Hong Kong and Mainland funds was about RMB152.0 billion as at 31 March 2025.

In view of the market's good response to MRF over the years, we will continue to maintain dialogues with the CSRC to explore new opportunities and inject fresh momentum to the scheme.

**Figure 1 – Relaxed sales limit increases maximum potential sales value on the Mainland by three times**



**Figure 2 – Relaxed overseas delegation restriction increases the number of eligible products under MRF**



## Enhancing Hong Kong market competitiveness and appeal

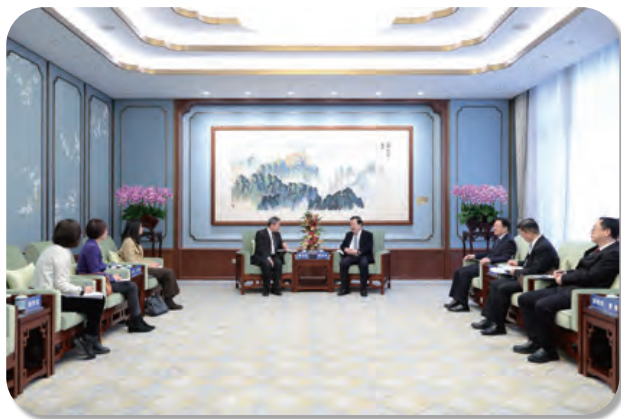
### Mainland-Hong Kong MRF scheme – fund flows<sup>a</sup> (RMB million)

	12 months to 31.3.2025			12 months to 31.3.2024		
	Subscription	Redemption	Net subscription/ (redemption) <sup>b</sup>	Subscription	Redemption	Net subscription/ (redemption) <sup>b</sup>
Hong Kong funds	151,606	26,026	125,580	20,252	9,310	10,942
Mainland funds	120	231	(111)	222	314	(93)

a Based on data from the State Administration of Foreign Exchange.

b Figures may not add up to total due to rounding.

We called on the Hong Kong and Macao Work Office of the Communist Party of China Central Committee and the Hong Kong and Macao Affairs Office (HKMAO) of the State Council in January 2025 to provide an update on Hong Kong's capital market development, and extended gratitude for the Central Government's support to reinforce the city's status as an international financial centre.



Director of HKMAO of the State Council, Mr Xia Baolong (fourth from right); Executive Deputy Director of HKMAO of the State Council, Mr Zhou Ji (third from right); SFC Chairman, Dr Kelvin Wong (fourth from left); and SFC CEO Ms Julia Leung (third from left)

In tandem, we continue to liaise with Mainland authorities at the working level to follow up with the implementation details of the cross-boundary initiatives. We also maintain active and close interactions with Mainland ministries and institutions to enhance mutual understanding and strengthen cooperation. In April 2024, we visited the CSRC to enhance our collaboration in legal and enforcement fields, followed by a sharing session between the legal departments of the two regulators in late 2024. Also

in April, we conducted a training programme for a delegation of the CSRC's senior executives to meet with our operational divisions, local regulators and industry associations in Hong Kong. In December 2024, we received working-level delegates from the National Development and Reform Commission. Additionally, we organised sharing sessions for representatives from the CSRC and Mainland exchanges to better understand Hong Kong's regulatory framework and supervisory work.

We continuously assist the HKSAR Government to enhance financial cooperation with Mainland municipal governments. During the year, we joined the Sixth Plenary Session of the Hong Kong and Shanghai Cooperation Conference, the first and second meetings of the Shenzhen-Hong Kong Financial Cooperation Committee and the High-Level Meeting cum First Plenary Session of Hong Kong and Chongqing Cooperation Conference to discuss cooperation on mutual market access schemes, green finance, talents exchange and other projects.

We also participated in rounds of discussions with Mainland counterparts on the liberalisation wish-list in the securities and futures sector, and supported the finalising and signing of the Second Agreement Concerning Amendment to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) Agreement on Trade in Services in October 2024.

In November 2024, we held the 16th bilateral regulatory meeting with the Financial Supervisory Commission of Taiwan, China. Both sides exchanged views on regulatory developments of virtual assets (VA), fund tokenisation supervision, sustainable finance and severe weather trading.

# Enhancing Hong Kong market competitiveness and appeal

## Gatekeeping securities industry

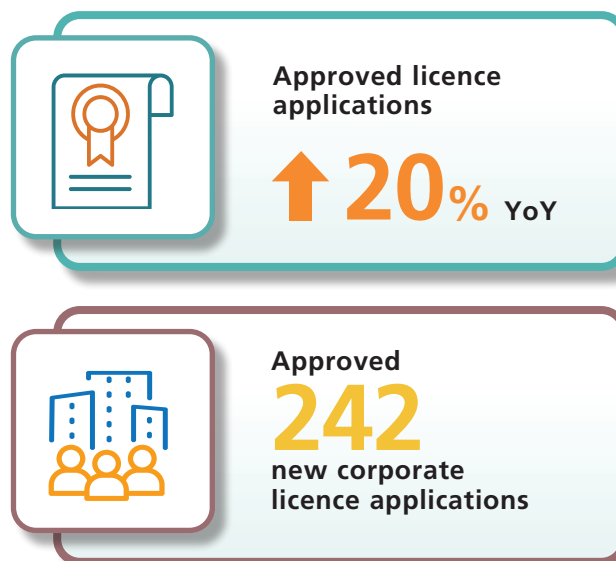
### Increasing number of licensees under the SFO

The number of SFC licensees and registrants totalled 48,825 as of 31 March 2025, amid the continuous expansion of the financial market. Among them, 191 licensed firms carried out regulated business in robo-advisory, virtual banking, VA related activities and multi-family offices.

The number of licensed corporations<sup>14</sup> (LCs) in Hong Kong remained stable at around 3,300. Approximately 14% of the LCs were controlled by foreign financial groups, mainly from Canada, Japan, the US, the UK and the European Union. In addition, a number of overseas-based managers of pension funds and private equity funds have established their business activities in Hong Kong over the years. The number of licensed individuals stayed at around 45,000 as of 31 March 2025, and about 35% of them were employed by foreign-controlled LCs.

### Licence applications under the SFO on the rise

During the year, we received about 8,500 new licence applications, comprising more than 8,200 individuals and 260 corporations. Compared to the previous year, the number of new corporate licence applications received surged by 20%.



We approved 242 new corporate licence applications and more than 8,000 individual licence applications. The total number of approved applications rose by 20% from the previous year. Amongst the newly approved corporate applications, 77% of them applied for Type 9 (asset management) regulated activity (RA) and 61% applied for Type 4 (advising on securities) RA. As of 31 March 2025, the number of firms licensed for Type 9 RA increased by 5% to 2,241.

## Licensees under the SFO

	Corporations <sup>^</sup>		Representatives		Responsible Officers		Total <sup>^</sup>		
	As at 31.3.2025	As at 31.3.2024	As at 31.3.2025	As at 31.3.2024	As at 31.3.2025	As at 31.3.2024	As at 31.3.2025	As at 31.3.2024	Change
Stock exchange participants	515	545	11,174	11,259	1,943	2,003	13,632	13,807	-1.3%
Futures exchange participants	81	86	259	373	105	113	445	572	-22.2%
Stock exchange and futures exchange participants	72	74	5,215	5,283	623	619	5,910	5,976	-1.1%
Non-stock/non-futures exchange participants	2,660	2,541	18,961	18,159	7,109	6,684	28,730	27,384	4.9%
<b>Total</b>	<b>3,328</b>	<b>3,246</b>	<b>35,609</b>	<b>35,074</b>	<b>9,780</b>	<b>9,419</b>	<b>48,717</b>	<b>47,739</b>	<b>2.0%</b>

<sup>^</sup> These figures exclude 108 registered institutions as at 31 March 2025 and 112 as at 31 March 2024.

<sup>14</sup> Broadly, LCs include securities and futures brokers, leveraged forex traders, fund managers, investment advisers, sponsors, credit rating agencies and public fund depositaries.

## Enhancing Hong Kong market competitiveness and appeal

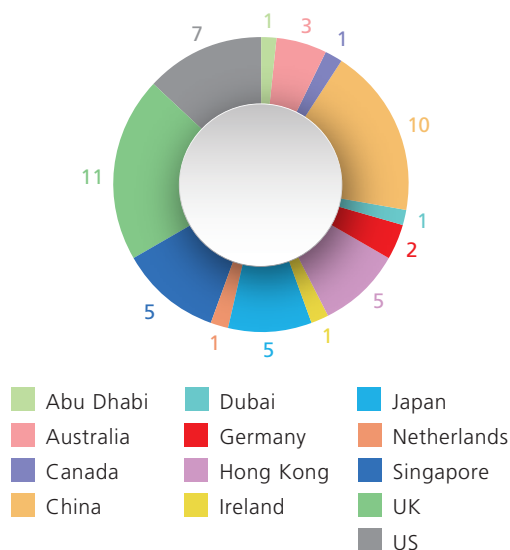
### Securities industry earning higher profits

The SFC's financial review of the securities industry showed remarkable financial resilience for the industry in 2024<sup>15</sup>, with net profits soaring 56% year-on-year to \$44.4 billion, fuelled by an 11% increase in total income to \$222.6 billion. The total value of transactions of all securities dealers and securities margin financiers in Hong Kong increased 34% to \$144.1 trillion. The income growth was broad-based, with increases in net commission income, asset management income and underwriting and placing income.

### Offering handy guides and facilitating professionals to work in Hong Kong

We issued two new quick reference guides to help visiting and returning professionals understand the SFC's pragmatic licensing regime in September 2024. They provide essential information on licensing options, process and various conditions for examination exemptions to ensure a smooth and compliant transition for the professionals to Hong Kong's financial market.

### ATS providers under Part III (By jurisdiction)





# Enhancing Hong Kong market competitiveness and appeal

## Enhancing regulatory regimes

### Enhancing position limit regime

To keep pace with the market growth over the past decade, we began a consultation in February 2025 proposing to increase the statutory position limits for exchange-traded derivatives based on the three key local stock indices. The proposals will lift the limits for the futures and options contracts by 50% to 15,000 position delta for the Hang Seng Index, 108% to 25,000 position delta for the Hang Seng China Enterprises Index, and 43% to 30,000 position delta for the Hang Seng TECH Index. On the whole, the proposal would help bolster our market's competitiveness and strike the right balance between facilitating market development and managing systemic risks. The consultation ended in March 2025 and the proposal received broad support from the respondents.

### Implementing uncertificated securities market (USM)

We are working towards implementing the USM initiative in early 2026, with a view to enhance the efficiency and infrastructure of Hong Kong's securities market while strengthening investor protection. In July 2024, we concluded earlier consultations on the subsidiary legislation and SFC code and guidelines



Securities industry's total net profits in 2024:

**\$44.4 billion**

**↑ 56% YoY**

needed to implement USM. All legislative amendments (both primary and subsidiary) have also been enacted: the last primary law amendments in December 2024 and all USM-related subsidiary legislation in April 2025. In February 2025, we launched a consultation on proposed limits for certain fees that approved securities registrars may charge under USM.

### Launching new regime for fund depositaries

The new Type 13 RA (RA 13) regime for governing public fund depositaries took effect in October 2024. On the launch day, 19 depositaries operating under major banking and insurance groups in Hong Kong, together with over 300 of their staff members, were granted the RA 13 licence or registration to transition to the new regime.



New quick reference guides on licensing requirements

## Enhancing Hong Kong market competitiveness and appeal

### Reinforcing Hong Kong's position as asset and wealth management hub

#### Authorising investment products

During the year, we authorised 218 collective investment schemes (CIS), comprising 205 unit trusts and mutual funds (including 109 Hong Kong-domiciled funds), one investment-linked assurance scheme (ILAS) and 12 mandatory provident fund (MPF) pooled investment funds. Among these CIS, there are 33 ETFs and 12 leverage and inverse (L&I) products listed on SEHK. A total of 3,021 SFC-authorised CIS were offered to the public.

We also authorised 448 unlisted structured investment products for public offering during the year.

#### Increase in OFC registrations

During the year, we registered 221 open-ended fund companies (OFCs), including four re-domiciled OFCs, and approved 493 OFC sub-funds, comprising 37 SFC-authorised funds, amongst which there were 17 ETFs with a total market capitalisation of over \$3,744 million (US\$481 million). Of the 520 OFCs registered as of 31 March 2025, 12 were corporate funds re-domiciled in Hong Kong as private OFCs.



#### Number of Hong Kong-domiciled funds



**↑ 13%**  
**AUM ↑ 40%**  
**in past three years**



#### Issuance amount of unlisted structured investment products

**↑ 94% YoY**

#### Rising net inflows into local domiciled funds

As of 31 March 2025, there were 976 Hong Kong-domiciled funds with total assets under management (AUM) of US\$249 billion. Overall net inflows of US\$44.1 billion were recorded during the year, up 285% from the previous year.

#### Increase in issuance amount of unlisted structured investment products

As of 31 March 2025, there were 391 unlisted structured investment products. An issuance amount of \$99 billion was recorded during the year, up 94% from the previous year.

#### Authorised CIS

	As at 31.3.2025	As at 31.3.2024	As at 31.3.2023
Unit trusts and mutual funds – Hong Kong-domiciled	976	926	913
Unit trusts and mutual funds – non-Hong Kong-domiciled	1,445	1,425	1,417
ILAS	319	319	305
Pooled retirement funds	32	32	32
MPF schemes	25	26	26
MPF pooled investment funds	198	197	221
Paper gold schemes	15	15	14
REITs	11	11	11
<b>Total</b>	<b>3,021</b>	<b>2,951</b>	<b>2,939</b>

## Enhancing Hong Kong market competitiveness and appeal

### Bolstering ties with the Middle East

We have been actively forging greater connectivity with the Middle East to extend our global market reach in a mutually beneficial manner, particularly in the thriving asset management space. This helps diversify the sources of capital and investors for our markets.

In mid-2024, our top management made the first official visit to Saudi Arabia and the UAE to foster financial services collaboration. Then, in October 2024, we paid a second visit to Saudi Arabia, as part of the Hong Kong delegation led by The Honourable Mr Paul Chan, Financial Secretary of the HKSAR. During these visits, we exchanged views and built closer ties with local financial regulators, stock exchanges, asset managers and financial institutions.

We also worked with local financial regulators to host multiple industry roundtables in the UAE and Saudi Arabia to connect local and Hong Kong asset managers. Participants explored ways to deepen their partnership in knowledge sharing, capacity building and widening product choices for investors in each other's market. To help Hong Kong asset managers better understand the local markets, we also published quick reference guides to introduce the markets of Dubai International Financial Centre, Abu Dhabi Global Market (ADGM) and Saudi Arabia, and how Hong Kong funds may be offered there.

On the product front, the Hong Kong ETF tracking the Saudi Arabian market – Asia's first of its kind – made further progress with cross-listing on both the Shanghai Stock Exchange and Shenzhen Stock Exchange in July 2024. As at end-March 2025, the



HKSAR Financial Secretary Mr Paul Chan and our CEO Ms Julia Leung met with the Chairman of the Saudi Arabia's Capital Market Authority (CMA) His Excellency Mr Mohammed bin Abdullah Elkuwaiz and other top executives of the CMA and Saudi Tadawul Group in Riyadh

two Mainland feeder ETFs had a combined market capitalisation of US\$214.4 million (about 17% of the Hong Kong master ETF's size) with active trading since launch. Also refer to the sidebar on page 67 for more details on cooperation with the Middle East including entering into an MoU with the Financial Services Regulatory Authority of ADGM on supervision of investment managers of CIS.

Our senior management also witnessed the successful cross-listing of the first two Hong Kong ETFs on the Saudi Exchange via master-feeder structure in October 2024. The two ETFs became Saudi Arabia's first ETFs to track Hong Kong-listed equities, thus providing Saudi investors with exposure to them. The ETFs had a combined market capitalisation exceeding US\$1.8 billion as at end-March 2025, making them the largest in the Saudi ETF market. These showcase how Hong Kong leverages its unique role in facilitating two-way capital flows via the China-Middle East Corridor.



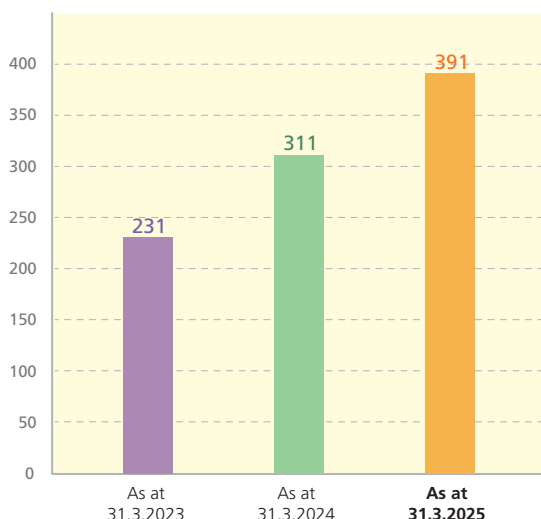
Executive Director of Investment Products Ms Christina Choi (first row, centre) took part in the SFC-CMA asset management industry roundtable in Riyadh



Witnessing the cross-listing of the first two Hong Kong-listed ETFs on the Saudi Exchange

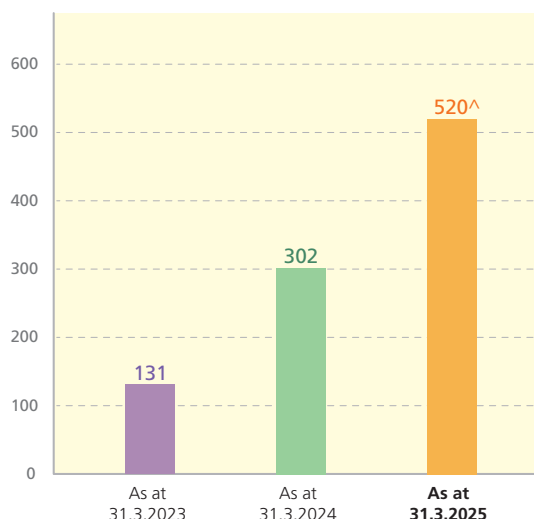
## Enhancing Hong Kong market competitiveness and appeal

### Authorised unlisted structured investment products<sup>^</sup>



<sup>^</sup> On a "one product per key facts statement" basis, including equity-linked investments and deposits.

### Registered open-ended fund companies (OFCs)



<sup>^</sup> As of 31 March 2025, this figure included 481 private OFCs.

### Authorised unit trusts and mutual funds domiciled in Hong Kong – fund flows by type<sup>a</sup> (US\$ million)

Hong Kong-domiciled funds reported overall net inflows of \$343.3 billion (US\$44.1 billion), which was primarily attributed to money market funds and bond funds.

	12 months to 31.3.2025			12 months to 31.3.2024		
	Subscription	Redemption	Net subscription/ (redemption) <sup>b</sup>	Subscription	Redemption	Net subscription/ (redemption) <sup>b</sup>
Bond	33,959	14,936	19,022	11,523	11,737	(215)
Equity	15,713	20,821	(5,108)	11,557	16,595	(5,038)
Mixed	5,866	7,245	(1,379)	4,344	7,530	(3,186)
Money market	161,397	130,917	30,479	61,610	51,586	10,024
Feeder funds <sup>c</sup>	75	15	60	2	6	(4)
Index <sup>d</sup>	114,491	113,626	865	69,759	59,828	9,931
Guaranteed	–	4	(4)	–	5	(5)
Commodity and virtual asset <sup>e</sup>	915	774	141	186	238	(52)
<b>Total<sup>b</sup></b>	<b>332,415</b>	<b>288,338</b>	<b>44,077<sup>f</sup></b>	<b>158,980</b>	<b>147,525</b>	<b>11,455</b>

a Based on data reported by funds domiciled in Hong Kong.

b Figures may not add up to total due to rounding.

c The subscription and redemption amounts of feeder funds whose master funds are authorised by the SFC have been excluded to better reflect the total fund flows.

d Including equity and fixed income index tracking funds, ETFs and L&I products.

e From 30 June 2024, commodity and virtual asset funds, ETFs and L&I products (whether actively managed or index tracking) have been re-categorised under the "Commodity and virtual asset" category. Corresponding adjustments have been made to the relevant historical figures.

f This figure includes net fund outflows of \$39.9 billion (US\$5.1 billion) reported by retail approved pooled investment funds which MPFs may invest into and may also be offered to the public in Hong Kong.



## Enhancing Hong Kong market competitiveness and appeal

### Significant growth of ETF and L&I product market

The overall Hong Kong ETF and L&I product market has grown significantly over the past year. A total of 182 SFC-authorised ETFs and 28 SFC-authorised L&I products were listed on SEHK (up 17.3% from 31 March 2024 in aggregate), with total market capitalisation of \$520.3 billion (US\$67.0 billion), up 34.7% from a year ago.

Full-year net inflows to these ETFs and L&I products amounted to \$12.3 billion (US\$1.6 billion), with \$7.3 billion (US\$0.9 billion) in net inflows during January to March 2025. Their average daily turnover increased 34.2% from the previous quarter to \$39.4 billion (US\$5.1 billion), and rose 84.8% to \$25.3 billion (US\$3.3 billion) year-on-year, equivalent to 15.2% of the turnover of Hong Kong's stock market.

### Broadening ETF and listed fund scope

To promote the Hong Kong ETF and listed fund market, we expanded the fund types available for trading on HKEX through both new and updated regulatory requirements.



Specifically, we now permit SFC-authorised feeder ETFs under master-feeder structure to invest in both index-tracking and actively managed overseas-listed master ETFs under streamlined requirements<sup>16</sup>. We also permit single stock L&I products referencing a highly liquid mega-cap stock listed overseas. In addition, we allow defined outcome listed structured funds that utilise options to offer long exposure to an underlying asset while capping upside potential in exchange for downside protection. Following this, Asia's first batch of single stock L&I products was listed in Hong Kong in March 2025.

### Extending efforts in global asset management cooperation into 2025

Building on the solid progress made during the reporting period, we have furthered our efforts on fostering regulatory ties worldwide since a new fiscal year began. The following provides a timely update on both our regional and global initiatives in May 2025:

- » In the Middle Eastern markets, we entered into an MoU with the Financial Services Regulatory Authority of ADGM to enhance regulatory cooperation on the supervision of investment managers of collective investment schemes based in each other's market.
- » The first sukuk ETF was listed in Hong Kong in May, which was also the world's first ETF outside of Saudi Arabia primarily investing in Saudi Arabian Riyal-denominated sukuk.
- » Additionally, we signed an MoU on MRF with the Central Bank of Ireland, which allows the distribution of eligible Irish and Hong Kong public funds in each other's market through a more streamlined process.
- » Another MoU with the Ontario Securities Commission, Canada, was signed to foster cooperation and facilitate exchange of information on the supervision of cross-border investment management activities. This MoU allows both jurisdictions to benefit from greater transparency and facilitates industry collaboration between the two markets.

<sup>16</sup> To be eligible for the streamlined requirements, the master ETF should have a sizable AUM with a good track record and must be schemes with satisfactory safeguards and measures in place to provide substantially comparable investor protection as ETFs authorised by the SFC.

## Enhancing Hong Kong market competitiveness and appeal

### Cross-listing of a major US ETF in Hong Kong

One of the largest US ETFs with AUM of over US\$300 billion was cross-listed in Hong Kong in February 2025. The ETF, primarily listed on Nasdaq and tracking the Nasdaq 100 Index, offers investors broad exposure to the technology sector. Its cross-listing not only diversifies investment options for Hong Kong investors, but also strengthens the city's position as a leading asset management hub.

### ETF Connect

As at 31 March 2025, 17 ETFs were eligible for southbound trading. During the year, southbound ETF trading had an average daily turnover of \$3.1 billion (US\$393.3 million), contributing 7.3% of the eligible Hong Kong ETFs' total turnover.

### Annual survey shows growth in asset and wealth management industry

We published our annual *Asset and Wealth Management Activities Survey* in July 2024, reporting that the overall AUM of Hong Kong's asset and wealth management business grew 2% year-on-year in 2023 to \$31 trillion (US\$4 trillion), while net fund inflows surged 342%. These results reaffirmed Hong Kong's position as a premier asset and wealth management hub, characterised by a highly diversified investor base, globalised asset allocation and robust fund inflows. From 2019 to 2023, investors outside the Mainland and Hong Kong consistently accounted for 54-56% of total AUM while 60% of the assets managed in Hong Kong were allocated to overseas markets.

### ETF Connect – Southbound trading and fund flows of eligible Hong Kong ETFs<sup>a</sup>

12 months ended	Number of eligible Hong Kong ETFs as at period end	Market capitalisation as at period end (\$ million)	Southbound trading average daily turnover (\$ million)	As % of eligible Hong Kong ETFs' total turnover (%)	Fund inflow/ (outflow) of eligible Hong Kong ETFs (\$ million)
<b>31.3.2025</b>	<b>17</b>	<b>306,402.3</b>	<b>3,064.9</b>	<b>7.3%</b>	<b>(16,402.0)</b>
31.3.2024	8	196,196.9	2,685.6	12.2%	22,773.4
31.3.2023	5	203,834.9	1,165.9	5.9%	40,770.9

a Based on data from HKEX.

### SFC-authorized ETFs and L&I products<sup>a,b</sup>

	As at 31.3.2025	As at 31.3.2024	Change (%)	As at 31.3.2023	Change (%)
Number of SFC-authorized ETFs and L&I products <sup>c</sup>	210	179	17.3	172	22.1
Market capitalisation <sup>d</sup> (\$ billion)	520.3	386.4	34.7	407.1	27.8

	12 months ended 31.3.2025	12 months ended 31.3.2024	Change (%)	12 months ended 31.3.2023	Change (%)
Average daily turnover (\$ billion)	25.3	13.7	84.7	12.9	96.1
Net fund flow <sup>d</sup> (\$ billion) – Net inflow (outflow)	12.3	73.4	N/A	46.1	N/A

a Based on data from HKEX.

b The statistics only cover authorised ETFs and L&I products listed and traded on HKEX's securities market.

c Multiple counters of an ETF and L&I product are counted as one product.

d Market capitalisation and fund flow statistics are calculated based on units/shares of all authorised ETFs and L&I products held in Hong Kong.

## Enhancing Hong Kong market competitiveness and appeal

### Launching integrated fund platform (IFP)

The SFC has been working closely with HKEX and other related parties to bring about the implementation of the new infrastructure of IFP to facilitate retail fund distribution in Hong Kong. The fund repository, as the first phase of the IFP, was launched in December 2024, providing investors with a one-stop access to information on SFC-authorised funds.

### Streamlining product-related processes

To process applications of simple investment funds from specific jurisdictions more efficiently, we launched the Fund Authorisation Simple Track (FASTrack) in November 2024. To promote transparency, we pledged to grant authorisation to FASTrack applications within 15 business days after receiving quality submissions.

Since the implementation, all the 10 applications for eligible funds received to date were authorised within the pledge timeframe.

### Monitoring fund market to ensure orderliness

To monitor the risk exposure of Hong Kong-domiciled SFC-authorised funds, we require asset managers to report key data periodically, including subscription and redemption flows, liquidity profiles, asset allocations, credit quality, currency exposure and use of leverage. We also tailor our monitoring programme and conduct stress tests in response to different market circumstances and stress events. Additionally, we closely monitor the liquidity of SFC-authorised funds through asset managers' reports of unusual or untoward activities, including significant redemptions and suspension of dealing.

### SFC-authorised renminbi investment products

A total of 57 SFC-authorised unlisted funds<sup>17</sup> and 49 ETFs<sup>18</sup> primarily invested in the onshore Mainland securities markets<sup>19</sup> or offshore renminbi bonds, fixed income instruments or other securities.

	As at 31.3.2025
<b>Unlisted products</b>	
Unlisted funds primarily investing in onshore Mainland securities markets or offshore RMB bonds, fixed-income instruments or other securities	57
Unlisted funds (non-RMB denominated) with RMB share classes	469
Paper gold schemes denominated in RMB	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	43
Unlisted structured investment products issued in RMB <sup>a</sup>	390
ILAS with policy currency in RMB	8
<b>Listed products</b>	
ETFs primarily investing in the onshore Mainland securities markets or offshore RMB bonds, fixed-income instruments or other securities	49
ETFs (non-RMB denominated) with RMB trading counters and/or RMB share classes	56
RMB L&I products	1
RMB gold ETFs <sup>b</sup>	1
RMB REITs	1

a The number is on a "one product per key facts statement" basis.

b Only includes gold ETFs denominated in RMB.

17 Excluding recognised Mainland funds under the Mainland-Hong Kong MRF arrangement.

18 Refers to unlisted funds or ETFs which are denominated in RMB.

19 Refers to onshore Mainland investments through the Qualified Foreign Investor scheme, Stock Connect, Bond Connect and the China Interbank Bond Market.

## Enhancing Hong Kong market competitiveness and appeal

### Symbiosis of regulator and fund sector: a view from the industry

In an exclusive interview with the SFC, Mr Sam Yu, Chairman of the Hong Kong Investment Funds Association (HKIFA), shared his valuable industry insights and expectations on driving the fund management industry forward, particularly through close collaboration with regulators and other stakeholders.

#### Market connectivity a friend to growth

Over the past year, the SFC has pushed ahead a wide array of initiatives to bridge Hong Kong with both the Mainland and broader Asian markets. Mr Yu described these as favourably received by the investment fund management industry. Notably, recent enhancements of the MRF and Cross-boundary Wealth Management Connect schemes have opened new doors for Hong Kong-domiciled funds to tap the vast sea of opportunities in the Mainland market.

"The enhancements are a win-win for both markets, as they not only diversify investment choices for Mainland investors but also bolster the growth of Hong Kong-domiciled funds by allowing them to leverage the global capabilities of their asset management groups," he said. "We surely look forward to working closely with regulators to further enhance these schemes, such as easing the sales process and broadening product variety."

Being part of Hong Kong's financial sector delegation to Saudi Arabia last October, Mr Yu valued these opportunities, with the facilitation of the HKSAR Government and the SFC, to engage with local asset managers and witness first-hand the tremendous potential across the Middle East and Asia. "Both the Southeast Asian and Middle East markets will afford a wealth of medium to long-term opportunities to Hong Kong-domiciled funds," he added.

#### Change, or innovation, is the only constant

Echoing the regulatory drive towards innovation and raising market efficiency, Mr Yu highlighted the pivotal role of digitalisation in shaping the future of the financial industry. The "technological wrapper" for assets can enable greater access to investors, lower operation costs and facilitate



HKIFA Chairman Mr Sam Yu spoke to the SFC about the importance of regulator-industry collaboration in an interview

round-the-clock trading. "These innovative products hold particular appeal to the new generation of investors and are poised to become a defining trend," he noted.

On asset tokenisation, Mr Yu welcomed the regulatory initiatives to support related experiments in the Project Ensemble Sandbox. Seeing longer-term benefits for the industry, he believed tokenisation market could be scaled up with more investor education, more new products, as well as more VA trading platforms.

Mr Yu also spoke positively of the first-phase launch of the Integrated Fund Platform (IFP) last December, which received the HKIFA's full support and involved active industry participation. As the other phases unfold, this new financial infrastructure promises to be transformative in facilitating retail fund distribution through greater cost-efficiency and accessibility.

#### The way forward via closer collaboration

On a final note, Mr Yu emphasised the success of every market initiative hinges on the effective collaboration among the HKSAR Government, regulators, the industry and other stakeholders, highlighting investor education as a key example. "Over my 15-year stint with the HKIFA, I have thoroughly enjoyed collaborating with the SFC as a partner in supporting industry growth," noted Mr Yu. "As our market regulators always have an open mind, I am fully confident that we will reach the optimal goal together to entrench Hong Kong's position as an international asset management hub."



## Enhancing Hong Kong market competitiveness and appeal

### SFC-authorised funds investing in alternative assets

In view of the global trend of allowing retail access to alternative assets such as private equity, private credit and infrastructure, we issued a circular in February 2025 to set out our requirements and clarify that the current regulatory regime already allows alternative funds to be authorised and listed on SEHK without any impediments. We also held two webinars in March 2025 to provide further guidance to the industry. Around 270 participants in total attended the webinars, including representatives from five industry associations and fund houses managing SFC-authorised funds. We aim to publish a discussion paper later in 2025 on whether unlisted long-term funds that invest in private assets are suitable for retail investors in Hong Kong and the issues that will need to be addressed, particularly risks relating to liquidity, valuation and complexity of the products.

### Grant scheme for OFCs and REITs

The Government has extended the grant scheme for OFCs and REITs for another three years until 9 May 2027. Administered by the SFC, the grant scheme has been well received by the asset management industry since its introduction in May 2021. As of March 2025, the number of registered OFCs increased 72% year-on-year to 520. The terms of the grant scheme were further updated on 31 March 2025.

### Enhancing local market infrastructure

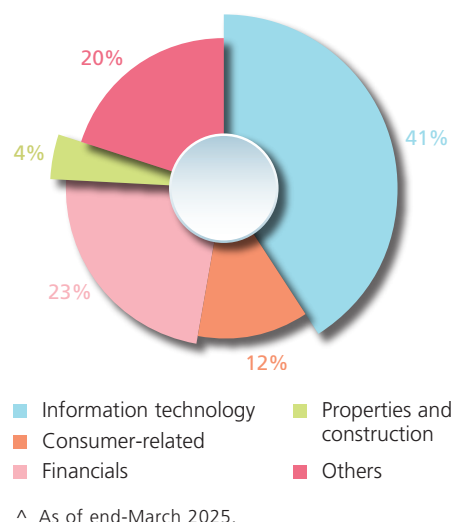
#### Enabling normal trading under severe weather (SWT)

Following the SFC's approval, HKEX successfully rolled out SWT in late September 2024 to ensure the seamless operations of Hong Kong's securities and derivatives markets under severe weather conditions. On 14 November 2024, SWT was implemented for the first time and all market operations were smooth. This not only enhances our markets' competitiveness but also enables trading through Stock Connect during severe weather in Hong Kong.

#### Approving new derivatives products

We approved HKEX's proposed rule amendments in relation to the launch of Weekly Hang Seng TECH Index Options and Weekly Stock Options contracts in September 2024 and November 2024, respectively. The

### Market capitalisation of Hang Seng Index constituents by sector<sup>^</sup>



introduction of weekly contracts will further expand HKEX's product suite and allow participants to manage their trading and risk management needs more flexibly.

### Pushing ahead OTC derivatives regulation

In line with the G20 commitments to reform the OTC derivatives (OTCD) market, we have been working with the Hong Kong Monetary Authority (HKMA) and stakeholders on implementing a regulatory regime for the OTC derivatives market in Hong Kong. Following public consultation, changes to the Clearing Rules for OTC derivative transactions came into effect in July 2024. The proposals are in line with the global interest rate benchmark reform, particularly the transition from the use of interbank offered rates to alternative reference rates.

In September 2024, the SFC and the HKMA concluded a joint further consultation on mandating the use of Unique Transaction Identifier, Unique Product Identifier and the reporting of Critical Data Elements for the OTCD reporting regime. In December 2024, the two regulators issued frequently asked questions and supplementary reporting instructions to guide market participants on preparing for implementation. These enhancements will help ensure Hong Kong's OTCD reporting regime keeps up with international developments and will facilitate the analysis of OTCD transactions.

# Leading financial market transformation through technology and ESG

We embrace technology and sustainable finance to transform financial markets to serve the needs of the real economy. It is essential to foster a secure Fintech ecosystem and strengthen Hong Kong's role as a sustainable finance hub through enhanced corporate disclosure standards and intermediation between emerging and developed economies.

## Facilitating innovation and embracing technology

### Aspiring for a brighter future of Hong Kong's virtual asset ecosystem

To develop Hong Kong as a global virtual asset (VA) hub and enhance the security, innovation and growth of its VA market, we set out a new **"ASPIRe"** roadmap in February 2025. The 12 initiatives under the roadmap seek to streamline access for global liquidity, enable adaptive compliance and product frameworks focusing on security, and drive infrastructure upgrades for traditional finance to tap into blockchain efficiency.

Under the roadmap, new frameworks for regulating VA over-the-counter and VA custodian services will be developed, while VA product and service offerings will be expanded. Other measures encompass optimisation of operational requirements for VA trading platforms, combatting illicit activities, investor education and proactive stakeholder engagement.



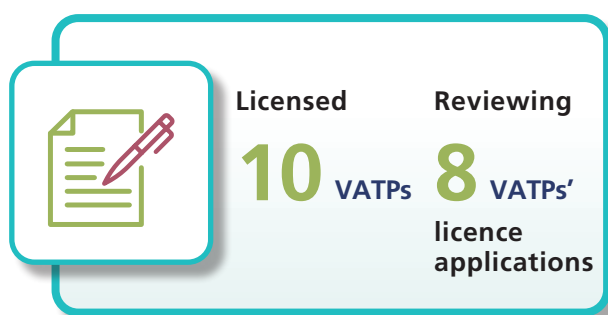
Executive Director of Intermediaries Dr Eric Yip spoke at a panel discussion at Consensus Hong Kong conference on the SFC's new **"ASPIRe"** roadmap



## Leading financial market transformation through technology and ESG

### Providing staking guidance

The SFC recognises that a wider array of VA products and services is crucial to the development of a healthy VA ecosystem in Hong Kong. To expand VA product and service offerings, which is one of the five pillars set out in the “**ASPIRe**” roadmap, the SFC provided regulatory guidance in April 2025 respectively to licensed VA trading platforms on their provision of staking services, and to SFC-authorised funds with exposure to VAs on their engagement in staking.



### Regulating virtual asset trading platforms (VATPs)

To enable fully compliant VATPs to bring their services to investors more swiftly, we have adopted a swift licensing process for deemed-to-be-licensed VATP applicants (deemed applicants) since December 2024. This followed our on-site inspection programme in June 2024, during which we effectively provided guidance to these applicants on our expected regulatory standards by directly engaging with their senior management and ultimate controllers.

We extended this swift licensing process to new VATP applicants in January 2025, after completing our risk-based on-site inspections of all deemed applicants.

As at 31 March 2025, the SFC licensed a total of 10 VATPs and was reviewing licence applications of eight VATP applicants, four of which were deemed applicants under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO).

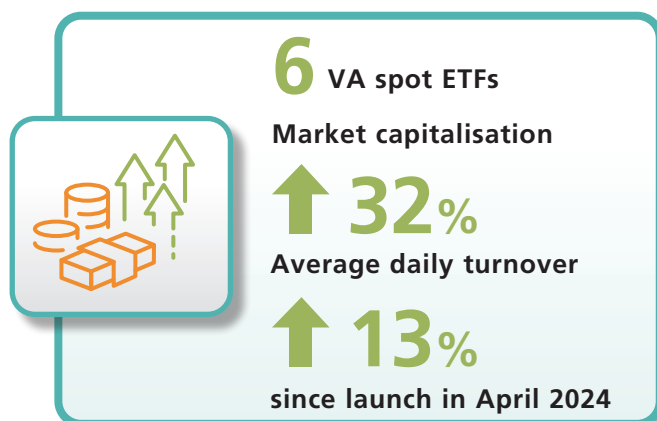
To provide VATPs with greater clarity and guidance on their licensing journey, we issued a circular on the licensing process and revamped Second-phase Assessment in December 2024. In the second phase which is to be performed as a direct assurance engagement, we focus on ensuring that the VATPs have suitably designed and implemented their policies, procedures, systems and controls. The SFC supervises the overall process of the Second-phase Assessment through a tripartite engagement with a VATP and its external assessor.

To enhance regulatory compliance, we conducted on-site inspections on all deemed applicants to assess their cybersecurity measures, safeguarding of client assets and know-your-client processes, amongst others. In January 2025, we published the findings of these inspections and provided more clarity on our expected regulatory standards for VATP operators. They were also reminded to deploy sufficient resources and effective procedures to ensure the proper performance of their businesses.

### Broadening VA product offering — Asia's first spot ETFs

Asia's first batch of six VA spot exchange-traded funds (ETFs), authorised by the SFC, were launched in Hong Kong in April 2024, after we released the regulatory guidance on VA funds in late 2023. As at end-March 2025, they had a market capitalisation of US\$382 million and an average daily turnover of US\$6 million, up 32% and 13% since launch, respectively.

Further to our regulatory guidance on VA funds' engagement in staking issued in April 2025, we permitted two of these ETFs to engage in staking with licensed VATPs for yield enhancement, the first in the Asia Pacific region.



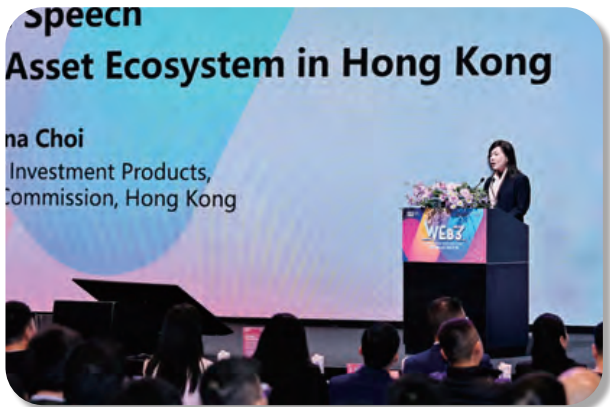
# Leading financial market transformation through technology and ESG

## Promoting Fintech development via active outreach

As part of the SFC’s proactive engagement with VATPs, we established a Consultative Panel for VATPs to identify and understand the latest market developments in the VA ecosystem, including opportunities, risks and regulatory perimeter implications of VATPs, VA products and services, paving the way for market developments backed by investor safeguards. Chaired by Dr Yip and comprising all licensed VATPs, the panel successfully concluded its first meeting in February 2025.

The SFC actively co-organised and participated in the 2024 Hong Kong FinTech Week. Our senior executives spoke to market practitioners about the SFC’s initiatives in fostering a vibrant VA market in Hong Kong, surveyed the city’s current Fintech landscape and elaborated the SFC’s regulatory policy on tokenisation.

To further enhance investor education and market outreach, we spoke at a number of interviews, seminars, webinars, training sessions and events organised by or partnered with Government authorities, international regulatory bodies, industry associations, media and universities. We emphasise our commitment to providing a clear and consistent regulatory framework that enables the industry to experiment with tokenisation with certainty.



Executive Director of Investment Products Ms Christina Choi spoke at the Hong Kong Web3 Festival 2025

## Facilitating the industry in harnessing generative artificial intelligence (AI)

To promote the responsible use of generative AI language models, we set out our regulatory expectations on their use in a circular to licensed corporations in November 2024. We highlighted the risks associated with this technology and detailed requirements around four core principles: senior management responsibilities, AI model risk management, cybersecurity and data risk management, and third-party provider risk management.

## Licensees under the AMLO

	As at 31.3.2025	As at 31.3.2024
Licensed providers	10	0
Licensed individuals	104	0
<b>Total</b>	<b>114</b>	<b>0</b>

## Licensing applications under the AMLO

	2024/25	2023/24	YoY change (%)
Applications for SFC licences	158	35	351.4



## Championing asset tokenisation to future-proof financial markets

With facilitative initiatives including the Project Ensemble Sandbox launched in August 2024, market participants are leveraging them as powerful tools of financial innovation through experiments and testing of tokenisation use cases. This has played a pivotal role in advancing Hong Kong's Fintech industry towards a new stage: moving beyond proof-of-concept pilots and looking very seriously at commercialisation use cases.

In order to scale the tokenisation market in Hong Kong, the SFC provides regulatory guidance continuously to Sandbox participants to support their experimentation under different themes. Under the Sandbox, we co-lead the tokenisation initiatives for the asset management industry with the Hong Kong Monetary Authority (HKMA).

Over the past year, Sandbox participants have made encouraging progress on various use cases for investment products. Guided by the SFC, a local bank in October 2024 successfully simulated the first-of-its-kind trading and dealing of a tokenised money market fund using tokenised deposits within a controlled sandbox environment. This paves



the way for further exploration of the atomic settlement for tokenised funds and money on a 24/7 basis in practical business scenarios. We are working closely with other Sandbox participants to advance their fund tokenisation use cases.

Additionally, in the first quarter of 2025, we authorised the first batch of three tokenised retail money market funds<sup>a</sup> in Asia Pacific, investing primarily in HKD and USD money market instruments. Their tokenised classes had a total AUM of \$736 million (US\$94 million) as of 31 March 2025.

<sup>a</sup> These include the introduction of tokenised classes to existing SFC-authorized money market funds.

## Promoting sustainable development for markets

### Supporting voluntary code for ESG rating and data providers

To promote higher transparency and quality of environmental, social and governance (ESG) information for Hong Kong's financial markets, an industry-led working group published the SFC-supported voluntary code of conduct for ESG ratings and data products providers in October 2024. As of 31 March 2025, 18 international and local providers had indicated their intention to sign up for the code.

An SFC-backed and Bloomberg-hosted launch event for the code was held in November 2024, attracting over 200 attendees. In light of the publication of the code, we issued guidance to asset managers to encourage them to take the code into account in their due diligence process when engaging these providers.

### Gatekeeping ESG funds

Gatekeeping against greenwashing remains one of the SFC's priorities. As of 31 March 2025, there were 218 SFC-authorized ESG funds with total assets under management of \$1,083.0 billion (US\$139.2 billion).

### Leading global and Hong Kong's sustainable finance efforts

We continue to lead efforts in advancing Hong Kong's position as an international sustainable finance hub and develop an effective regulatory framework for our financial system to better support the low-carbon transition of the economy.

## Leading financial market transformation through technology and ESG



The Steering Group meeting in February 2025

Our Chief Executive Officer (CEO) Ms Julia Leung serves as a Vice Chair of the International Organization of Securities Commissions' (IOSCO) Sustainable Finance Task Force (STF). The IOSCO STF is a Board-level taskforce which coordinates regulatory action on corporate sustainability disclosures, sustainability assurance, carbon markets and transition plans, among other topics. The SFC is a member of all workstreams under the IOSCO STF<sup>1</sup>.

In addition, we lead the Sustainable Finance Working Group of IOSCO's Asia-Pacific Regional Committee (APRC) and actively participate in various international initiatives to advance the global sustainable finance agenda. See "Sustainability" on pages 112-118 for details.



The IOSCO STF plenary meeting in Singapore in September 2024



Locally, we co-chair the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group)<sup>2</sup> with the HKMA. We participate in all of its working groups, and key initiatives of the year include:

- Development of the Roadmap on Sustainability Disclosure in Hong Kong. See sidebar on page 79;
- Development of the Transition Finance Knowledge Hub; and
- Enhancement and promotion of free climate data tools, including two greenhouse gas emissions calculation and estimation tools, as well as the Climate and Environmental Risk Questionnaire for non-listed companies and small and medium-sized enterprises.

In February, the Steering Group set out three focus areas for 2025: developing the local sustainability disclosure ecosystem, facilitating transition plan disclosure and transition finance, and promoting the use of data and technology. See "Sustainability" on pages 112-118 for details on the Steering Group's current initiatives.

<sup>1</sup> These include the IOSCO STF workstreams on corporate reporting, carbon markets, transition plans, and green finance and innovation.

<sup>2</sup> Established in May 2020, the Steering Group is co-chaired by the SFC and HKMA, and also includes the Financial Services and the Treasury Bureau (FSTB), Environment and Ecology Bureau (EEB), Insurance Authority (IA), Mandatory Provident Fund Schemes Authority (MPFA), Accounting and Financial Reporting Council (AFRC) and Hong Kong Exchanges and Clearing Limited (HKEX).

## Leading financial market transformation through technology and ESG

### Engaging with stakeholders on sustainability

We work with the Investor and Financial Education Council (IFEC), an SFC subsidiary dedicated to improving financial literacy in Hong Kong, to raise public awareness and understanding of sustainable finance through mass communication and public outreach initiatives.

The IFEC developed education resources and communications to help retail investors understand ESG and sustainable investing and make informed choices aligned with their values. These materials also highlighted the use of ESG reports, indexes and ratings, helping investors make informed decisions.

During the year, SFC senior executives participated in various local, regional and international forums to share insights on sustainable finance and introduce our regulatory initiatives. Our CEO Ms Leung spoke at the launch event of the Hong Kong's voluntary code of conduct for ESG ratings and data products providers, encouraging asset managers to leverage this code to facilitate their due diligence and ongoing assessments. She also delivered opening remarks at the Vietnam State Securities Commission Symposium in Da Nang, Vietnam, highlighting the importance of IOSCO APRC to the sharing of experiences and technical expertise.



Ms Leung spoke at the Vietnam State Securities Commission Symposium

### SFC plays an instrumental role in IOSCO STF initiatives

#### Corporate sustainability disclosures

Our CEO co-chairs the STF's Corporate Reporting Workstream. We drive IOSCO's engagement with the International Sustainability Standards Board (ISSB) and other international stakeholders, and support its work to promote adoption of the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards (ISSB Standards) among IOSCO members.



#### Transition plans

We organised an industry roundtable in April 2024 to understand Hong Kong and regional perspectives on transition plan disclosures. The findings informed the *IOSCO Report on Transition Plans*, which highlights five components of transition plan disclosures most useful to investors.



#### Voluntary carbon markets

We contributed to the *IOSCO Final Report on Voluntary Carbon Markets* (published November 2024). It outlined good practices for enhancing the financial integrity and orderly functioning of voluntary carbon markets globally.



## Leading financial market transformation through technology and ESG



Ms Kung spoke at the Beijing International Sustainability Conference 2024

Our Senior Director and Head of International Affairs and Sustainable Finance Ms Christine Kung spoke at the IOSCO Asia Pacific Hub webinar “2025 Regional Outlook: Emerging Regulatory Risks for the Asia Pacific Region” and the Beijing International Sustainability Conference 2024 on sustainability disclosures, showcasing Hong Kong’s approach to fully adopt the ISSB Standards and develop a comprehensive sustainability disclosure ecosystem.

### Nurturing sustainable finance talent

Talent is the very foundation for Hong Kong’s development as a sustainable finance hub, and the SFC stands ready to support talent development.

With keen participation of more than 100 promising university students, our seminar on “Developing a comprehensive sustainability disclosures ecosystem” in July 2024 covered broad-ranging topics on sustainable finance. These included the latest local and global sustainable finance trends, the importance of disclosures to drive capital allocation towards sustainability and transition, the use cases of carbon credits in corporate decarbonisation, and the potential of green Fintech in scaling sustainable finance.



Award presentation ceremony of the Hong Kong Securities and Investment Institute Case Competition, in which the SFC served as a judge

We were a judge of the Hong Kong Securities and Investment Institute Case Competition, which aimed to incubate and showcase innovative sustainability solutions developed by university students from both Hong Kong and the Guangdong-Hong Kong-Macao Greater Bay Area.

Our Sustainable Finance Internship Programme, in its third year, continues to offer university students exposure to sustainable finance policy development and implementation. We also continue to help administer the HKSAR Government’s Pilot Green and Sustainable Finance Capacity Building Support Scheme.



SFC’s seminar on sustainability disclosures for over 100 university students



## Embracing global sustainability reporting standards in Hong Kong

Sustainability disclosures aligned with international standards are integral to meeting investors' needs for comparable, consistent and decision-useful information. They are also key to reinforcing Hong Kong's leading position as a sustainable finance centre.

Hong Kong has set out a pathway to fully adopt the ISSB Standards. The SFC co-led a working group<sup>a</sup> to develop the Roadmap on Sustainability Disclosures in Hong Kong, which the HKSAR Government published in December 2024. Under this roadmap, large publicly accountable entities in Hong Kong, including large listed issuers and financial institutions carrying a significant weight, will fully adopt the ISSB Standards and apply the Hong Kong Sustainability Disclosure Standards (Hong Kong Standards)<sup>b</sup> no later than 2028.

To prepare listed companies for reporting against the Hong Kong Standards, the Stock Exchange of Hong Kong Limited (SEHK) introduced enhanced

climate-related disclosure requirements after the SFC's approval. These enhanced requirements are modelled on IFRS S2 Climate-related Disclosures and have taken effect in phases starting January 2025. SEHK also published an implementation guidance that references IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information to assist issuers.

To help develop Hong Kong's comprehensive sustainability disclosure ecosystem outlined in the roadmap, we supported all-round capacity building and talent development, developed greenhouse gas emissions calculation and estimation tools, and promoted green Fintech<sup>c</sup>. In January 2025, we hosted an industry roundtable, with representatives from the ISSB, listed companies and financial institutions discussing the local sustainability reporting landscape and ways to increase market capacity.



The Steering Group hosted an industry roundtable with the ISSB's representatives

<sup>a</sup> The working group is co-chaired by the FSTB and SFC. Members include the EEB, HKMA, IA, MPFA, AFRC, HKEX, and the Hong Kong Institute of Certified Public Accountants (HKICPA).

<sup>b</sup> As the local sustainability reporting standard setter, HKICPA published the final Hong Kong Financial Reporting Standards Sustainability Disclosure Standards in December 2024. These standards are fully aligned with the ISSB Standards, with an effective date of 1 August 2025.

<sup>c</sup> See "Sustainability" on pages 112-118 for details.



## Enhancing SFC's institutional resilience and efficiency

To effectively gatekeep for the development of Hong Kong's capital markets, we strive to build our own institutional resilience and improve operational efficiency. Alongside robust budgeting and internal controls, we are committed to enhancing processes and stepping up communications.

## Driving operational efficiency via technology and process streamlining

## Deploying AI and other technologies

Over the year, we implemented several artificial intelligence (AI) initiatives, including an AI-driven automation solution to strengthen our anti-money laundering and counter-terrorism financing endeavours. The solution actively monitors global regulatory enforcement actions and adverse news related to licensed corporations and associated entities, thereby enhancing our off-site supervision and emerging risk identification capabilities.

We also introduced several new generative artificial intelligence (GenAI) solutions, and enhanced our internal AI solution with new features to boost day-to-day operational efficiency. We are looking to leverage GenAI to extract insights from unstructured data such as judgements and case reports. In addition, we are utilising large language models to automate data extraction from large volumes of corporate filings. This will help us identify potential corporate governance red flags efficiently.

We enhanced our key surveillance and monitoring platform for the securities and derivatives markets in Hong Kong, with infrastructure upgrades strengthening platform security and performance. The upgraded system facilitates our oversight of exchange participants' compliance with the self-matching prevention rules with more comprehensive information.

## Digitalisation to streamline application and submission processes

In July 2024, we launched e-IP, a new one-stop online application and submission system for investment products on the SFC's WINGS<sup>1</sup> portal, which has been operating smoothly and gained wide industry support since launch. The new system allows the industry to seamlessly submit applications of new products, post-authorisation or registration-related matters, submit regulatory filings, maintain company profiles and handle fee payments. Following a four-month parallel run, e-IP became fully operational at end-November 2024, with new functionalities and enhanced settings tailored to user feedback.

During the year, we also enhanced various digital submission capabilities of WINGS. Digital submission was made available for virtual asset trading platform (VATP) operators in sole compliance with the Anti-Money Laundering and Counter-Terrorist Financing Ordinance to provide information regularly through the Business and Risk Management Questionnaires (BRMQ) and Financial Resources Returns (FRR). The information received facilitates more effective oversight and compliance.

Also, the FRR form and BRMQ were updated to gather more comprehensive financial data for Type 13 regulated activity governing public fund depositaries. A new e-form for the Cross-boundary Wealth Management Connect Scheme was released in January 2025, along with a new analytic platform to help analyse incoming data from licensed corporations.



### Launch of e-IP

1 Web-based INTeGrated Service.

## Enhancing SFC's institutional resilience and efficiency

### Enhancing enforcement outcome by streamlining internal processes

We have been fostering greater collaboration across all divisions to promote better synergies. Our Enforcement Division and Legal Services Division conducted a joint review of the investigation and enforcement processes in the year, and are moving ahead to digitalise and automate existing processes, standardise protocols, and streamline cross-divisional workflows. These enhancements will increase operational efficiency, enabling us to better achieve our regulatory objectives. We are developing a tool to enable the two divisions to jointly manage and track the latest status of cases.

In addition, the Enforcement Division is implementing initiatives internally to improve efficiency, streamline manual work and address procedural bottlenecks. These included enhancements to the electronic approval system and evidence filing standards, advancing the digitalisation of case files and automation of notice generation. In collaboration with other divisions, the Enforcement Division streamlined the process for intelligence sharing and case referrals, reducing turnaround time and increasing productivity.

### Proactive communications to facilitate effective regulation

To promote a deeper understanding of our work and ensure timely and effective dissemination of regulatory updates, we proactively engage with both the industry and the public through an array of communication channels and educational initiatives.

### Industry outreach to foster open dialogue with participants

To keep the industry informed of regulatory developments, we organise regular meetings, briefing sessions and workshops, and contribute articles to industry association newsletters. In addition, at over 90 local and international events during the year, our Chairman Dr Kelvin Wong, Chief Executive Officer (CEO) Ms Julia Leung and other senior executives spoke on a wide range of topics and explained our major policy initiatives, including corporate governance, asset management, Fintech and sustainable finance. We supported 26 seminars and events organised by industry bodies.



## Enhancing SFC's institutional resilience and efficiency



Chairman Dr Kelvin Wong spoke at the second Hong Kong Capital Markets Forum 2025 (left) and a seminar of Hong Kong Chartered Governance Institute (right)

At the second Hong Kong Capital Markets Forum in January 2025, Dr Kelvin Wong spoke on the critical importance of enhancing corporate governance and raising the quality of listed companies in upholding Hong Kong's status as a leading international financial centre.

In November 2024, we co-hosted the "Conversations with Global Investors" forum with the Hong Kong Monetary Authority (HKMA) and the Hong Kong Academy of Finance during the three-day Global Financial Leaders' Investment Summit. At the forum, more than 20 global leading investors shared their insights on exploring new opportunities in different investment markets by managing risks and embracing changes. The event was attended by about 280 overseas and local leaders in the financial industry and public sector.

During the year, we organised a number of seminars and workshops for financial intermediaries on various topics. Our AML/CFT Regtech Forum for more than 300 participants encouraged responsible Regtech adoption in combatting money laundering and terrorist financing. Two AML/CFT webinars were organised for 1,800 management and compliance personnel from licensed corporations to share our supervisory observations and feedback on suspicious transaction reporting. We discussed recent industry performance and developments in different areas including virtual assets, asset management, and fixed income, currencies and commodities in a seminar attended by more than 200 industry participants. We also hosted two licensing-related workshops on the SFC's digitalised licensing process and the latest trends in licensing activities.



CEO Ms Julia Leung delivered welcoming remarks at the "Conversations with Global Investors" forum



To foster direct communications with the sponsor community, we held an inaugural IPO<sup>2</sup> Sponsor Forum in December 2024, which was attended by senior management representatives from various sponsor firms. At the event, we explained our proactive IPO vetting approach and process, and collected feedback from market participants on the enhanced timeframe for the new listing application process.

<sup>2</sup> Initial public offering.

## Enhancing SFC's institutional resilience and efficiency

We participated in the seventh International Takeover Regulators' Conference held in Toronto, Canada, in May 2024, presenting the latest developments in takeovers regulations in Hong Kong. We also shared our experience in reviewing takeovers transactions involving closely held companies.



Mr Rico Leung (first from left), Executive Director of Supervision of Markets, spoke to the press on severe weather trading

### Active media engagement

We actively engage local, Mainland and international media stakeholders to facilitate their reportage and to keep the public informed of our policies, initiatives and regulatory actions. To this end, we utilise various media tools including media workshops, stand-ups and briefings to help them gain a better understanding of the SFC's initiatives, as well as media interviews for our senior executives to articulate our stance and policy.

### Diverse publicity channels and social media posts

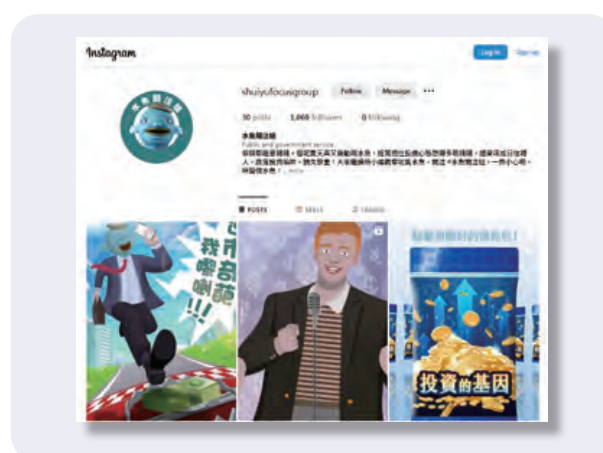
We actively carry out education and outreach initiatives in a variety of formats to increase public awareness of our policy work. Our targeted publicity campaigns help alert the investing public of investment risks including scams. Joint activities with the Investor and Financial Education Council, the SFC's wholly-owned subsidiary, promote public understanding of the features and risks of different types of financial products.



Mr Christopher Wilson (middle), Executive Director of Enforcement, at Boardroom Briefing for INEDs: Shaping the Future – Navigating Governance, Technology and Economy with Confidence

As part of our "Don't be Sucker" anti-scam publicity campaign<sup>3</sup>, we launched in December 2024 an Instagram account as a dedicated channel to caution the public against common investment scam tactics in an engaging manner.

During the year, over 400 posts were published on the SFC's social media platforms to promote public awareness of various matters, such as investor alerts on suspicious investment products and platforms, latest developments on corporate governance, sustainability and regulatory updates.



SFC's Instagram account

<sup>3</sup> See pages 37-38 for details.



## Enhancing SFC's institutional resilience and efficiency

### Publications and handling enquiries

Our publications keep the industry informed of our regulatory work and other noteworthy developments. During the year, we issued 10 thematic publications, including newsletters, market reviews and surveys.

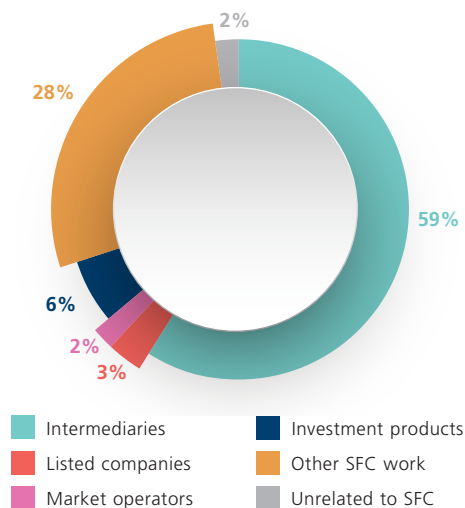
Our circulars and frequently asked questions help the industry better understand our regulatory requirements. The 70 circulars we issued during the year provided guidance on various matters, including cybersecurity, IPO subscription and financing, listed closed-ended alternative asset funds, severe weather trading, and updates on AML/CFT.

Additionally, we issued 206 press releases to inform the public of the latest regulatory actions and other SFC news. We also published three policy statements and announcements explaining our regulatory approach to specific issues.



The *Enforcement Reporter* newsletter was back in action in March 2025 to highlight the SFC's key enforcement efforts and outcomes

### General enquiries



Our annual reports and quarterly reports help our stakeholders and the public understand our key regulatory work and corporate developments. Our *Annual Report 2023-24* was recognised with Gold Award and Excellence Award in ESG Reporting in the 2024 Hong Kong Management Association's Best Annual Reports Awards. The report also won a Corporate Governance Award in the Hong Kong Institute of Certified Public Accountants' Best Corporate Governance and ESG Awards 2024. On our corporate website, the public can easily obtain up-to-date information about our work and regulations.

We respond verbally or in writing to enquiries from the industry about our rules and regulations, covering licensing, listings and takeovers, product authorisation and short position reporting. Designated email addresses are provided to handle enquiries on specific topics more efficiently. During the year, we received 4,175 general enquiries.

The SFC Fintech Contact Point promotes communication with businesses involved in the development and application of financial technology (Fintech) in conducting regulated activities and virtual asset-related activities in Hong Kong. We dedicate a separate mailbox to licensing-related matters regarding virtual asset trading platforms to improve communication. During the year, we received a total of 177 Fintech-related enquiries.

## Commemorating a regulatory journey of 35 years



Mr John KC Lee, HKSAR Chief Executive, delivers keynote address



Keynote address by Mr Paul Chan, HKSAR Financial Secretary

In October 2024, the SFC's jubilant cocktail reception gathered over 300 leaders from both the public and private sectors to celebrate its 35th anniversary as the guardian of Hong Kong's capital markets.

Guests of the heart-warming gathering were treated to inspiring keynote speeches by the Chief Executive of Hong Kong SAR (HKSAR) Mr John KC Lee and Financial Secretary Mr Paul Chan, who reflected on the SFC's pivotal role in shaping Hong Kong's financial markets. The event also welcomed other officiating guests including dignitaries from the Central People's Government, senior Government officials, members of the Executive Council and the Legislative Council, and senior financial executives.



Fireside chat moderated by CEO Ms Julia Leung with the SFC's former and then chairmen

The evening brimmed with memorable moments. As one of the highlights, all the SFC's seven past and then chairmen<sup>a</sup> from its establishment in 1989 shared in a fireside chat their memories and insights on building the SFC into a guardian of

capital markets and investor protection. Moderated by our CEO Ms Julia Leung, the engaging dialogue showed the values and experiences that have shaped the regulator, illustrating its evolution and contributions to the financial landscape.

In addition, a specially choreographed dance performance titled "Wish" offered an immersive audio-visual experience to take the audience on a remarkable journey through the SFC's 35 years of developing and safeguarding Hong Kong's financial markets.



Toasting moment

The SFC's rewarding journey in steering Hong Kong's capital markets has paralleled China's historic rise. We also commemorated the 75th anniversary of the founding of the People's Republic of China at the event, adding extra significance to the evening.

<sup>a</sup> Namely Mr Robert Owen, Mr Robert Nottle, Dr Anthony Neoh, Tan Sri Andrew Sheng, Dr Eddy Fong, Mr Carlson Tong and Mr Tim Lui.

## Enhancing SFC's institutional resilience and efficiency

### Publications and other communications

	2024/25	2023/24	2022/23
Press releases	206	186	114
Policy statements and announcements	3	6	7
Consultation papers	5	6	8
Consultation conclusions	7	7	4
Industry-related publications	10	16	9
Codes and guidelines <sup>a</sup>	8	12	4
Circulars to industry	70	63	67
Social media posts <sup>b</sup>	404	347	177
Corporate website average daily page views <sup>c</sup>	68,082	64,941	62,191
General enquiries	4,175	3,637	2,947

a Includes updates to previous versions.

b Includes posts on the SFC's Facebook, LinkedIn and WeChat pages, and the dedicated anti-scams Instagram page launched in December 2024.

c The average number of webpages browsed per day during the reporting period.

## Sound financial and resource management

### Upholding financial discipline

As a publicly funded organisation, we prepare our annual budget under a disciplined, strict and prudent approach. We engage an independent external firm to conduct internal audits to assess the effectiveness of our internal controls and identify the key risks of all our business processes. We also appoint external investment managers to manage our surplus reserves according to the investment guidelines approved by the Financial Secretary.

### Funding

We are operationally independent of the HKSAR Government and are funded mainly by transaction levies and fees from market participants. The current levy rate is 0.0027% for securities transactions, which is substantially lower than the original rate of 0.0125% set in 1989. We have not revised our fees and charges since 1994, and have offered annual licensing fee waivers 11 times since 2009<sup>4</sup>. The extended one-year annual licensing fee waiver for 2024-25 ended in March 2025, and the collection of annual licensing fees resumed in the new financial year beginning 1 April 2025.

### Income

Total income for the year was \$2,574 million, up 40% from \$1,835 million in the previous year. As average securities market turnover increased significantly in the second half of the year, our levy income increased 60% from the previous year to \$2,218 million. Our investments recorded a net gain of \$180 million for the year, compared to a net gain of \$208 million in the prior year, mainly contributed by the performance of our investments in pooled funds and debt securities.

### Expenditure

The costs of our operations totalled \$2,333 million. Over the past three years, the proportion of staff costs to total expenses has remained generally the same, while our regulatory work has increased in volume and complexity. The ratio of average expenses to income stood at 102% for the past three years.

For the financial year 2024-25, we recorded a surplus of \$241 million.

<sup>4</sup> Full waivers were given in 2009-10, 2012-19 and 2020-25, and a 50% discount was provided for 2019-20.

## Enhancing SFC's institutional resilience and efficiency

### Income breakdown

	2024/25	2023/24	2022/23
Levies	86.2%	75.8%	88.8%
Fees and charges	6.4%	6.2%	5.5%
Net investment income and others^	7.4%	18.0%	5.7%

^ Net investment income and others included foreign exchange gain/(loss).

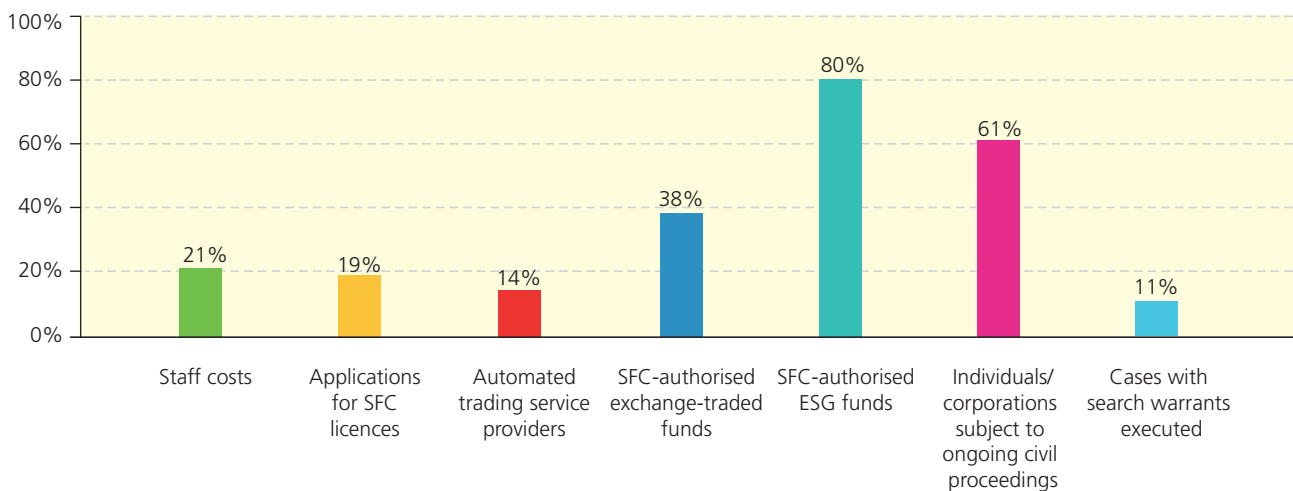
### Expenditure breakdown

	2024/25	2023/24	2022/23
Staff costs	74.9%	75.1%	74.5%
Premises and related expenses	1.6%	1.7%	1.7%
Other expenses	14.8%	12.0%	11.3%
Depreciation	8.7%	11.2%	12.5%

### Finance

(\$ million)	2024/25	2023/24	2022/23
Income	2,574	1,835	1,942
Expenses including depreciation	2,333	2,133	2,043
<b>Surplus/(Deficit)</b>	<b>241</b>	<b>(298)</b>	<b>(101)</b>

### Three-year change in staff costs vs market statistics (2021/22-2024/25)

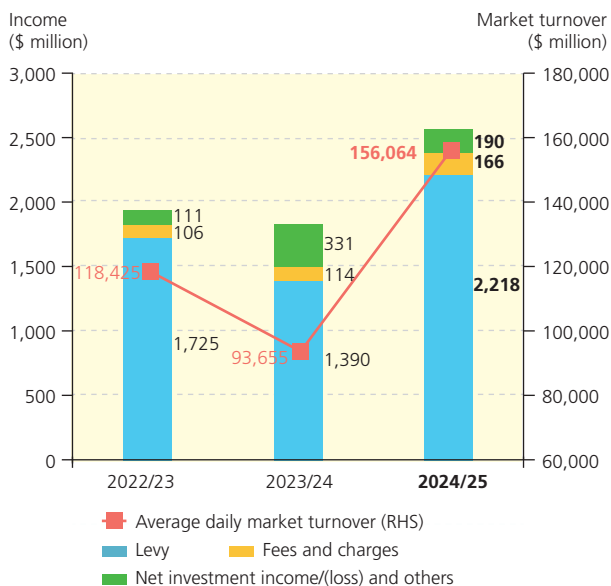


Year in Review

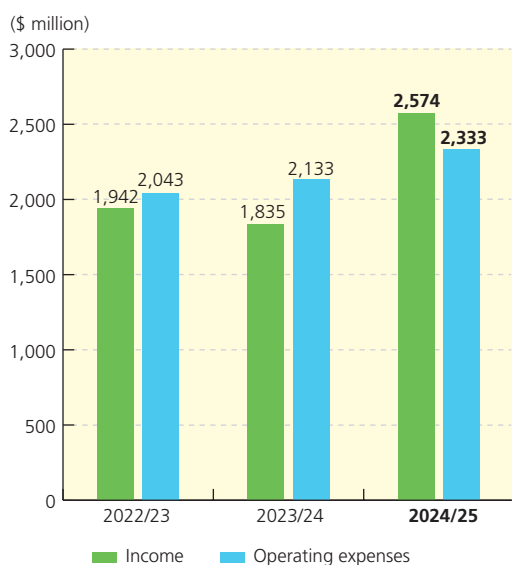


## Enhancing SFC's institutional resilience and efficiency

### Income vs market turnover (2022/23-2024/25)



### Income and operating expenses (2022/23-2024/25)



### Reserve

After financing the completion of the acquisition of nine permanent office floors in the previous year, an additional \$0.2 billion of the property acquisition reserve was utilised to make the annual principal bank loan repayment in 2024-25. As of 31 March 2025, our reserves stood at \$7.8 billion, of which \$1.1 billion was set aside to support the acquisition of three additional floors and future principal bank loan repayments.

### Effective workplace planning

We strive to create a more efficient, healthy and sustainable workplace to help boost operational efficiency and productivity within the SFC. Several initiatives were put in place to optimise corporate resources planning and enhance the office environment. Among them are our intelligent lighting system that effectively reduces energy consumption and an air quality treatment system that improves indoor air quality. To safeguard the health and productivity of our staff, every workstation is equipped with height-adjustable desks, thus promoting better posture and reducing the risk of strain-related injuries.

Our wellness rooms and communal areas cater to the diverse needs of our staff for rejuvenation and social interaction, fostering a sense of community in the workplace. Additionally, our multi-function rooms are versatile to host large staff training sessions as well as leisure activities, promoting continuous learning and team building.

### Prioritising human capital and fostering staff development

#### People

We are committed to making the SFC an employer of choice. For 19 years in a row, the SFC was named a "Caring Organisation" by the Hong Kong Council of Social Service. The Employees Retraining Board (ERB) also recognised our dedication to promoting staff learning and development with the "ERB Manpower Developer" award for a 12th consecutive year.

Ensuring that all our employees uphold the highest standards of integrity and compliance, we continually reminded our staff of the importance to adhere to our code of conduct and how to manage conflicts in both their current and post-employment statuses.

## Enhancing SFC's institutional resilience and efficiency

### Supporting staff's professional development

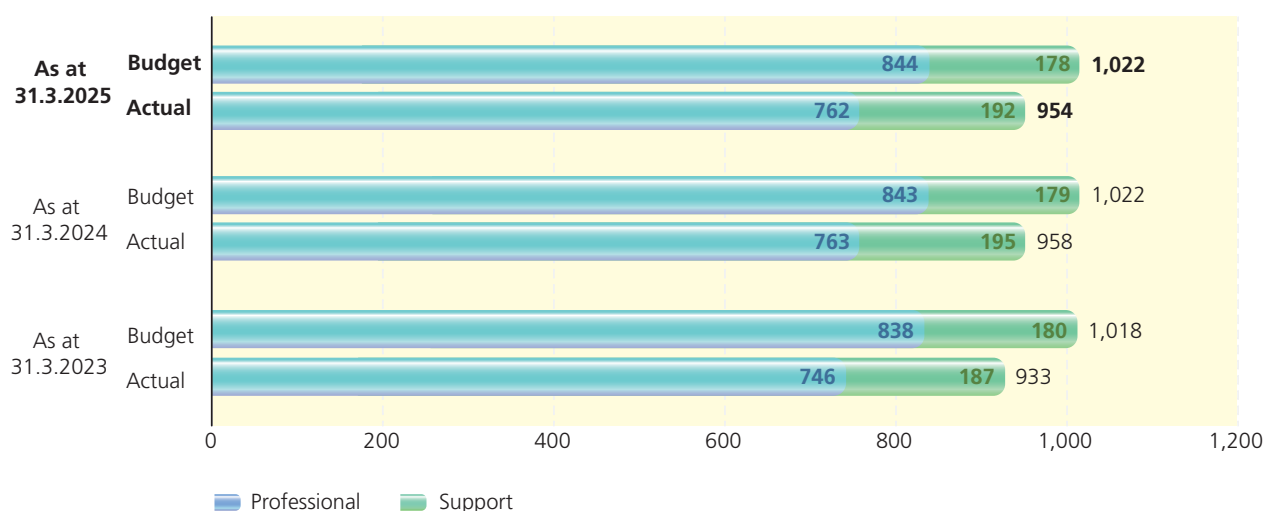
Our CEO communicates important organisational matters and regulatory developments, and addresses questions from staff at our CEO sharing sessions. We also arrange internal connection sessions to update our staff on new policy initiatives.

We strive to provide staff with career development opportunities. Recognising the benefits of broader professional exposure, we offer short-term internal secondments for staff through a cross-divisional exchange programme. External secondment opportunities were also provided in the year, including those with the Financial Services and the Treasury

Bureau, the China Securities Regulatory Commission (CSRC) and the International Organization of Securities Commissions. During the year, one person from the State Administration of Foreign Exchange, 12 CSRC counterparts and one person from the Capital Market Authority of Saudi Arabia were seconded to us.

To increase staff's work-related exposure, we also arranged study visits to Hong Kong, Mainland and overseas counterparts, law enforcement agencies and stock exchanges. These included the HKMA, the Independent Commission Against Corruption (ICAC), the Shenzhen Stock Exchange and the Monetary Authority of Singapore.

### Employee statistics



	As at 31.3.2025	As at 31.3.2024	As at 31.3.2023
Male	337	341	328
Female	617	617	605
Average years of service	10.4	9.8	9.6
Female staff at Senior Manager grade or above	58%	58%	60%

### Training

	2024/25	2023/24	2022/23
Percentage of employees who participated in internal training <sup>^</sup>	100%	99%	98%
Average hours of internal training per employee <sup>^</sup>	32	39	30.7

<sup>^</sup> Including lectures, workshops, seminars, webinars and e-learning.

## Enhancing SFC's institutional resilience and efficiency



Visits to the ICAC (left) and the Shenzhen Stock Exchange (right)



We invited local and overseas regulators and industry professionals to share their views with us on a wide range of topics including financial products, trading strategies and the latest developments in overseas markets.

During the year, our employees spent an average of 32 hours on structured learning courses, which included workshops, seminars and training programmes.

A total of 94 interns (summer, winter and placement) were placed across our various divisions in the year and 24 of them joined the Sustainable Finance Internship Programme. Nine Executive Trainees under the two-year Executive Trainee Programme were also hired.

### Maintaining an engaged workforce

We foster a supportive culture and a positive working environment as part of our core values. Our in-person team building activities for every division of the SFC promote team bonding, and cross-divisional team building activities for staff at managerial grades and below help build rapport within the SFC.



Team building

**Employee training**  
**32** hours  
on average

With female colleagues making up nearly two-thirds of our staff, the SFC Women's Network helps advance women's professional growth and foster an inclusive work culture. We were the first statutory body in Hong Kong to establish a women's group for staff.

During the year, the Women's Network continued its inspiring "Women in Action" series, engaging and supporting female colleagues while developing their leadership potential through the Executive Shadow Programme (see sidebar on pages 91-92). It also hosted other events such as the "Women in Education" talk, where remarkable women leaders shared their experiences in overcoming challenges in the education field. To celebrate International Women's Day and the 10th anniversary of the Women's Network, our CEO Ms Julia Leung shared her inspiring journey in a video, highlighting our achievements and her vision for diversity and inclusion at the SFC.



"Women in Education" talk

## Meet our people

We know full well that an organisation can only be as good as its people combined. Therefore, we are committed to continuously developing our staff and nurturing an inclusive culture. In 2024, the Women's Network launched the inaugural "Executive Shadow Programme" to give our staff an opportunity to experience what a typical day looks like for our senior management. A total of 10 staff members participated in the programme, attending meetings, exchanging views and having lunch with the designated Executive Director. Each participant walked away with perspectives that promise to enhance their growth at the SFC.

### Leading with vision: Inspirations from the CEO

Spending a day with our CEO Ms Julia Leung was an enlightening experience for Jayvier Chow, Manager of Enforcement. Among the CEO's numerous valuable insights – from her daily routine to leadership approach, Jayvier identified resilience and agility as the most essential qualities. **"This inspired me to develop a more adaptable mindset and focus on solutions in the face of unexpected challenges."** She was particularly impressed by the way the CEO steered meetings towards constructive outcomes by encouraging open dialogue and collaboration while posing incisive questions.

Ryan Shin, Manager of Corporate Finance, noted the CEO's adaptability during unexpected events. By participating in senior executive meetings, he observed from the CEO the value of strategic thinking and collaboration, as well as the need for diverse perspectives in decision-making. Also, the CEO's ability to balance near-term necessities with future vision has reshaped his understanding of effective leadership. **"Strategic responsibilities are far more than overseeing operations; they also involve envisioning the future and steering the organisation towards long-term goals,"** he explained.

### A closer look at enforcement in action

While shadowing our Executive Director of Enforcement Mr Christopher Wilson, Joyce Chau, Manager of Information Technology, Corporate Affairs, gained insights into the SFC's evolving



Jayvier Chow (left) and Ryan Shin

enforcement work in addressing complex cases of market misconduct. **"Continuous knowledge building across diverse areas and the ability to see things from new lenses are becoming critical to devise effective solutions,"** she noted. She was also inspired by the strategic approach of integrating processes, communications and technology to drive progress and enhance enforcement effectiveness in changing times.

Francis Lam, Manager of Intermediaries, shared that he gained invaluable insights from shadowing, particularly during the Enforcement management meeting, where he observed the significance of teamwork and effective communication in addressing high-impact cases. Witnessing Mr Wilson's dedication to market integrity, Francis feels strong motivation to handle every case efficiently and professionally. **"Engaging with leadership has empowered me to contribute my ideas more confidently in order to diversify perspectives and build meaningful dialogue."**

After experiencing management's decision-making up close, Mark Lee, Manager of Intermediaries, remarked that this has reinvented his approach to teamwork and problem-solving. **"Witnessing leaders in action deepened my appreciation for the delicate art of balancing industry development, market integrity and collaboration,"** he said. Recognising that effective leadership requires expertise, vision and openness, Mark will continue to strengthen these traits for himself. He appreciated that the programme brings management and other staff closer, while empowering employees to recognise their potential.



## Enhancing SFC's institutional resilience and efficiency

To Cissy Li, Assistant Manager of Enforcement, shadowing her own division head was a priceless opportunity. Mr Wilson shared his views on the market and how to apply effectively AI to enforcement.

**"His strong commitment to market integrity in particular motivates a junior investigator like me to approach every case with efficiency and professionalism,"** Cissy said. Also, she came to realise that senior management understands staff's challenges and is dedicated to finding solutions, which strengthens her sense of belonging and will to pursue excellence.



(From left) Francis Lam, Joyce Chau, Cissy Li, Mark Lee

### Gaining insights from legal chief

When Wallace Chan, Manager of Intermediaries, decided to join the shadow programme, he set out to delve into leaders' thought processes.

He soon realised that our Executive Director of Legal Services, Ms Lisa Chen, dedicates much of her time to managing stakeholders' expectations across the SFC. **"It was enlightening to see Ms Chen's leadership in full play – empowering her division to provide practical advice while adeptly navigating novel legal challenges under tight deadlines."** From their open dialogue, he also gained insights into his future career development.

A lawyer by training before joining the SFC, Amy Chen, Manager of Enforcement, has been integrating her legal knowledge with regulatory acumen. The programme enabled her to learn from our legal services chief on authenticity, awareness, integrity and experiential learning.

Observing the interactive dynamics during a cross-divisional project meeting, Amy learnt how teamwork led to optimal regulatory outcomes.

**"The insightful sharing has strengthened my dedication to a growth mindset and honed my interpersonal skills in international regulatory collaboration,"** she emphasised.

Rebecca Lau, Manager of Information Technology, Corporate Affairs, was inspired by Ms Chen's adept handling of sensitive challenges and her ability to lead the team towards decisive solutions. **"This has prompted me to reflect on my critical thinking and problem-solving skills, thus enhancing my ability to coordinate team efforts in complex situations,"** she noted. She feels encouraged to embrace challenges with a positive mindset and convert them into growth opportunities. She also commended the programme for promoting vibrant exchange among colleagues from diverse backgrounds.

For Hannah Wang, Assistant Manager of Secretariat and External, CEO's Office, she appreciated the invaluable opportunity to witness how our leaders promote diversity and inclusion. She observed how the Legal Services Division collaborates with other divisions to achieve common goals, highlighting the vital role everyone plays in the SFC's achievements. She was also impressed by Ms Chen's poise in senior management discussions, as well as her ability to create a relaxed, open atmosphere in her team. **"I have deepened my understanding of effective leadership and greatly broadened my perspectives,"** Hannah said.



(From left) Wallace Chan, Rebecca Lau, Hannah Wang, Amy Chen

## Enhancing SFC's institutional resilience and efficiency

### Meeting performance pledges

In fulfilling our regulatory roles, we pledge to be responsive to the public, market participants and the intermediaries under our supervision.

		Cases meeting the pledge		
		2024/25	2023/24	2022/23
<b>Applications for subordinated loan or modification/waiver of requirements under the Securities and Futures Ordinance (SFO)</b>				
– Commence review of application upon receipt	2 business days	100 %	100 %	100 %
<b>Authorisation/registration of investment products</b>				
– Take-up of applications upon receipt	5 or 2 business days <sup>a</sup>	100 %	100 %	100 %
– Preliminary response to applications after take-up for paper gold schemes, private open-ended fund companies, Thai-domiciled funds under the Thai-Hong Kong mutual recognition of funds scheme and Hong Kong-domiciled feeder funds each investing in a single Thai-domiciled master fund that meets the requirements under the scheme	7 business days	100 %	100 %	100 %
– Response to applications after take-up for unit trusts and mutual funds processed under FASTrack <sup>b</sup>	10 business days	100 %	N/A	N/A
– Preliminary response to applications after take-up for other products	14 business days	100 %	100 %	100 %
<b>General enquiries</b>				
– Preliminary replies	5 business days	100 %	100 %	100 %
<b>Processing of licensing applications under the SFO<sup>c</sup></b>				
– Corporations	15 weeks	100 %	100 %	100 %
– Representatives (provisional licences)	7 business days	99 % <sup>d</sup>	100 %	99 %
– Representatives (normal licences)	8 weeks	99 % <sup>d</sup>	99 %	99 %
– Representatives (responsible officers)	10 weeks	99 % <sup>d</sup>	99 %	99 %
– Transfer of accreditation	7 business days	99 % <sup>d</sup>	99 %	99 %
<b>Complaints against intermediaries and market activities</b>				
– Preliminary response	2 weeks	100 %	99.9 %	99.9 %

Year in Review

## Enhancing SFC's institutional resilience and efficiency

During the year, 100% of takeovers and mergers-related applications and transactions met the performance pledges. Details of the response time are listed in the following table.

<b>Consultations and rulings under sections 6 and 8 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs (Codes)</b>	
<b>Applications for rulings and consultations with the Takeovers Executive</b>	
– All ruling applications and consultations under the Codes (except for those set out below)	5 business days <sup>e</sup>
– Applications for rulings that are conditional on obtaining shareholders' approval in a general meeting	Normally within 5 business days before the relevant general meeting
– Fast track EFM/EPT applications and EFM/EPT annual confirmations <sup>f</sup>	10 business days
– All other EFM/EPT applications	21 business days
<b>Comments and clearance of announcements and documents under Rule 12 of the Takeovers Code</b>	
<b>First draft of firm intention announcement under Rule 3.5 of the Takeovers Code</b>	
– No complex Code issues involved	2 business days
– Complex Code issues involved	3 business days <sup>g</sup>
<b>All other announcements (including revised drafts)</b>	
– No complex Code issues involved	1 business day
– Complex Code issues involved	3 business days <sup>g</sup>
<b>All drafts of shareholders' documents<sup>h</sup></b>	<b>5 business days</b>

a The pledge of five business days is applicable to the authorisation of the following products:

- Unit trusts and mutual funds
- Mandatory provident fund products (including pooled investment funds)
- Pooled retirement funds
- Real estate investment trusts
- Investment-linked assurance schemes

The pledge of two business days is applicable to the authorisation of other products (which include paper gold schemes) and the registration of private open-ended fund companies.

b Unit trusts and mutual funds processed under FASTrack refer to funds that are domiciled and regulated in jurisdictions which have a mutual recognition of funds arrangement with Hong Kong and meet the criteria set out in the Circular to applicants seeking SFC authorisation of unit trusts and mutual funds – Launch of a new Fund Authorisation Simple Track (FASTrack) dated 21 October 2024, as amended from time to time.

c During the year, we processed 14,625 applications that were subject to performance pledges, 12,885 of which were processed within the applicable period. The completion of the vast majority of the remaining 1,740 applications was delayed for reasons beyond our control. For example:

- unresolved fitness and properness issues;
- outstanding vetting requests;
- outstanding material information from applicants; and
- requests by applicants that we delay finalising their applications.

To more accurately reflect our performance, these applications are not included in the percentages stated.

d The delays were usually short and resulted from unexpected complications, such as abnormal increases in our workflow and resulting resourcing difficulties.

e If the subject matter involves complex Code issues, the time limit will be extended to 21 business days and the applicants will be informed of this.

f EFMs and EPTs refer to exempt fund managers and exempt principal traders as defined under the Codes.

g The parties will be informed of the longer time needed.

h Including offer documents, offeree board circulars, whitewash circulars, scheme documents and share buy-back circulars.

### Trio recognised for excellence in complaint handling

In 2024, three of our dedicated staff members from different job positions were recognised in the Ombudsman's Awards for Officers of Public Organisations. These awards shine a spotlight on their outstanding performance in complaint handling, championing professionalism and promoting a culture of service in the public sector.

As Manager of Secretariat and External of CEO's Office, Eunice Chan has been on the frontline tackling complaints about market misconduct for seven years. While handling complaints can be stressful, her passion for helping others spurs her on. Eunice finds fulfilment in transforming negative experiences into positive outcomes and ensures every complainant feels heard and valued. **"Listening actively and empathetically is the golden rule,"** she emphasised. **"Maintaining a calm and professional demeanour can turn tense interactions into constructive dialogues."** Despite the increasing number of complaints and the urgency many complainants feel, Eunice is committed to giving each issue the careful attention it deserves.

Another winner from Secretariat and External of CEO's Office, Mavis Ho, Assistant Manager, is stalwart in managing complaints against the SFC and its staff. Her role involves navigating the entire complaint handling process, from fact-finding to assisting in assessments. Mavis's previous experience as a communications professional in the Government and public sector has honed her organisational skills and complaint-handling

abilities. She recognises that addressing complaints requires patience and careful inquiries due to unclear information. **"Robust complaint handling is vital for regulators, as it uncovers valuable insights and strengthens investor protection and market integrity,"** she believed.

A member of the Case Triage Team, Wong Chin Ling, Manager of Enforcement, found the award a tremendous boost for her and her team. She evaluates cases, both internal referrals and public complaints, while engaging with stakeholders and gathering evidence. **"This hands-on experience fosters an inquisitive mindset, enabling me to identify regulatory breaches and information gaps effectively,"** she said. Having been an SFC investigator, Chin Ling adopts a practical approach to complaint handling with a focus on policy. She aims to leverage complaints to enhance the SFC's enforcement function and drive meaningful market improvements.



(From left) Eunice Chan, Wong Chin Ling, Mavis Ho



# Environmental, Social and Governance

As a statutory regulator, we strive to maintain high standards in our operations and fulfil our public mission. Our core values of integrity, transparency and public accountability guide all our actions. Maintaining sound corporate governance is crucial for effective delivery of our regulatory policies. We are dedicated to social responsibility and sustainability by leading both local and global initiatives.



# Corporate Governance

## Adopting effective governance framework

We are firmly committed to upholding a robust corporate governance framework that comprises a well-defined governance structure, high standards of conduct, efficient operational and financial control procedures, and effective checks and balances. This is essential to ensuring that we carry out our work as a statutory regulator efficiently and effectively, fairly and with integrity, and is in line with best governance practices for public bodies, including those set out in *Corporate Governance for Public Bodies – A Basic Framework*<sup>1</sup>.

## Our Board

The SFC Board plays a pivotal role in setting the overall strategies of the organisation and ensuring that management effectively carry out our duties to the fullest extent.

## Constitution

The Securities and Futures Ordinance (SFO) stipulates the constitution and proceedings of our Board. Board members are appointed for a fixed term by the Chief Executive of the Hong Kong Special Administrative Region (HKSAR) or the Financial Secretary under delegated authority. Their appointment terms and conditions are determined by the HKSAR Government. Board members' emoluments for the year are detailed on page 148.

As of 31 March 2025, the Board comprised a majority of Non-Executive Directors (NEDs), accounting for 56% of the Board, ie, nine NEDs, including the Chairman; and seven Executive Directors (EDs), including the Chief Executive Officer (CEO).

With diverse backgrounds, our NEDs bring a wealth of experience, expertise and independent perspectives to the Board. Together, the Board contributes to the development of the SFC's policies by providing strategic insights.

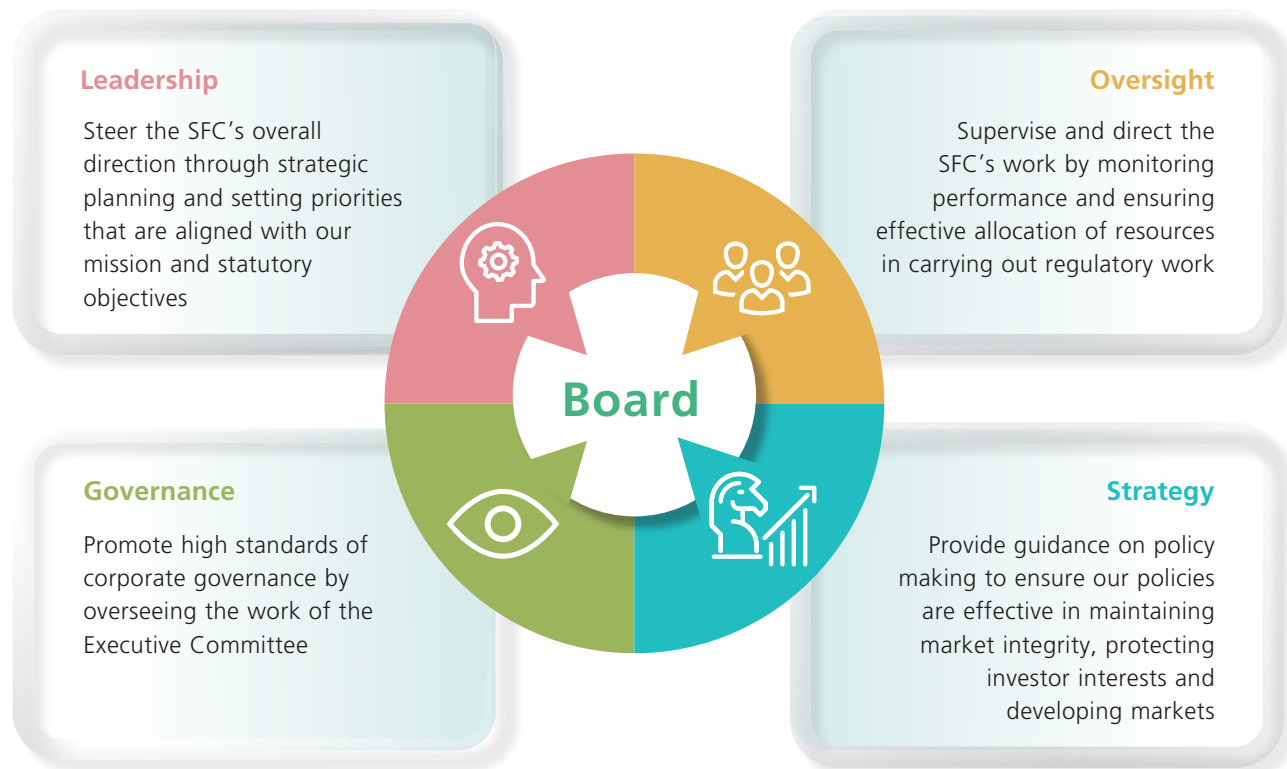
See pages 22-29 for the full list of Board members and their biographies.

## Key components of our governance framework



<sup>1</sup> Published by the Hong Kong Institute of Certified Public Accountants.

### Key responsibilities of the Board



### Chairman and CEO

The non-executive Chairman and the CEO each has distinct roles and responsibilities. The clear division of duties entails a more effective corporate governance structure.

#### Chairman

- Develop an effective Board in pursuit of the SFC's objectives and functions:
  - strengthening the integrity and resilience of the securities and futures markets;
  - enhancing the global competitiveness of Hong Kong's capital markets through timely reform and visionary strategies;
  - leading financial market transformation; and
  - enhancing the SFC's institutional resilience and operational efficiency
- Lead the Board as a team

- Lead the Board in its setting of the overall directions, policies, strategies, agendas and priorities of the SFC
- Provide a source of counsel and challenge to the CEO on how the SFC is run, including giving feedback to the CEO on senior management performance, development and succession, and organisational structure
- Evaluate the effective functioning of the Board, SFC's committees and individual directors

#### CEO

- Assume executive responsibility for the SFC's day-to-day operations
- Develop strategic objectives, including setting the SFC's agendas and priorities, and implement them as agreed with the Board
- Assign responsibilities to senior management and supervise their work
- Report regularly to the Board



## Corporate Governance

### Executive Directors and Non-Executive Directors

Our EDs and NEDs play different but complementary roles. The EDs are entrusted with managing the SFC's daily operations and each has executive duties in key functions – listings, takeovers and corporate conduct, licensing and supervision of intermediaries, market infrastructure, investment products, enforcement and legal services. The NEDs provide guidance on and monitor the performance of the SFC's various functions.

### Governance practices

Upholding top-notch corporate governance standards is our priority. The Board establishes governance culture, as well as clear and proper policies and processes, to work in an efficient and accountable manner. Monthly meetings, quarterly policy meetings and special meetings are held as needed for the Board, as well as an annual retreat. Furthermore, we hold induction briefings for new NEDs to enable them to better understand the organisation, its functions and powers, and their responsibilities.

The Board is tasked with ensuring effective corporate governance while the Secretariat is charged to provide secretarial support to the Board regarding governance issues. The Secretariat is part of the Secretariat and External department within CEO's Office. It oversees organisation-wide initiatives, assisting the Board and the CEO in directing work processes to enable good governance, enhance efficiency and manage changes. It is responsible for the SFC's overall external development and stakeholder management, acting as the central relationship point with the HKSAR Government, the Legislative Council (LegCo) and its members, fellow regulators, other public bodies and industry associations. It also handles complaints received from the public, and oversees the SFC's publications and social media. The Commission Secretary and Chief Governance Officer is the head of Secretariat and External department. He serves as the secretary to the Board, and is a member of the Executive Committee (ExCo). He is also the Data Privacy Officer of the SFC responsible for ensuring the SFC's compliance with the data privacy rules and standards.

### Board evaluation

The Board continues to improve its effectiveness in different ways. As part of a self-assessment it conducts every other year, each board member is invited to complete an anonymous questionnaire on how well the Board is performing its key responsibilities. An analysis of the findings is presented to the Board at its retreat meeting to consider areas for improvement.

### Board appointments

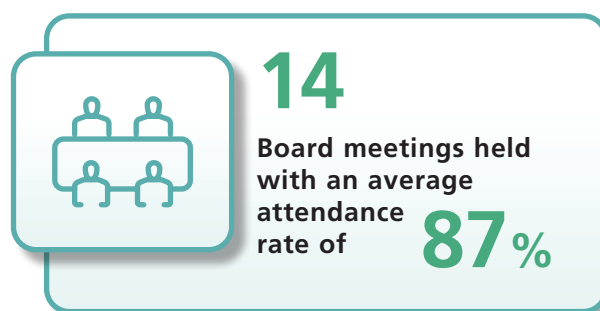
Dr Kelvin Wong Tin-yau, SBS, JP, was appointed the Chairman of the SFC for a term of three years, effective 20 October 2024. He succeeded Mr Tim Lui, GBS, JP, who stepped down on 19 October after chairing the SFC for six years.

Mr Vincent Chan Chun-hung and Mr Keith Pogson were appointed NEDs for a term of two years from 1 August 2024 and 20 October 2024, respectively. Mr Victor Dawes, SC, BBS, and Mr Chew Fook-aun were re-appointed NEDs for a term of two years, effective 1 August 2024 and 1 January 2025, respectively.

Dr James Lin and Ms Agnes Chan, BBS, stepped down as NEDs in July and October 2024, respectively.

Dr Eric Yip Chee-hang was appointed ED for three years, effective 2 May 2024.

Mr Tony Tang Xiaodong and Mr Michael Wong Yick-kam, SBS, MH, JP, were appointed and re-appointed NEDs for a term of two years from 24 April 2025 and 1 April 2025, respectively.

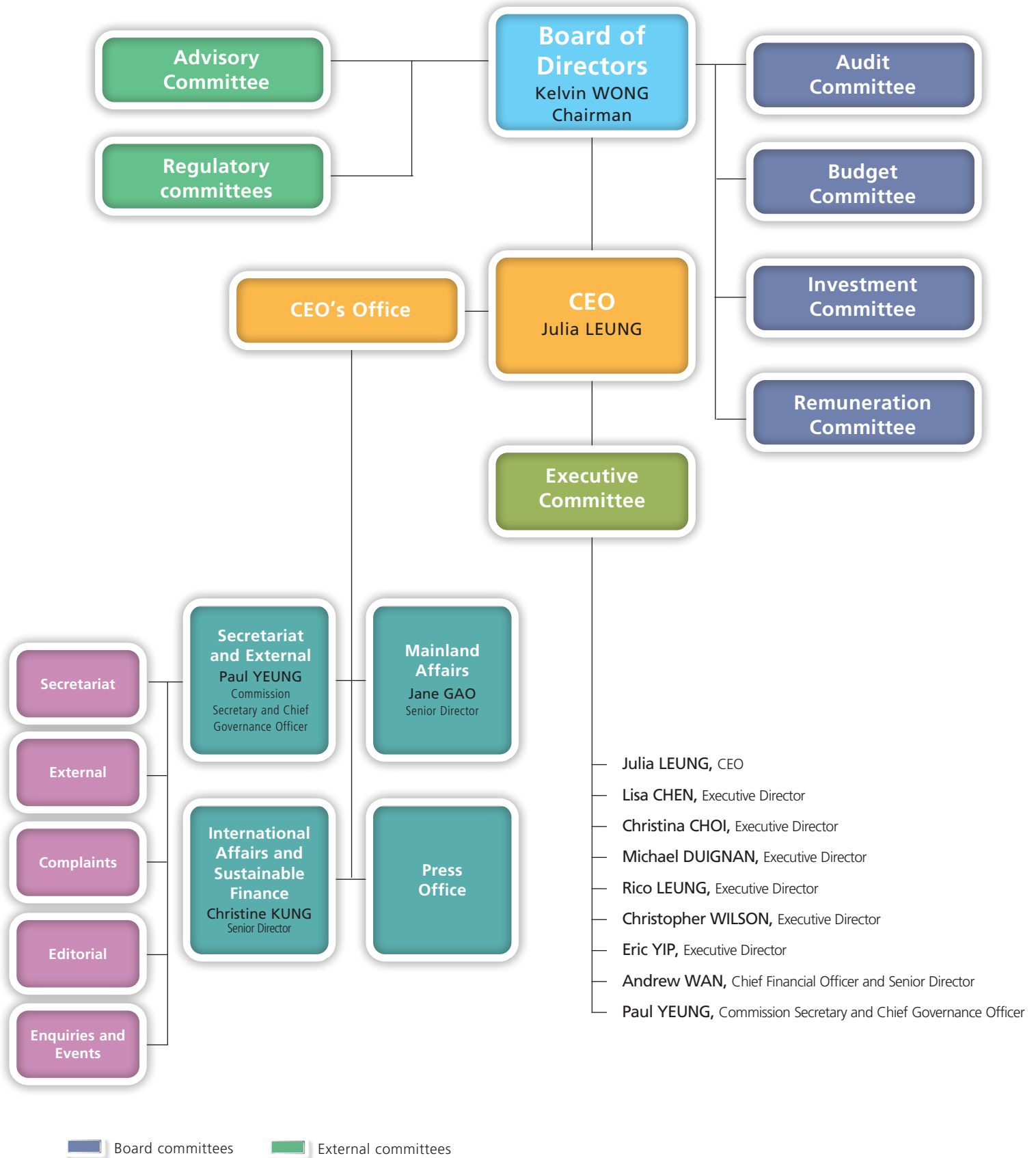


### Board meetings

In addition to monthly meetings, the Board meets from time to time to discuss policy issues in depth and convenes special meetings as needed to address key matters. It also holds an annual retreat meeting to set out strategic objectives and management priorities to effectively steer the SFC towards the desired goals.

Last year, 14 Board meetings were held with an average attendance rate of 87%.

Organisational structure





## Meeting attendance record

Meetings attended/held	Board	Audit Committee	Budget Committee	Investment Committee	Remuneration Committee	Executive Committee
<b>Chairman</b>						
Tim Lui Tim-leung <sup>1</sup>	7/7	2/2	–	–	–	–
Kelvin Wong Tin-yau <sup>2</sup>	7/7	1/1	–	1/1	1/1	–
<b>Executive Directors</b>						
Julia Leung Fung-yee	14/14	–	1/1	1/1	–	15/16
Lisa Chen Ping	14/14	–	–	–	–	15/16
Christina Choi Fung-yee	11/14	–	–	–	–	13/16
Michael Duignan	12/14	–	–	–	–	14/16
Rico Leung Chung-yin	12/14	–	–	–	–	16/16
Christopher Wilson	12/14	–	–	–	–	13/16
Eric Yip Chee-hang <sup>3</sup>	13/13	–	–	–	–	10/14
<b>Non-Executive Directors</b>						
Agnes Chan Sui-kuen <sup>4</sup>	6/7	2/2	–	–	–	–
Chew Fook-aun <sup>5</sup>	13/14	–	1/1	1/1	1/1	–
Victor Dawes	10/14	1/3	–	–	1/1	–
Johnson Kong	13/14	3/3	1/1	–	1/1	–
James C Lin <sup>6</sup>	5/5	1/1	–	–	–	–
Nicky Lo Kar-chun	13/14	–	1/1	0/1	1/1	–
Michael Wong Yick-kam	13/14	–	–	1/1	0/1	–
Dieter Yih <sup>7</sup>	13/14	2/3	1/1	–	1/1	–
Vincent Chan Chun-hung <sup>8</sup>	9/9	–	–	–	1/1	–
Keith Pogson <sup>9</sup>	7/7	1/1	–	–	1/1	–
<b>Commission Secretary and Chief Governance Officer</b>						
Paul Yeung Kwok-leung	–	–	–	–	–	16/16
<b>Chief Financial Officer</b>						
Andrew Wan Chi-yiu	–	–	–	1/1	–	12/16
<b>Interim Head, Intermediaries</b>						
Keith Choy Chung-fai	–	–	–	–	–	1/2

<sup>1</sup> Appointment expired on 19 October 2024.

<sup>2</sup> Appointed as Chairman of the Board and Investment Committee and a member of Audit Committee and Remuneration Committee effective on 20 October 2024.

<sup>3</sup> Appointed as ED, Intermediaries, and a member of ExCo effective on 2 May 2024.

<sup>4</sup> Appointment expired on 19 October 2024.

<sup>5</sup> Appointed as a member of the Investment Committee effective on 20 October 2024.

<sup>6</sup> Appointment expired on 31 July 2024.

<sup>7</sup> Appointed as a member of the Budget Committee effective on 20 October 2024.

<sup>8</sup> Appointed as a member of the Board and Remuneration Committee effective on 1 August 2024.

<sup>9</sup> Appointed as a member of the Board, Audit Committee and Remuneration Committee effective on 20 October 2024.

## Corporate Governance

### SFC committees

#### Board committees

Each of our four Board committees has a distinct focus on well-defined areas of the SFC's operations and is chaired by an NED. The involvement and active participation of the NEDs provide effective checks and balances to scrutinise our management decisions to ensure their soundness and efficacy.

##### Audit Committee

3 Meetings

###### Responsibilities

- Reviews annual financial statements
- Recommends the appointment of external auditors
- Coordinates the scope of the external audit and reviews audit findings
- Examines management procedures to ensure effective financial and internal controls

5  
NEDs

##### Budget Committee

1 Meeting

###### Responsibilities

- Examines and approves the parameters and bases used in the annual budget
- Conducts the mid-year budget review
- Reviews the annual budget and makes recommendations to the Board

4  
NEDs

1  
ED<sup>^</sup>

##### Investment Committee

1 Meeting

###### Responsibilities

- Advises on the SFC's fund management policies, strategies and investment guidelines
- Recommends the appointment of investment managers and advisers and monitors their performance including compliance with the investment guidelines
- Advises on investment risk management and asset allocation and monitors the performance of investments

4  
NEDs

1  
ED

1  
Senior Director<sup>^</sup>

##### Remuneration Committee

1 Meeting

###### Responsibilities

- Reviews the structure and level of staff remuneration
- Reviews trends in remuneration packages and recommends adjustments
- Considers other matters as required, including recommendations to the Government on EDs' remuneration and re-appointments

9  
NEDs

<sup>^</sup> In a non-voting capacity.

#### Executive Committee

ExCo, being the highest executive body, carries out a wide range of administrative, financial and management functions as delegated by the Board and ensures the SFC functions effectively. Chaired by the CEO, ExCo comprises all other EDs, the Chief Financial Officer and Senior Director of Corporate Affairs, and the Commission Secretary and Chief Governance Officer.

ExCo convenes regular meetings to deliberate on policy and operational proposals and expense requests from different divisions. Throughout the year, 16 ExCo meetings were held with an average attendance rate of 91%.



<sup>1</sup> Relating to the International Organization of Securities Commissions, environmental, social and governance, mandatory provident funds, pooled retirement funds, structured products, unit trusts and mutual funds.

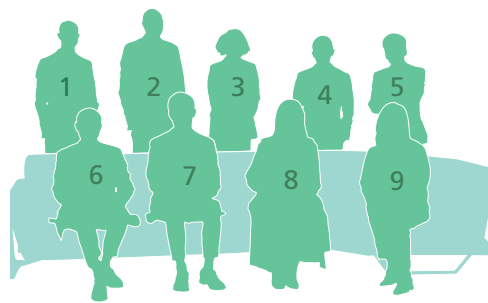
<sup>2</sup> Relating to the Mainland, exchange-traded funds, investment-linked assurance schemes, real estate investment trusts, unit trusts and mutual funds.

<sup>3</sup> Appointment took effect on 1 April 2025.

<sup>4</sup> Appointment expired on 9 May 2025.

## Corporate Governance

### Executive Committee



- |                       |                         |                         |                            |                       |
|-----------------------|-------------------------|-------------------------|----------------------------|-----------------------|
| 1. Christopher WILSON | 2. Michael DUIGNAN      | 3. Lisa CHEN Ping       | 4. Paul YEUNG Kwok-leung   | 5. Andrew WAN Chi-yiu |
| 6. Eric YIP Chee-hang | 7. Rico LEUNG Chung-yin | 8. Julia LEUNG Fung-yee | 9. Christina CHOI Fung-yee |                       |



### New Non-Executive Directors on Board

During the year, Mr Vincent Chan and Mr Keith Pogson joined the SFC Board as NEDs.

Mr Chan brings a wealth of industry expertise to the SFC Board, as an experienced private equity investor focusing on technology and early-stage ventures. He was also Chairman of Hong Kong Venture Capital and Private Equity Association as well as a long-serving member of the Listing Committee and Listing Review Committee of the Hong Kong Exchanges and Clearing Limited (HKEX). He is an Investment Committee Member of the University of Hong Kong Investments Sub-Committee managing the endowment fund.

As an SFC NED, Mr Chan aims to align institutional investors' expectations with our regulatory framework, ensuring that both listed issuers and listing applicants provide more precise and accurate disclosures. He also expects the SFC to always uphold the highest standards of governance and transparency to ensure Hong Kong's status as a world-class international financial centre.



*"Public shareholders should have full confidence in and thorough understanding of the SFC's mission to maintain a market-driven and vibrant financial ecosystem in Hong Kong. This will facilitate innovative market ideas and creative policies to help Hong Kong stay competitive in the current divided landscape."*

Vincent Chan



*"Hong Kong's history of pragmatic regulation has cemented its reputation as a leading financial centre. As an SFC NED, I look to leverage my professional experience, regulatory understanding and financial services knowledge to advise the SFC on how to maintain a good balance between regulation and development, keeping the market safe yet efficient."*

Keith Pogson

Mr Pogson has recently been the Chair of the Listing Committee of the Stock Exchange of Hong Kong and former President of the Hong Kong Institute of Certified Public Accountants. These roles have equipped him with profound knowledge of corporate governance processes and a solid understanding of divergent interests and views in society, helping him to contribute to the SFC's governance.

Mr Pogson advocates a governance-centric mindset, emphasising the importance of "walking the talk" to bring governance concepts alive. He believes this approach should be reflected in the Board's operations and its oversight of the market, including HKEX and listed issuers.

Meanwhile, he sees challenges in finding the "sweet spot" among different priorities — maintaining an orderly market without stifling market development. This balancing act would require diverse perspectives, and NEDs play a crucial role in bringing an outside-in view to the dialogue.

### New Executive Director, fresh perspectives

Dr Eric Yip joined the SFC as ED of Intermediaries in May 2024, bringing with him in-depth market knowledge and extensive industry experience across Hong Kong and Mainland China. To him, joining the SFC feels like “homecoming” as he is reunited with many familiar colleagues he crossed paths with during his days as a market practitioner.

Now heading the SFC’s Intermediaries Division, he believes true leaders nowadays need to embrace changes. He describes his leadership style as “curiosity-driven”, thriving on humility and urgency to better anticipate emerging risks and opportunities.

As a champion of teamwork, Dr Yip considers his team’s collective goal is to align seamlessly with the SFC’s strategic priorities, with a focus on enhancing intermediaries’ operation and market conduct. As the securities market is always evolving, his team is exploring innovative supervisory technology tools for better assessment, as well as prioritising resources towards offsite monitoring and thematic inspections.



*“I always ask my team to challenge my thinking – after all, I am still a rookie regulator learning the trade. In the end, progress is a team sport, and I feel truly honoured to be teammate with the very best.”*

*Dr Eric Yip*

He stresses that market development is never a solo sport and requires the regulators’ unwavering dedication to collaboration. Through initiatives including the SFC’s **ASPIRe** roadmap<sup>a</sup> for virtual assets and proactive industry engagement, he believes constructive dialogues and interactions with market practitioners are key to strengthening the competitiveness of Hong Kong’s capital market.

<sup>a</sup> See “Leading financial market transformation through technology and ESG” on pages 72-79.

### External committees

Established under the SFO, external committees are made up of a large number of members outside the SFC. They represent diverse perspectives of market participants and play a crucial role in the SFC’s governance.

The Advisory Committee provides insights and advice on policy matters concerning the SFC’s functions. The majority of members are external representatives appointed by the Financial Secretary under authority delegated by the Chief Executive of the HKSAR. The Committee is headed by the Chairman and its members include the CEO and not more than two other EDs.

In addition, each regulatory committee specialises in certain areas such as investment products, shareholders’ rights and interests, takeovers and mergers, continuous professional training for licensees and investor compensation. Members are appointed by the Board and consist of NEDs, EDs, industry representatives and other stakeholders. There were 14 regulatory committees as at the end of March 2025.

See pages 201-211 for the responsibilities and membership lists of the external committees.

### Formulating strategic plans

As the financial regulator of a leading international financial centre (IFC), we formulate our strategic plans to guide our regulatory work through changing market developments and regulatory landscape. In particular, we see the importance to set strategic priorities to steer market developments and maintain Hong Kong's status as a leading IFC. At its annual retreat during the year, the Board discussed market outlook and forward-looking initiatives of the SFC, which facilitates our formulation of priorities for the upcoming years. Details are set out in "Strategic Priorities" on pages 12-19.

### Upholding standards of conduct

As an effective regulator, we uphold a high standard of integrity and conduct to instil and preserve public trust. Besides their legal obligations, staff are obligated to adhere to our code of conduct which covers confidentiality, conflicts of interest, personal investments and acceptance of gifts and hospitality. Failure to comply with the code may result in disciplinary action. During the year, we revised and updated both the code of conduct for our staff, and our financial control policies and procedures to ensure they are effective and robust.

### Maintaining accountability and transparency

We have established rigorous policies and procedures to ensure that we act with credibility, fairness and transparency.

### Delegation of authority

A comprehensive system of delegation of authority is in place, under which the authority of the Board and different levels of the executive management are clearly delineated. As permitted under the SFO, the Board delegates regulatory powers and functions to the CEO and other EDs, who have the power to sub-delegate to staff in their respective divisions to facilitate the discharge of their duties.

### Budgeting

Each year, our annual budget is prepared following a disciplined and prudent approach in order to maintain rigorous financial control and plan for the financial year. This involves detailed management of expenditure by adhering to our sound internal financial controls, making practical assumptions and determining ways to deploy resources to fulfil our strategic priorities and operational needs.

We promote the efficient use of our resources and request divisions to prioritise essential activities, adopt cost-saving initiatives, enhance the use of available resources, and reduce or eliminate non-essential activities. After the Budget Committee's consideration and the Board's approval, the annual budget is submitted to the Financial Secretary for approval and then tabled before LegCo. We also present our budget each year to LegCo's Panel on Financial Affairs.

### Investment

The SFC's reserves are conservatively invested to achieve our objective of long-term financial sustainability and meet our operational needs. Management of our reserves adheres to the investment guidelines approved by the Financial Secretary to ensure appropriate and prudent risk management so that our reserves remain secure and can support our future needs.

The Investment Committee, one of our Board committees, advises the SFC on investment management policies and guidelines, risk management, investment performance, strategies and asset allocation.

We have delegated the selection and management responsibilities for our investments to reputable external investment managers, which are mandated to comply with the investment guidelines and regularly review their compliance in this regard. The external investment managers have confirmed that they adopt the Principles of Responsible Ownership<sup>2</sup> in their undertakings to manage these investments.

<sup>2</sup> Issued by the SFC in March 2016, these voluntary principles aim to provide guidance on how investors should fulfil their ownership responsibilities in relation to investments in Hong Kong listed companies.

## Corporate Governance

### Financial control and reporting

In order to ensure the appropriate management and use of public funds, we adhere to strict financial controls and reporting procedures that are deeply embedded in our processes. Each year, we engage an external and independent professional services firm to review our compliance with those controls and procedures, and reassess their continued appropriateness, effectiveness and robustness.

We voluntarily observe applicable requirements stipulated in the Hong Kong Companies Ordinance when preparing our financial reports, and adopt the Hong Kong Financial Reporting Standards for preparing financial statements and disclosing financial information.

In addition, we keep in view the best market practices to ensure that our financial reports are transparent and informative for our stakeholders. Our practices include:

- Selecting relevant accounting policies and applying them consistently
- Appointing an external firm to conduct an interim review and annual audit
- Presenting our interim and annual financial statements to the Audit Committee for consideration
- Seeking the Board's approval of quarterly and annual financial statements and publishing them in our quarterly and annual reports
- Reporting key financial data to the Board and ExCo every month
- Providing regular reports to the HKSAR Government

### Handling complaints and grievances

We firmly believe in upholding our principles of accountability and transparency, which extend to every aspect of our operations, including our complaints handling procedures. Reports of improper practices of the SFC or our staff can be filed under our procedures for handling complaints against the SFC or its employees. These encompass dissatisfaction with the SFC or our staff in carrying out our duties. Detailed procedures for members of the public to lodge a complaint with us are available on our website.

### Efficient use of resources

Our regular reviews of corporate resources ensure that we operate efficiently by identifying our needs and strategic priorities, and allocating resources accordingly.

We endeavour to identify opportunities to enhance efficiency and reduce recurrent costs. Our largest cost-saving measure of late was the acquisition of office floors in the One Island East building, Quarry Bay, which has improved our cashflow by saving rental payments and also avoids future potential rental increases.

As the co-owner of the One Island East office premises, we are able to allocate resources more effectively, and ensure that we can maintain the office environment to the highest standards. We have established closer cooperation with Swire Properties' building management through regular owner's committee meetings to discuss future developments of the office area. We have enhanced our office maintenance to more frequent schedules, and allocated appropriate resources to improve our office facilities with more flexibility, creating a higher-quality workplace for our employees.

We strategically configure resource allocation across the organisation to align with our priorities to deliver robust supervision and enforcement action. In response to the rapidly evolving and increasingly complex markets, we set up cross-divisional project teams to work on initiatives related to the functions of multiple divisions in order to formulate timely and effective regulatory responses. We have also enhanced a number of operational processes with digitisation and automation. The use of traditional and generative artificial intelligence further improves our operational efficiency. See "Enhancing SFC's institutional resilience and efficiency" on pages 80-95 for more details.

### Supporting sustainability

As a socially responsible organisation, we are dedicated to addressing the full range of risks arising from climate change and sustainability issues. We implement a sound framework for corporate governance around related risks and opportunities in this area. We commit ourselves to becoming a carbon-neutral organisation before 2050, in line with the HKSAR Government's climate action plan. Additionally, we set an interim target to reduce 50% of our total carbon emissions by 2030. See "Sustainability" on pages 112-118 for more details of our work.

### Fostering external communications

To help our stakeholders better understand our work and policies, we engage with a broad range of stakeholders including the HKSAR Government, LegCo members, the financial services industry, regulatory counterparts and the general investing public in a timely and effective manner. We have adopted a more proactive approach in our external communications particularly in light of changing market developments and public expectations. A wide range of publicity activities, advertising campaigns and education initiatives are conducted through both offline and online channels including social media. See "Maintaining market resilience and mitigating serious harm to our markets" on pages 36-52 for more details.

We also reach out to the industry and the public to explain our policies and listen to their views through workshops, seminars and other activities. We attend meetings at LegCo to present our budget, explain policy initiatives and other issues of public interest. See "Enhancing SFC's institutional resilience and efficiency" on our outreach initiatives on pages 80-95 for more details.

In addition to responding to public enquiries, we handle complaints from the public with integrity. During the year, three staff members (from Secretariat and External department, and Enforcement Division) received the Ombudsman's Awards for Officers of Public Organisations 2024 in recognition of their exemplary performance in complaint handling. The awards help foster a positive culture of service in the public sector.

### Managing risks proactively

To perform our regulatory functions effectively in a dynamic market environment, it is important for us to identify, assess and manage both external and internal risks in a timely and systematic manner. We adopt a wide range of tools to monitor risks to the market and our organisation, and implement effective control measures or regulatory response to mitigate the potential risks that may affect the market or our operations.

### Mitigating market risks amid uncertainty

Hong Kong's financial market sentiment has improved with increased turnover given policy support introduced by the Mainland authorities. Whilst the market may experience volatility at times following sharp rallies, trading has remained orderly with smooth settlements. We have not observed any irregularities which may pose systemic risk or seriously affect financial stability.

We have put in place a comprehensive framework to monitor a broad array of asset classes to detect possible vulnerabilities and gauge investor sentiment. Proprietary indicators have been developed to monitor market trends, trading patterns and changes in positions across various market segments. We analyse factors affecting the latest market developments, including performance, volatility, as well as trading activities in both stock and derivatives markets (including exchange-traded and over-the-counter derivatives). Hong Kong markets are benchmarked against major overseas markets based on these indicators and developments. To detect irregularities, we conduct holistic assessment of potential systemic risks arising from positions across the markets. We aim at detecting irregularities such as concentration and building up of positions, and identify the latest trends and sharp changes, which may have a systemic impact on the stock and derivatives markets. In times of high market volatility, we make ad-hoc requests for additional reporting of information from major market participants to better assess risks in the stock and derivatives markets.



## Corporate Governance

We closely monitor trading activities of different investor types based on data collected under the Hong Kong investor identification regime (launched in March 2023). In addition, our cross-divisional Risk Review Group identifies and assesses potential and emerging risks facing the SFC and the Hong Kong market at large.

Furthermore, we keep in close contact with the HKSAR Government and other financial regulators to share intelligence about market conditions and assess possible developments with systemic implications. Our market contingency plan sets out measures for dealing with emergency scenarios which may affect Hong Kong's securities and futures markets.

### Safeguarding against risks internally

Our function and operation as a financial regulator are subject to risks in an ever-changing financial landscape, including financial risks and threats to our information and office security. Our financial control policies and procedures ensure that we uphold a high standard of integrity and exercise rigorous controls on the use of public funds.

To provide for safe and smooth operations, we regularly update our business resumption plan to address readily identifiable risks and emergencies covering office premises, communications and computer services. Apart from appointing an external auditor, we engage an independent firm to conduct internal audits to assess the effectiveness of our controls and identify the major risks of our key operational processes. After approval by the Audit Committee, the scope of each annual review may cover a number of areas, including banking and investment, finance, procurement, human resources and information technology. The findings, together with recommendations, are reported back to the Audit Committee and enhancements to related policies and procedures are then made where necessary.

To facilitate compliance with the Personal Data (Privacy) Ordinance, we have designated the Commission Secretary and Chief Governance Officer as the Data Privacy Officer. We also have a data privacy manual and provide staff with a quick guide comprising frequently asked questions and illustrative examples.

Our information security policy provides guidance on safeguarding the confidentiality and integrity of information and is frequently updated to keep up with technological and operational changes. For effective communication and risk management, we refine our information security practice to address the key cybersecurity risks to which the SFC is exposed. To empower our staff to defend against cyber-attacks, we have revamped our information security training platform to deliver the most current training on cybersecurity threats. We also deploy timely updates to the access controls of our information and systems to protect them from unauthorised access, use or modification. Additionally, we consult external experts, partners and law enforcement agencies to gather the latest intelligence; we also conduct cybersecurity assessments and drills to strengthen our security posture against evolving threats.

Ensuring independent checks and balances

Independent bodies play an important role in maintaining a fair and balanced approach to our operational work. They are responsible for conducting external checks and balances to ensure fairness in our

decision making, observance of due process and proper use of our regulatory powers. The Process Review Panel and the Securities and Futures Appeals Tribunal scrutinise our actions and procedures. In addition, we are subject to judicial review by the courts and indirect oversight by the Ombudsman.

Independent body	Relevant functions	SFC-related tasks handled
<div><b>Process Review Panel</b><ul style="list-style-type: none"><li>• An independent panel established by the Chief Executive of the HKSAR in 2000</li><li>• Comprises representatives from various sectors and two ex-officio members, namely the SFC Chairman and a representative from the Department of Justice</li></ul></div>	<ul style="list-style-type: none"><li>• Reviews and advises on the adequacy of our internal procedures and operational guidelines, including those for the handling of complaints and licensing applications, inspection of intermediaries, product authorisation, corporate finance transactions and the exercise of investigation and disciplinary powers</li></ul>	<ul style="list-style-type: none"><li>• Reviewed 60 cases and published its annual report in October 2024</li></ul>
<div><b>Securities and Futures Appeals Tribunal</b><ul style="list-style-type: none"><li>• Chaired by current or former judges appointed by the Chief Executive of the HKSAR and comprising two other members drawn from a panel appointed by the Financial Secretary under delegated authority</li></ul></div>	<ul style="list-style-type: none"><li>• Reviews specified decisions made by the SFC or the Investor Compensation Company Limited</li><li>• Has power to confirm, vary or set aside decisions made by the SFC (and where a decision is set aside, substitute any other decision it considers appropriate) or refer the matter back to the SFC with directions</li></ul>	<ul style="list-style-type: none"><li>• Received a request to review one new case, which was subsequently withdrawn</li><li>• Held substantive hearing for one case brought forward from 2023-24</li><li>• Dismissed application for review of one case brought forward from 2023-24</li><li>• Refused two applications for extension of time to file an application for review</li></ul>
<div><b>The Ombudsman</b></div>	<ul style="list-style-type: none"><li>• Handles public complaints against the SFC and its staff for alleged maladministration</li></ul>	<ul style="list-style-type: none"><li>• Conducted no preliminary inquiries</li></ul>
<div><b>Courts</b></div>	<ul style="list-style-type: none"><li>• Handle judicial reviews of SFC decisions</li></ul>	<ul style="list-style-type: none"><li>• Handling one judicial review case brought forward from 2023-24</li></ul>

# Sustainability

As a sustainable organisation, the SFC integrates sustainability considerations into its corporate and regulatory strategy. We continue to make sustainability disclosures with reference to the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)<sup>1</sup>, which outline our key initiatives to build resilient and transparent securities markets and decarbonising our operations.

## Governance

### Board and management's role

We have a well-defined corporate governance structure to consider climate and sustainability-related matters. Chaired by Chief Executive Officer (CEO) Ms Julia Leung, the SFC's cross-divisional Sustainable Finance Working Group reports regularly to senior management and the Board on the development of regulatory policies, local and international engagement, and the progress of the SFC's decarbonisation efforts.

## Strategy

### Risks and opportunities on our regulatory initiatives and operational activities

Climate change poses physical and transition risks to the economy and financial ecosystem. Regulators can support financial sectors in managing these risks, help mitigate greenwashing risks and facilitate effective capital allocation for low-carbon transition.

We strive to lead financial market transformation through a sustainable finance policy framework. Guided by our *Agenda for Green and Sustainable Finance*<sup>2</sup>, we take a climate-first approach and promote market transparency and investor protection. We decarbonise our operations and conduct scenario analysis to evaluate climate resilience of our operations.

Climate and sustainability issues are cross-border and cross-sectoral. The SFC leads international regulatory discussions to develop best practices and recommendations on sustainable finance, which help inform domestic policy. We also spearhead local initiatives to bolster Hong Kong's position as a leading sustainable and transition finance hub. Key foci include alignment with international standards, promotion of data and technological solutions and building industry capacity and talent pool to scale sustainable finance.

## Risk management

### Our processes for identifying, assessing and managing risks

Our cross-divisional Risk Review Group identifies and monitors potential and emerging risks faced by the SFC, including those relating to climate and sustainability, and reports to senior management and the Board regularly.

To ensure that we effectively identify, assess and manage climate and sustainability-related risks, we monitor and adopt measures to reduce our greenhouse gas emissions, address greenwashing risks, build our internal as well as industry capacity, enhance investor protection, and participate in local and international stakeholder engagement activities.

## Metrics and targets

### Our emissions and decarbonisation efforts, metrics for risk assessment, and targets

In line with the HKSAR Government's climate goals, we aim to achieve carbon neutrality before 2050. In 2024-25, we undertook various decarbonisation initiatives, resulting in 50.8% reduction of our total carbon emissions against the baseline. Our Scope 1, 2, and 3 emissions are disclosed on page 118 in this report.

<sup>1</sup> The TCFD was established in 2015 to help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities. The final TCFD Recommendations, issued in 2017, cover four core areas: governance, strategy, risk management, and metrics and targets.

<sup>2</sup> We published the agenda in August 2022 to set out further steps to support Hong Kong as a regional green and sustainable finance centre.

**This section outlines how we incorporate climate and sustainability considerations into our regulatory initiatives and our organisation's activities. It is structured with reference to the TCFD Recommendations.**

We take the lead in advancing Hong Kong as an international sustainable finance hub. With a view to maintaining the transparency and integrity of our capital markets and enhancing investor protection, we develop an effective regulatory framework for supporting low-carbon transition, combatting greenwashing, and building industry capacity and awareness.

Within the SFC, we integrate climate and sustainability into our internal policies and manage related risks in our operations. We support the HKSAR Government's climate strategies and have committed to reducing 50% of our total carbon emissions by 2030 and achieving carbon neutrality before 2050.

### Governance: Comprehensive framework for sustainability

We practise robust corporate governance through the Board and senior management oversight in relation to climate and sustainability-related risks and opportunities<sup>3</sup>. Our cross-divisional Sustainable Finance Working Group, led by our CEO Ms Leung, coordinates policy initiatives and corporate activities in line with our sustainable finance strategy. Members of this group report to the Executive Committee (ExCo) and the Board periodically.

Our International Affairs and Sustainable Finance team<sup>4</sup> is responsible for coordinating our sustainable finance efforts at the local, regional and global levels. The team advises the Board, ExCo and senior management on our sustainability strategies and coordinates with the HKSAR Government, local and international regulatory agencies and stakeholders to formulate and implement related initiatives.

The SFC's Investment Committee enquires into how and to what extent our external fund managers incorporate environmental principles into their investment and risk analysis processes. To ensure their compliance with the SFC's Principles of Responsible Ownership, we regularly communicate with our external fund managers and have engaged an independent consultant to oversee and assess their commitment and practices.

### Strategy: Maintain transparent markets and protect investors

Leading financial market transformation through technology and environmental, social and governance (ESG) is one of our strategic priorities for 2024-26. We strive to advance Hong Kong's position as a sustainable and transition finance hub both internationally and in the Asia-Pacific (APAC) region, including in the Guangdong-Hong Kong-Macao Greater Bay Area.

<sup>3</sup> The Board is responsible for setting the overall direction and providing strategic guidance on policymaking, whilst the ExCo is responsible for considering policy and operational proposals.

<sup>4</sup> This team within the CEO's Office reports directly to our CEO.

### Adopting a climate-first approach

The real economy and financial system face risks associated with the physical impact from climate change and the low-carbon transition. As an international financial centre, Hong Kong can bridge and guide cross-border capital flows towards sustainable development, particularly because the APAC region needs significant financial resources to address these risks. Local regulators, including the SFC, help develop Hong Kong's sustainable finance ecosystem to support allocation of sustainable capital across the Mainland, APAC and the world.

To identify and assess our climate-related physical and transition risks and operational resilience, we conducted a climate scenario analysis with reference to the scenarios from the Intergovernmental Panel on Climate Change and the Network for Greening the Financial System.

Greenwashing poses risks to the green finance market, potentially detracting from sustainability efforts and

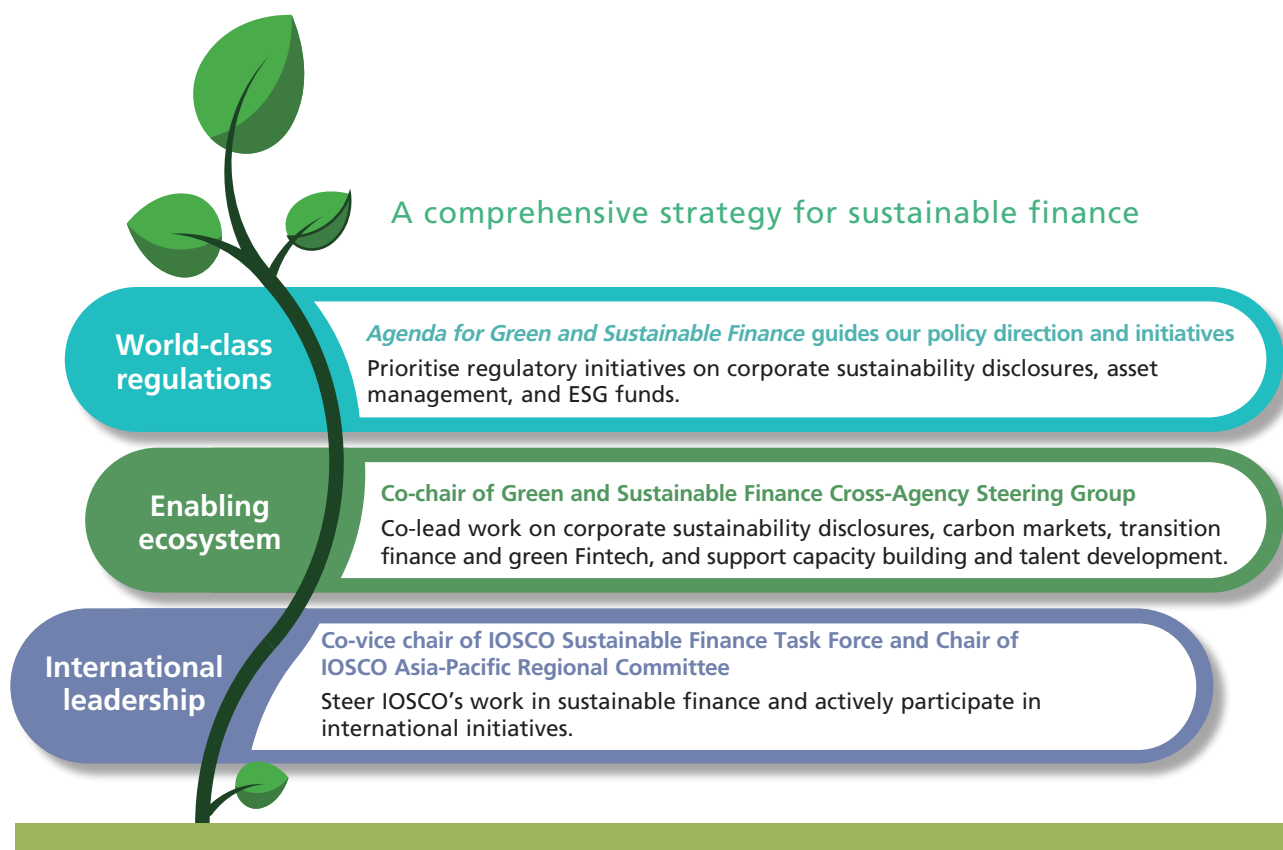
raising investor protection concerns. Gatekeeping against greenwashing remains an important priority as we monitor market and regulatory developments and implement relevant measures.

### Implementing comprehensive strategies for sustainable finance

The *Agenda for Green and Sustainable Finance* sets out our strategy to develop a comprehensive regulatory framework. Under this framework, we work collaboratively to build the local sustainable finance ecosystem through the Green and Sustainable Finance Cross-Agency Steering Group (Steering Group)<sup>5</sup> and actively contribute to international standard setting by our leadership at the International Organization of Securities Commissions (IOSCO).

### Building an enabling local ecosystem

Sustainability considerations are multi-faceted, cross-border and cross-sectoral. To strengthen local coordination and collaboration, we initiated and co-



<sup>5</sup> Established in May 2020, the Steering Group is co-chaired by the SFC and the Hong Kong Monetary Authority. Members also include the Financial Services and the Treasury Bureau, the Environment and Ecology Bureau, the Insurance Authority, the Mandatory Provident Fund Schemes Authority, the Accounting and Financial Reporting Council, and Hong Kong Exchanges and Clearing Limited.



## Sustainability

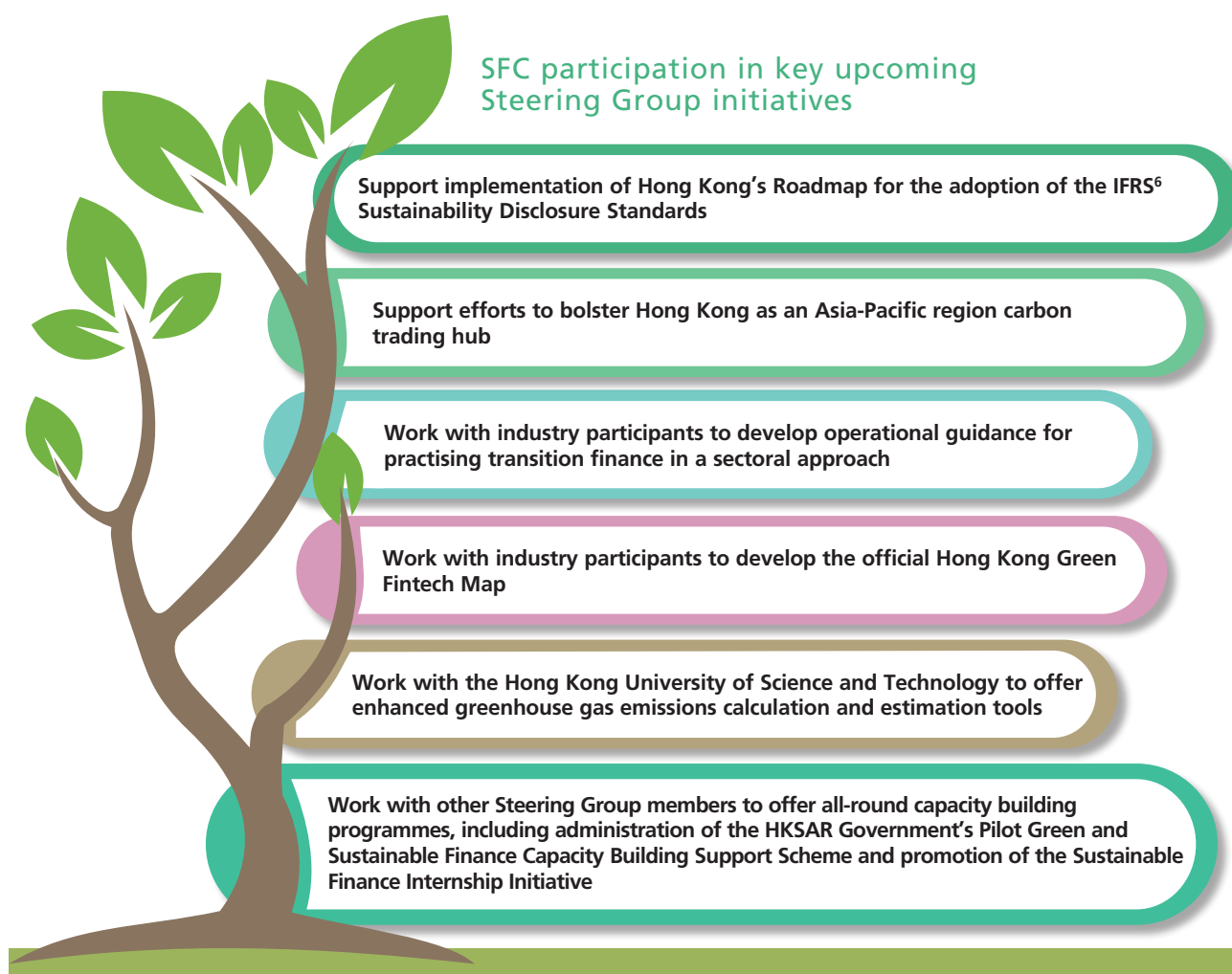
lead the Steering Group, which aims to coordinate the management of climate and environmental risks, accelerate the growth of sustainable finance and support the HKSAR Government's climate strategies.

During the year, the Steering Group made progress in implementing its 2023-25 priorities: world-class regulation, data and technology for transition, market opportunities and product innovation, as well as communication, capacity building and collaboration with the Mainland, regional and global markets. For

details of the initiatives, see "Leading financial market transformation through technology and ESG" on pages 72-79.

### Developing a comprehensive regulatory framework

We introduce various initiatives to improve the quality of disclosures, increase market transparency and build trust among investors and capital market participants. For our key initiatives launched during the year, see "Leading financial market transformation through technology and ESG" on pages 72-79.



<sup>6</sup> International Financial Reporting Standards.

### Leading discussions in international regulatory community

Climate change and other sustainability concerns are global in nature. A coordinated approach is essential to effectively understand and address related risks and opportunities, and mitigate risks of regulatory fragmentation and arbitrage. As international standards and policy recommendations have significant implications on our domestic policy agenda, we seek to align with international best practices and lead by example in developing sustainable finance regulations in the region.

Globally, we advocate the alignment with international standards. As Vice Chair of the IOSCO Sustainable Finance Task Force and an active participant in all its workstreams, we promote regulatory alignment,

knowledge sharing and capacity building through the international community of securities regulators.

At the regional level, we lead IOSCO's Asia-Pacific Regional Committee and its Sustainable Finance Working Group (SFWG). The SFWG aims to strengthen collaboration among members in capacity building and information sharing, with a focus on corporate sustainability disclosures and carbon markets.

Additionally, we are a member of the International Platform on Sustainable Finance, a member of the Consultative Group of the United Nations Sustainable Stock Exchanges Initiative and its Advisory Groups on Carbon Markets, Transition Plans, and Small and Medium Enterprises and Sustainability. We are also an official sector member of the International Transition Plan Network.

### SFC's key ongoing regulatory initiatives on sustainable finance



#### Corporate sustainability disclosures

We work with the Stock Exchange of Hong Kong Limited to enhance and monitor the climate- and sustainability-related disclosures of listed companies.



#### Fund managers

We closely monitor the implementation of our climate-related requirements in Fund Manager Code of Conduct.



#### ESG funds

We closely monitor ESG funds' compliance with our enhanced requirements for disclosures and annual assessments.



#### ESG ratings and data products providers

We continue to support the uptake of Hong Kong's voluntary code of conduct for ESG ratings and data products providers.



#### Carbon markets

We actively participate in local and international discussions on regulatory and market development of carbon markets.



#### Public outreach

We work with the Investor and Financial Education Council to raise public awareness and understanding of sustainable finance and transition finance.



#### Talent development

We offer the Sustainable Finance Internship Programme to provide university students with exposure to developing and implementing sustainable finance policies.



#### Technology and innovation

We work with relevant local stakeholders to enhance free-for-all public utility data tools and promote green Fintech.

### Risk management: Monitoring and addressing sustainability challenges

We regularly identify, assess and manage climate and sustainability-related risks to the SFC and the firms that we regulate. Our cross-divisional Risk Review Group takes proactive steps to comprehensively identify and monitor potential and emerging risks faced by the SFC, including any macro financial risks and operational risks relating to climate and sustainability. The group reports to the ExCo and the Board periodically.

### Risks to regulatory initiatives

Our local and international engagements help us identify and assess climate and sustainability-related risks. We are a member of the IOSCO Committee on Emerging Risks, which focuses on the identification and assessment of regulatory issues across securities markets and informs the IOSCO Board in determining key priorities. We also actively engage with regulatory bodies and the industry on the latest developments and risks associated with climate and sustainable finance.

We facilitate the financial sector's consideration and management of climate and sustainability risks by introducing regulatory requirements and guidance. We also worked with local and international regulators and stakeholders to promote the adoption of global standards.

### Risks to operational activities

With a commitment to addressing climate-related risks while ensuring business continuity, we have incorporated comprehensive measures into our business resumption plan. This plan not only covers our office premises, but also encompasses our communications and computer services. We actively mitigate various risks associated with climate-related physical hazards, technical issues, fires, and other emergencies. Furthermore, we conduct routine simulation exercises and have established emergency response teams to effectively manage critical crises and maintain operational capabilities during major incidents. To promote energy efficiency and minimise environmental impact, we prioritise regular maintenance of our electrical and audio-visual equipment, as well as our air conditioning systems.

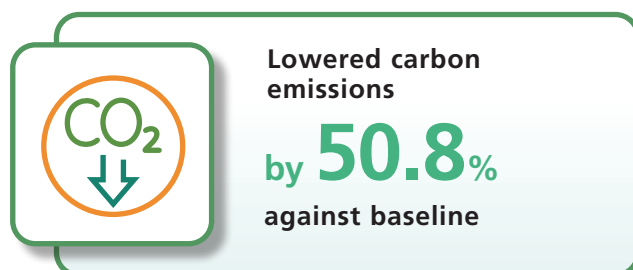
We maintain regular communications with Swire Properties, the co-owner and property manager of our office premises at One Island East. Swire Properties has taken steps to address climate change and has established 1.5°C-aligned science-based targets, which aim for net-zero emissions by 2050. To further strengthen resilience, short and medium-term measures have been identified, such as enhancing flood protection measures and alert systems, improving chiller efficiency, conducting regular inspections of the glass facade, and implementing smart monitoring systems.

We also take active steps to save energy and reduce our carbon footprint. We have also engaged an external consultant to assess our corporate emissions footprint and been regularly monitoring our emissions.

### Metrics and targets: Taking stock of our climate impact

As a responsible organisation, our commitment extends to addressing the full range of risks arising from climate change and sustainability.

An external consultant assesses our organisation's emissions footprint covering Scope 1 (direct emissions), 2 (indirect emissions), and 3 (value chain and investments) emissions under the Greenhouse Gas Protocol. We reduced 50.8% of our total carbon emissions against our baseline. The chart on page 118 shows the Scope 1, 2 and 3 emissions for our baseline and the 2024-25 financial year.



Our office building One Island East has received a Building Environment Assessment Method rating of Platinum, the highest rating available. During the year, we achieved improvements in energy savings, water efficiency, and waste diversion rates. Our corporate green initiatives focused on waste reduction and recycling.

Sustainability

We also introduced initiatives to raise staff awareness to reduce our carbon footprint and enhanced our staff training on sustainable finance.

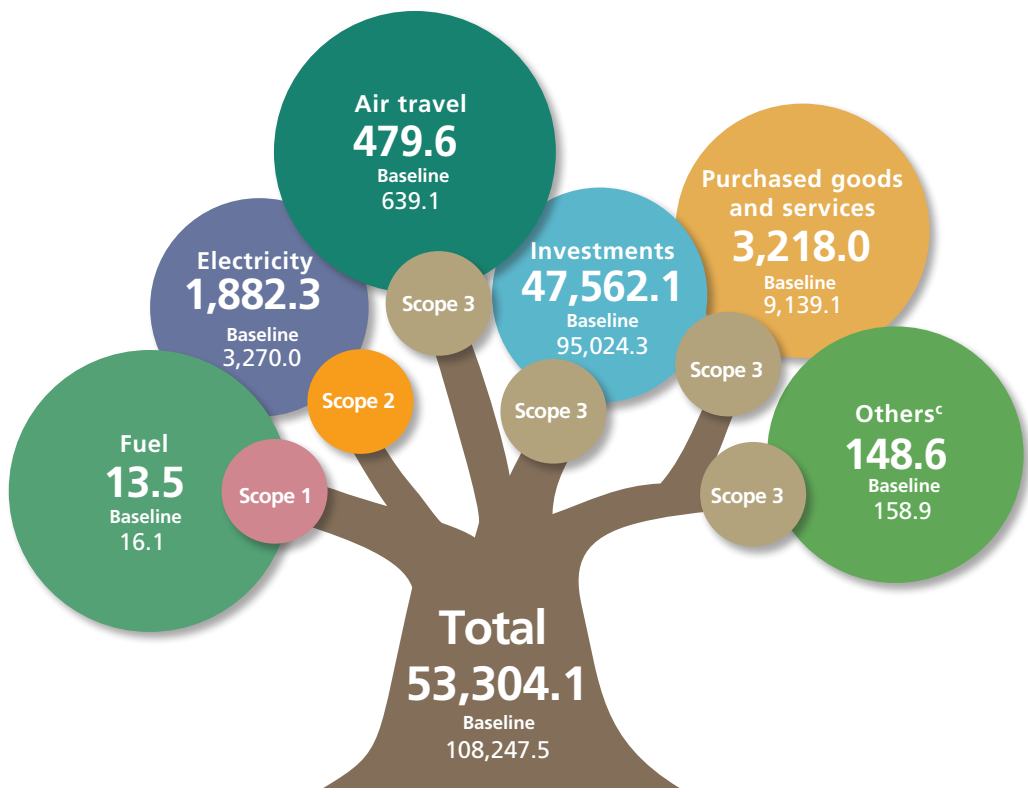
For the second year running, we received the highest platinum rating of Swire Properties’ Green Performance Pledge, an action-oriented programme supporting tenants’ energy, water and waste reduction. We are one of the six tenants to achieve this rating out of more than 100 participants. We continue to collaborate with Swire Properties under the programme to drive further reduction in our resources consumption and environmental impact.



**Platinum  
rating**  
in green performance  
for office premises

To meet our carbon neutrality goals, we work towards reducing our investment portfolio’s financed emissions. We closely monitor and review the allocation of assets in our portfolio and engage with our fund managers to communicate our targets, understand our financed emissions, request disclosures of emissions metrics, and consider green investment options.

The SFC’s Scope 1, 2, and 3 emissions<sup>a</sup> in 2024/25 (tCO<sub>2</sub>e<sup>b</sup>)



<sup>a</sup> The emission figures were computed by the SFC’s consultant based on available data, and in some cases are subject to estimation.

<sup>b</sup> Tonnes of carbon dioxide equivalent.

<sup>c</sup> Including electricity transmission and distribution, hotel accommodations, car rentals and waste.

# Corporate Social Responsibility

We aspire to positively influence society by actively contributing to the community and advocating sustainable practices. Our commitment to community care, sustainability support, environmental protection, and employee wellness underpin our corporate social responsibility (CSR) initiatives.

## Driving positive changes

As a socially-responsible organisation, we incorporate CSR principles into our operational decisions and practices.

The CSR Committee plans and coordinates our CSR efforts. It is chaired by the Chief Financial Officer and Senior Director of Corporate Affairs, and consists of representatives from units across the organisation. It reports directly to the SFC's Executive Committee.

The committee is responsible for:

- formulating and developing our CSR vision, principles, framework and policies;
- organising and promoting CSR activities; and
- setting objectives, targets, and key performance indicators to measure the effectiveness of our CSR efforts.

Three working groups are established under the committee: the Commission Volunteers Group, Green Working Group and Wellness Group. Each group is charged with planning and implementing initiatives under specific themes.

We set out our CSR principles and activities on our website and intranet. We also share event previews and highlights, and publish quarterly e-newsletters. Our CSR intranet serves as a one-stop platform allowing participants to share first-hand accounts of our activities and feedback. Our CSR efforts have been recognised by the Hong Kong Council of Social Service, which has named us a "Caring Organisation" since 2006.

## Fostering a greener marketplace

As the regulator of Hong Kong's financial markets, we adopt measures to enhance industry-wide operational efficiency while fostering sustainable practices. Our initiatives not only conserve energy effectively but also enhance the industry's overall sustainability.

## CSR working groups and themes





## Corporate Social Responsibility

Through our fully digitalised licensing platform WINGS<sup>1</sup> 2.0 and its companion mobile application WINGS Mobile, industry participants can electronically sign and submit licensing applications and other documents, and communicate more efficiently with us. It is estimated that over 1,790,000 sheets of paper, equivalent to about 179 trees, have been saved since the launch of WINGS 2.0.

During the year, about 161,000 applications and regulatory filings were signed and submitted via WINGS. About \$77 million were paid to the SFC electronically. Over 20,600 users have downloaded the

WINGS Mobile application to read WINGS Mail, settle payments, e-sign applications, submit regulatory filings and use other digitised functions.



### Sharing the joy of 35<sup>th</sup> anniversary with staff, families and community

To promote staff wellbeing and celebrate the SFC's 35<sup>th</sup> anniversary, we hosted in May 2024 a Family Fun Day jointly with Kai Tak Sports Park for over 300 staff members and their families to explore the heritage of the Quarry Bay neighbourhood, where the SFC's office is located. We also invited senior citizens from two elderly service centres in the Eastern District to join the heritage walk and take a trip down the memory lane with us.



Visit to the Woodside Biodiversity Education Centre

In addition, we co-organised with InspiringHK Sports Foundation a Family Sports Day successfully in January 2025, thanks to the excellent venue provided by Taikoo Primary School. Over 380 participants, including a group of underprivileged students, spent a fun-filled and action-packed day trying out a diverse range of sports and game booths through taster sessions and activities for all ages and interests.



Learning about Quarry Bay's transformation from a dockyard and sugar refinery to a residential and business district



Mr Angus Ng (right), a celebrated Hong Kong Team badminton player, shared valuable insights on sportsmanship during a chit-chat session with our Commission Secretary and Chief Governance Officer Mr Paul Yeung (left)



Sports taster sessions for all ages

<sup>1</sup> Web-based INTeGrated Service.

## Corporate Social Responsibility

### Empowering community through volunteering

Through volunteering and providing social services, our staff take part in driving a positive change in the community. We offer volunteering leave to encourage staff participation in community service. Last year, 244 SFC staff together with their friends and family members spent a total of 923 hours volunteering to promote social inclusion, elderly caring, animal protection and environmental conservation.

Our staff also support community services through donations and participation in fundraising events. Last year, we raised a total of \$110,117 through various large-scale community events, including Pedal Power 11 and four Community Chest events.

Donating used items to charities not only assists those in need but also reduces waste. Last year, we donated 126 computers and 39 computer servers to Caritas Computer Workshop. Additionally, we collected 11 cartons of toys, clothing, and books for the Salvation Army Recycling Programme.

To raise awareness about food waste and its connection to hunger, we partnered with Feeding Hong Kong for a food sorting activity, where staff volunteers and their families sorted and repacked food at a Yau Tong warehouse. In addition, we joined hands with Time Auction and Youth With A Mission (YWAM) to hold a "Care, Share, Serve" programme to bring attention to poverty issues in Hong Kong. Participants packed food and necessities for street sleepers and cardboard collectors in Tuen Mun.



Baking with the elderly

To drive positive change in society by assisting a diverse group of underprivileged individuals, we joined hand with Caritas Hong Kong in a series of Chinese class aimed at supporting kindergarten and primary school children from ethnic minorities. This initiative helps them integrate into society and promotes racial equality. Volunteers engaged with the children through games and enhanced their Chinese skills in a fun and supportive environment.

To promote harmony between people and animals, we collaborated with the HK Saving Cat And Dog Association (HKSCDA) to organise two caring sessions for cats and dogs, which raised awareness about stray animals. A total of 34 colleagues participated. Additionally, we held a charity walk with children with special educational needs (SEN), accompanied by therapy dogs from Rise Wise. A total of 25 colleagues leveraged these therapy dogs in supporting the community.

In December 2024, we partnered with the New Life Psychiatric Rehabilitation Association, which provided items in a nostalgic local "red-white-blue" style for charity sale at our in-house Christmas Giving Fair. The Hong Kong Society of Rehabilitation and Fu Hong Society also joined this fair to offer a wide selection of snacks and seasonal necessities for sale to raise funds for their development.



Laughter yoga session with Po Leung Kuk

### Our volunteering events

Month	Activity	Purpose	Outcome
May 2024	African drum session with Love 21	To understand the challenges faced by the neurodiverse community and engage with them through the experience of playing African drums	17 staff volunteers participated in the activity to support and interact with Love 21 members and grasped the drum-playing techniques
May 2024	Tung Wah Group of Hospitals (TWGH) baking with the elderly	To understand the physical and emotional needs of the aged generation and promote elderly wellbeing	21 staff volunteers and their family members paired up with the elderly to make strawberry cheesecakes
June 2024	Food sorting with Feeding Hong Kong	To raise awareness towards food waste and its connection to hunger	20 staff volunteers and their family members sorted food in the warehouse of Feeding Hong Kong for charity deliveries
July 2024	Caring cats and dogs with HKSCDA	To better understand the issue of abandoned animals	34 staff volunteers visited animal shelters in Tsuen Wan and Yuen Long, where they cleaned the living areas for the abandoned animals and fed them
July 2024 and March 2025	Computer donation	To give away items to those in need and reduce electronic waste in landfills	Donated 80 desktop computers, 46 notebooks and 39 servers to Caritas Computer Workshop
August 2024	"Care, Share, Serve" programme with Time Auction and YWAM	To contribute to the welfare of street sleepers and cardboard collectors	16 volunteers including staff and their family members participated
September 2024	Plastic sorting with V Cycle	To have a deeper understanding of recycling and contribute to the recycling work	18 volunteers including staff and their family members participated and contributed to plastic recycling and environmental protection
September 2024	Mid-autumn caring – lantern making with elderly	To share the joy of Mid-autumn Festival with the elderly	21 staff volunteers and their family members paired up with the elderly to make lanterns with recycled materials

## Corporate Social Responsibility

Month	Activity	Purpose	Outcome
November 2024	Outdoor activities with children from Evangel Children's Home	To support SEN children	20 staff volunteers enjoyed hiking and kite flying at Clear Water Bay Country Park with the children from Evangel Children's Home
December 2024	Christmas Giving Fair	To raise funds for and spread Christmas joy to the underprivileged	Collaborated with four non-profit organisations and staff volunteers for charity sale
January 2025	Laughter yoga and fragrance stone session with Po Leung Kuk	To share the happiness and bring care to the elderly	18 volunteers spent a Saturday morning with the elderly practising laughter yoga and making fragrance stones
February 2025	Charity walk with Rise Wise	To enhance mental wellness and promote understanding of therapy dogs	26 staff volunteers participated in the Charity Walk
February 2025	Trail clean-up	To help rid trails of waste and promote the practice of leaving no trace	12 staff volunteers participated in the trail clean-up
March 2025	Chinese learning sessions for ethnic minority children	To help children from ethnic minority enhance their Chinese skills in a fun and supportive environment	20 staff volunteers participated in the learning sessions



Making lanterns with the elderly



Giving away necessities to those in need



## Corporate Social Responsibility

### Protecting our environment

#### Going green in workplace

We are dedicated to minimising our impact on the environment and promoting sustainability. An internal protocol, *A Guide to Working "Green" at the SFC*, sets out guidance for staff to protect the environment at the workplace.

The SFC has once again achieved the highest Platinum rating in the Green Performance Pledge conducted by Swire Properties, demonstrating our success in waste diversion, energy savings, and water efficiency.

Energy-conserving features in our office include motion and daylight sensor lighting, and LED light fittings. The office layout was designed to allow more natural light. Recycling bins collecting a range of materials are conveniently located across the office and the number of individual waste bins in office has been reduced to encourage less waste. We also support the Government's rechargeable battery recycling programme, providing collection boxes on every floor.

To reduce paper consumption, we digitalise our internal procedures and share meeting materials on electronic devices. We explain to staff the environmental impact of colour printing and set printers by default to print in greyscale and double-sided to encourage eco-friendly practices. Our annual reports are published only digitally.

Other green practices adopted in our workplace include:

- switching to LED light stripes;
- installing water flow restrictor;
- using bamboo paper towels;
- sharing sustainable habits;
- sharing recycling tips with staff;
- reusing stationery; and
- automatically turning off desktop computers every weekend.

Throughout the year, we launched an initiative titled "Bring Your Own SFC's Limited Edition Utensils" to encourage a plastic-free lifestyle and reduce waste. Staff actively participated in a quiz related to SFC's sustainability practices, with a total of 448 responses received.

#### Eco-friendly activities

In collaboration with V Cycle, 18 staff volunteers, along with their friends and families, participated in a plastic sorting activity with elderly cardboard collectors and visited plastic sorting facilities to learn about products made from recycled plastic. Additionally, we partnered with Trailsweeper for a cleanup event at Dragon's Back, where participants contributed to environmental sustainability and gained insights into nature preservation.

To promote marine life protection, we organised a dolphin watching trip for 47 participants, including staff and their families, who learned about the conservation of Chinese White Dolphins and observed pink dolphins up close.

We hosted a variety of green workshops, such as Pafcal (for soilless plants) and urban planting workshops, where staff learned about sustainable planting materials and techniques for cultivating greenery. We also offered upcycling workshops on coffee ground mosquito coil making and reclaimed wood. Besides, we hosted a "Lunch and Learn" seminar series themed on the Earth Day and marine pollution.

In addition, we support the global warming prevention and environmental conservation causes of the World Wide Fund for Nature, including our No Shark Fins Policy and participation in Earth Hour 2025 to extend our support of more than two decades.



Recycling and plastic sorting workshop



### Fostering the spirit of Team SFC

At the SFC, staff activities contribute to a holistic approach to CSR, enhancing employee wellbeing and community engagement while fostering a positive workplace culture.

During the year, we organised over 30 meaningful events for staff, including three major events to celebrate the SFC's 35th anniversary as well as other sports and interest classes to promote a healthy work-life balance. The highly anticipated Christmas Dinner saw an impressive turnout of over 800 colleagues or 84% of all staff, featuring

a captivating skipping performance by children and a musical showcase by our executives.

Our staff teams participated in a variety of sports events and competitions. Last year, we formed a women petite dragon boat team for the first time to compete in the Stanley International Dragon Boat Championship, adding a new dimension to our staff engagement activities. This initiative promotes teamwork and physical fitness and also empowers women in our workplace to connect, compete and celebrate their strengths together.



### Consumption and recycling

	2024/25	2023/24	2022/23
Consumption			
Paper (pieces/head)	4,670	4,419	5,429
Electricity (kWh)	3,145,411	3,231,983	2,924,902
Recycling			
Paper (kg)	19,151	20,679	25,095
Toner and printer ink cartridges	587	563	637

## Corporate Social Responsibility

### Enhancing wellness

We strive to provide a healthy and safe working environment which emphasises employee wellbeing. Our holistic wellbeing framework covering physical, mental, social and family wellbeing sets the foundation for the activities we provided to staff throughout the year:

- Workshops on recognising and maintaining mental wellbeing for individuals and managers to support mental health at work
- Workshops on managing emotions in the workplace and facilitating collaboration
- Talks on stress management, social media addiction, and sleep quality

- Articles related to personality and self-care
- Various fitness classes that enhanced staff strength, physical flexibility, and coordination

As a founding member of the City Mental Health Alliance Hong Kong (CMHA HK), we actively participate in its initiatives. We promoted free webinars offered by CMHA HK to provide staff with additional resources prioritising mental health in the workplace. In October 2024, we hosted the annual World Mental Health Day event, featuring insightful sharing from industry leaders and a networking session (see sidebar). In the same month, we also organised weekly article sharing to promote self-care, a talk with the Mental Health Association Hong Kong on stress management and social media addiction, and a singing bowl meditation workshop.

### Nurturing a healthy mind in the workplace

To commemorate the World Mental Health Day, we co-hosted a seminar at our office with CMHA in October 2024. Our CSR Committee Chairman, Mr Andrew Wan, kicked off the event themed



“It’s Time to Prioritise Mental Health in the Workplace”, by highlighting the SFC’s initiatives to support employees’ mental health.

CMHA members and community partners gathered to hear guest speakers discuss the importance of building trust in leadership and how a balance of kindness and assertiveness can be effective.

Research insights were also shared, focusing on the mental health challenges graduates face as they enter the workforce, what companies can do to provide better support, and the significance of fostering communication skills for young professionals.

## Corporate Social Responsibility

### Contributions

	2024/25	2023/24	2022/23
Number of staff participating in volunteering activities	244	212	99
Total volunteering hours	923	863	409
Funds raised for community causes	\$110,117	\$90,209	\$80,156
Corporate sponsorships for community causes^	\$4,000	\$5,000	\$24,185

^ Including donations in lieu of corporate gifts made in the names of guest speakers invited to our in-house training seminars.

In April 2024, 34 participants including staff and their families participated in Pedal Power 2024, a charity cycling event to raise money for less advantaged youth, schools, and communities to join Outward Bound training courses. These courses help teenagers gain confidence, build resilience and acquire leadership skills. Three colleagues took home prizes.

Various sports events enhanced staff strength, physical flexibility and coordination, while allowing colleagues to refresh their minds during the busy working day. These included yoga Nidra and Zumba dance, as well as sports taster sessions in collaboration with Inspiring HK.

Furthermore, the workshop on personal colour analysis has been popular among staff. It helped participants identify suitable colours to enhance their appearance and confidence. Additionally, workshops such as the



Stretch and yoga Nidra class

Korean and Chinese Matcha experience, base food day and whole food challenge and a massage week contributed to staff wellbeing, improving health and productivity in the workplace.



Nunchaku and boxing taster sessions



Zumba dance workout

## CSR Activity Calendar

### April – June 2024



- Blood donation
- **Pedal Power**
- Coffee ground mosquito coil making workshop
- African drum session with the Neurodiverse Community with Love 21
- Lunch and learn – Earth Day
- Mental health talk for quality sleep
- Massage ball workshop
- Baking with the elderly with TWGH
- Food sorting with Feeding HK
- Pafcal planting workshop
- Community Chest Green Low Carbon Day

### July – September 2024

- Gentle stretch and yoga Nidra
- Reclaimed wood upcycling workshop
- Colour analysis
- **Caring abandoned cats and dogs activity**
- "Care, Share, Serve" food distribution programme
- Zumba dancing
- Urban farming workshop
- Plastic sorting volunteering activity
- Lantern making with the elderly
- Chocolate tasting
- Computer donation
- "Bring Your Own SFC's Limited Edition Utensils" initiative
- Mooncake donation and mooncake boxes collection by Swire Properties



### October – December 2024

- Lunch and learn – Marine pollution
- CMHA – World Mental Health Day event
- Weekly article sharing to promote mental wellbeing
- Social media addiction and stress management talk
- Singing bowls and aroma relaxation workshop
- Boxing taster session
- **Dolphin watching trip**
- Hiking and kite-flying with Evangel Children's Home
- Nunchaku taster session
- Christmas Giving Fair
- "Little Fashion for Love" children's clothing collection by Swire Properties
- Community Chest Dress Casual Day
- Community Chest Love Teeth Day

### January – March 2025

- Breathwork workshop
- Korean and Chinese matcha workshop
- Charity walk with SEN children and therapy dogs
- **Trail clean-up**
- Natural honey lip balm workshop
- Chinese classes with children from ethnic minorities
- Massage week
- Hair and scalp test session
- Hair and scalp treatment talk
- Community Chest Skip Lunch Day
- Earth Hour 2025
- "Books for Love @ \$10" by Swire Properties
- Lai See Packets Reuse and Recycling Programme by Swire Properties
- Server donation to Caritas Computer Workshop
- Base food day and whole food diet challenge





# Securities and Futures Commission

## Independent auditor's report To the Securities and Futures Commission

(Established in Hong Kong under the Securities and Futures Commission Ordinance)

### Opinion

We have audited the consolidated financial statements of the Securities and Futures Commission (the SFC) and its subsidiaries (collectively referred to as the Group) set out on pages 133 to 166, which comprise the consolidated statement of financial position as at 31 March 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

### Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (HKSA) issued by the HKICPA. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of financial assets at fair value through profit or loss ("FVTPL")	
The aggregate carrying value of the Group's financial assets at FVTPL was HK\$1,066 million, which represented 10.7% of consolidated total assets as at 31 March 2025. As disclosed in note 11 to the consolidated financial statements, the financial assets at FVTPL of the Group comprise of pooled funds (equity instruments).	Our procedures in relation to address the key audit matter included:
As disclosed in note 25(f)(i), the Group's financial assets at FVTPL are categorised as Level 1 in the fair value hierarchy based on prices quoted in active markets.	<ul style="list-style-type: none"><li>Obtaining an understanding of the internal controls over the valuation of financial assets at FVTPL.</li><li>Obtaining independent confirmations from the custodians of the financial assets at FVTPL held as at 31 March 2025 and agreeing the quantity held to the accounting records of the Group.</li></ul>
We identified valuation of financial assets at FVTPL as a key audit matter because of the size of these items in the consolidated financial statements and the impact of changes in valuation on the profit or loss.	<ul style="list-style-type: none"><li>Testing the valuation of financial assets at FVTPL that are quoted in active markets by independently agreeing the valuation of financial assets at FVTPL to third-party sources at 31 March 2025.</li></ul>



### Independent auditor's report (continued) To the Securities and Futures Commission

(Established in Hong Kong under the Securities and Futures Commission Ordinance)

#### Other matter

The consolidated financial statements of the SFC for the year ended 31 March 2024, were audited by another auditor who expressed an unmodified opinion on those statements on 23 May 2024.

#### Other information

The directors of the SFC are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of directors and those charged with governance for the consolidated financial statements

The directors of the SFC are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Independent auditor's report (continued) To the Securities and Futures Commission

(Established in Hong Kong under the Securities and Futures Commission Ordinance)

#### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you in accordance with Section 16(3) of the Securities and Futures Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## Independent auditor's report (continued)

### To the Securities and Futures Commission

(Established in Hong Kong under the Securities and Futures Commission Ordinance)

#### Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ha, Hong Yiu Vico (practicing certificate number: P06612).

**Deloitte Touche Tohmatsu**  
Certified Public Accountants

Hong Kong  
5 June 2025

## Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Income</b>			
Levies	2(a)	2,217,760	1,390,183
Fees and charges	2(b)	165,916	113,788
Net Investment income			
Investment income	5	216,815	234,755
Less: custody and advisory expenses		(10,469)	(10,508)
Recoveries from the Investor Compensation Fund		6,439	6,061
Exchange loss		(25,861)	(16,633)
Other income	6	3,300	117,017
		2,573,900	1,834,663
<b>Expenses</b>			
Staff costs and directors' emoluments	7	1,746,904	1,600,573
Depreciation			
Fixed assets	12	193,861	129,120
Right-of-use assets	13	10,242	108,925
Other premises expenses		36,711	36,914
Finance costs	8	95,326	31,711
Other expenses	9	250,138	225,176
		2,333,182	2,132,419
<b>Surplus/(deficit) and total comprehensive income for the year</b>		<b>240,718</b>	<b>(297,756)</b>

The notes on pages 139 to 166 form part of these consolidated financial statements.

## Consolidated statement of financial position

As at 31 March 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Non-current assets</b>			
Fixed assets	12	4,288,119	4,410,812
Right-of-use assets	13	22,168	21,477
Deposits and prepayments	22	469,729	335,414
Financial assets at amortised cost – debt securities	10	1,703,416	2,102,479
		6,483,432	6,870,182
<b>Current assets</b>			
Financial assets at amortised cost – debt securities	10	1,445,025	898,557
Financial assets at fair value through profit or loss – pooled funds	11	1,065,993	1,087,666
Debtors, deposits and prepayments	16	362,879	196,080
Fixed deposits with banks	14	486,687	610,147
Cash held for Grant Scheme	15	50,003	58,656
Cash at bank and in hand	14	58,677	146,154
		3,469,264	2,997,260
<b>Current liabilities</b>			
Fees received in advance		8,319	8,497
Creditors and accrued charges	17	243,953	199,132
Bank loan	18	18,262	18,262
Lease liabilities	13	8,393	9,212
Provisions for reinstatement costs	19	–	574
		278,927	235,677
<b>Net current assets</b>		3,190,337	2,761,583
<b>Total assets less current liabilities</b>		9,673,769	9,631,765



## Consolidated statement of financial position (continued)

As at 31 March 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Non-current liabilities</b>			
Bank loan	18	1,800,432	2,001,319
Lease liabilities	13	14,478	12,879
Provisions for reinstatement costs	19	1,764	1,190
		<b>1,816,674</b>	<b>2,015,388</b>
<b>Net assets</b>		<b>7,857,095</b>	<b>7,616,377</b>
<b>Funding and reserves</b>			
Initial funding by Government	21	42,840	42,840
Reserve for property acquisition	27	1,108,884	1,186,800
Accumulated surplus		6,705,371	6,386,737
		<b>7,857,095</b>	<b>7,616,377</b>

Approved and authorised for issue by the Securities and Futures Commission on 27 May 2025 and signed on its behalf by

**Dr Kelvin Wong, SBS, JP**

Chairman

**Julia Leung, SBS, JP**

Chief Executive Officer

The notes on pages 139 to 166 form part of these consolidated financial statements.

## Consolidated statement of changes in equity

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

	Initial funding by Government \$'000	Reserve for property acquisition (Note 27) \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2023	42,840	3,375,000	4,496,293	7,914,133
Deficit and total comprehensive income for the year	–	–	(297,756)	(297,756)
Transfer to accumulated surplus	–	(2,313,200)	2,313,200	–
Transfer to reserve for property acquisition	–	125,000	(125,000)	–
Balance at 31 March 2024 and 1 April 2024	42,840	1,186,800	6,386,737	7,616,377
Surplus and total comprehensive income for the year	–	–	240,718	240,718
Transfer to accumulated surplus	–	(202,916)	202,916	–
Transfer to reserve for property acquisition	–	125,000	(125,000)	–
Balance at 31 March 2025	42,840	1,108,884	6,705,371	7,857,095

The notes on pages 139 to 166 form part of these consolidated financial statements.

## Consolidated statement of cash flows

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Cash flows from operating activities</b>			
Surplus/(deficit) for the year		240,718	(297,756)
Adjustments for:			
Depreciation – Fixed assets		193,861	129,120
Depreciation – Right-of-use assets		10,242	108,925
Finance costs		95,326	31,711
Interest income on deposits for leases		–	(211)
Investment income		(216,815)	(234,755)
Exchange loss		26,265	14,405
Loss on disposal of fixed assets		17	32
Loss/(gain) arising from lease termination		6	(112,220)
		349,620	(360,749)
Increase in right-of-use assets		(16)	(7)
(Increase)/decrease in debtors, deposits and prepayments		(171,011)	79,774
Decrease in cash held for Grant Scheme		8,653	65,549
(Decrease)/increase in fees received in advance		(178)	119
Increase/(decrease) in creditors and accrued charges		44,770	(80,756)
Net cash generated from/(used in) operating activities		231,838	(296,070)
<b>Cash flows from investing activities</b>			
Withdrawal of fixed deposits other than cash and cash equivalents		25,050	2,478,344
Interest received		109,069	254,316
Debt securities at fair value through profit or loss purchased		–	(72,193)
Debt securities at fair value through profit or loss sold or redeemed		–	466,030
Pooled funds sold		117,546	6,091
Debt securities at amortised cost purchased		(7,232,416)	(1,016,572)
Debt securities at amortised cost redeemed at maturity		7,074,684	1,274,696
Down payment of properties acquisition		(134,168)	(334,438)
Fixed assets purchased		(70,847)	(4,321,316)
Net cash used in investing activities		(111,082)	(1,265,042)

## Consolidated statement of cash flows (continued)

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Cash flows from financing activities</b>	20		
Repayment of bank loan		(202,916)	–
Proceeds from bank loan		–	2,019,014
Interest expense on bank loan		(93,071)	(23,778)
Principal element of lease payments		(10,143)	(106,282)
Interest element of lease payments		(513)	(4,492)
Net cash (used in)/generated from financing activities		(306,643)	1,884,462
<b>Net (decrease)/increase in cash and cash equivalents</b>		(185,887)	323,350
Cash and cash equivalents at the beginning of the year		731,251	407,901
<b>Cash and cash equivalents at the end of the year</b>	14	545,364	731,251
<b>Analysis of the balance of cash and cash equivalents</b>			
		2025 \$'000	2024 \$'000
Fixed deposits with banks		486,687	585,097
Cash at bank and in hand		58,677	146,154
		545,364	731,251

The notes on pages 139 to 166 form part of these consolidated financial statements.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 1. Status and principal activities

The Securities and Futures Commission (SFC) is governed by Part II of the Hong Kong Securities and Futures Ordinance (SFO). Under the SFO, the SFC has a duty to ensure an efficient, fair and transparent market and to promote public confidence and investor awareness in Hong Kong's securities, futures and related financial markets. In performing its duty, the SFC is required to act in the interest of the public and ensure that improper and illegal market activities are properly investigated. The registered office and principal place of business of the SFC is 54/F, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong.

### 2. Source of funding

Details of the SFC's funding are set out in Section 14 and Sections 394 to 396 of the SFO. Major sources of funding include:

- (a) levies collected by the Stock Exchange of Hong Kong Limited (SEHK) and Hong Kong Futures Exchange Limited (HKFE) on transactions recorded on the exchanges at rates specified by the Chief Executive in Council.
- (b) fees and charges in relation to its functions and services according to the provision of subsidiary legislation.

The SFC also generates investment income from fixed deposits and investments in debt securities and pooled funds.

### 3. Material accounting policies

#### (a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, a collective term which includes all applicable individual Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong. Material accounting policies adopted by the SFC and its subsidiaries (together, the Group or we) are set out below.

The HKICPA has issued certain amendments to HKFRS Accounting Standards that are mandatorily effective or available for early adoption for the current period of the Group. None of these amendments have a material effect on how the Group's results and financial position for the current or prior periods are prepared and presented.

We have not applied any new or amendments to HKFRS Accounting Standards that are not yet effective for the current period. We anticipate that the application of these new standards or amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements of the Group but may affect certain presentation and disclosure of the consolidated financial statements upon HKFRS 18 *Presentation and Disclosure in Financial Statements* become mandatorily effective on 1 January 2027.



## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 3. Material accounting policies (continued)

#### (b) Basis of preparation

We have prepared these consolidated financial statements using the historical cost as the measurement basis except that financial assets at fair value through profit or loss are stated at their fair value (see note 3(i)). The accounting policies have been applied consistently by the group entities.

We prepare the consolidated financial statements in conformity with HKFRSs which require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. We make estimates and associated assumptions based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We review the estimates and underlying assumptions on an ongoing basis. We recognise revisions to accounting estimates in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

We measure items in the consolidated financial statements using the currency of the primary economic environment in which the Group operates (functional currency). The consolidated financial statements are presented in Hong Kong dollars (HKD), which is the Group's functional and presentation currency.

The classification of debt securities requires judgment. In making this judgment, we evaluate business model and the contractual cash flows characteristics of these securities. The measurement of fair value for financial instruments is determined by using either publicly available market data or valuation models. We use our judgment to select the appropriate method for fair value measurement (see note 3(i)).

#### (c) Basis of consolidation

Subsidiaries are entities controlled by the SFC. The SFC controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. When assessing whether the SFC has power, only substantive rights are considered.

Inter-company transactions and balances between group companies are eliminated.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 3. Material accounting policies (continued)

#### (d) Recognition of income

We recognise income in the consolidated statement of profit or loss and other comprehensive income when or as the Group satisfies a performance obligation by transferring promised services to the customers in an amount to which the Group expects to be entitled in exchange for these services. We record our income as follows:

##### (i) Levies

We recognise levies from SEHK and HKFE as income on the trade date which the transactions are entered by investors and executed in SEHK and HKFE which is on a point in time basis.

##### (ii) Fees and charges

We recognise annual fees as income on a straight-line basis over the periods to which they relate as the services are performed over time. We record other fees and charges as income when the performance obligation is satisfied which is on a point in time basis. We record other fees and charges received in advance as a liability.

We also record the following income in the consolidated statement of profit or loss and other comprehensive income:

##### (i) Interest income

We record interest income as it accrues using the effective interest method. It comprises (a) interest earned on bank deposits and debt securities measured at amortised cost; and (b) the amortisation of premiums or discounts on purchases of debt securities measured at amortised cost.

##### (ii) Net gain/loss on financial assets at fair value through profit or loss

For financial assets at fair value through profit or loss, we recognise gains or losses from the change in fair value or disposal of financial assets in profit or loss as they arise.

#### (e) Employee benefits

We make accruals for salaries and allowances, annual leave and contributions to defined contribution schemes in the year in which the associated services are rendered by employees. Other benefits for services received are accrued when a contractual or constructive obligation arises for the Group.

The Group operates in Hong Kong and is obliged to pay long services payment (LSP) to employees under certain circumstances as specified in the Hong Kong Employment Ordinance. We recognise the past service cost by estimating the present value of LSP with a number of parameters and assumptions with reference to actuarial valuations being carried out annually. The change of the LSP is recognised as part of the staff costs in the consolidated statement of profit or loss and other comprehensive income.

#### (f) Translation of foreign currencies

We translate foreign currency transactions during the year into Hong Kong dollars at the exchange rates prevailing at the transaction dates. We translate monetary assets and liabilities denominated in foreign currencies into Hong Kong dollars at the closing rate at the end of the reporting period. We recognise exchange gains and losses on translation in the consolidated statement of profit or loss and other comprehensive income.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 3. Material accounting policies (continued)

#### (g) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease liabilities included fixed lease payments less any lease incentives receivable, variable lease payment based on an index or a rate, amounts expected to be payable under residual value guarantees and payments of penalties for terminating the lease. The lease liabilities are initially measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at the lease commencement date. The lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss using the incremental borrowing rate on the remaining balance of the lease liabilities for each period. The lease liabilities are reduced by an amount equal to the lease payments made less the finance costs charged for that period.

The right-of-use assets are measured at the amount equal to the initial measurement of the lease liability, adjusted for any prepaid lease payments, lease incentives received, any initial direct costs or reinstatement provisions relating to that lease. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### (h) Fixed assets

We state fixed assets at historical cost less accumulated depreciation and any impairment losses (see note 3(o)). Historical cost includes expenditure that is directly attributable to the acquisition of the items. We charge depreciation to the consolidated statement of profit or loss and other comprehensive income using the straight-line method over the estimated useful lives from the point at which the asset is ready for use as follows:

Leasehold land and buildings	50 years
Leasehold improvements	5 years or, if shorter, the life of the respective leases
Furniture and fixtures	5 years
Office equipment	5 years
Computer application systems	4 years
Motor vehicles	4 years
Personal computers and software	3 years

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 3. Material accounting policies (continued)

#### (h) Fixed assets (continued)

We capitalise subsequent expenditure only when it increases the future economic benefits embodied in the fixed assets. We recognise all other expenditure in the consolidated statement of profit or loss and other comprehensive income as an expense as incurred.

We recognise gains or losses arising from the retirement or disposal of an item of fixed assets, being the difference between the net disposal proceeds and the carrying amount of the item, in the consolidated statement of profit or loss and other comprehensive income on the date of retirement or disposal.

We review the assets' residual values and useful lives and adjust, if appropriate, at the end of each reporting period, and the effect of changes in estimate, if any, is accounted for on a prospective basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### (i) Financial assets

##### (i) Classification

The Group classifies its financial assets in the following measurement categories:

- measured subsequently at fair value through profit or loss (FVTPL); and
- measured subsequently at amortised cost.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on settlement-date, the date on which the assets are delivered to or from the Group. From this date, we record in our books any gains and losses arising from changes in fair value of the financial assets at FVTPL.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### (iii) Measurement

At initial recognition, we measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Investments in debt securities and pooled funds are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 3. Material accounting policies (continued)

#### (i) Financial assets (continued)

##### (iii) *Measurement (continued)*

###### Amortised cost:

Investments in debt securities that are held for the collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets are included in investment income using the effective interest method. Any gain or loss arising from derecognition is recognised directly in the consolidated statement of profit or loss and other comprehensive income. Impairment losses, if any, are presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income.

###### FVTPL:

Changes in fair value of investments in pooled funds that are subsequently measured at FVTPL are recognised in the consolidated statement of profit or loss and other comprehensive income and presented net within investment income/loss in the period in which they arise.

The fair value is determined based on the Group's share of the net assets value of the pooled funds which are publicly available in the active markets.

##### (iv) *Impairment*

We assess on a forward-looking basis the expected credit losses (ECL) associated with our financial instruments carried at amortised cost. We perform impairment assessments using the 12-month ECL, unless there has been a significant increase in credit risk by comparing the risk of a default as at the reporting date and the initial recognition date.

In assessing whether the credit risk has increased significantly since initial recognition, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, we consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

We consider an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

We write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in the consolidated statement of profit or loss and other comprehensive income.

#### (j) Related parties

For the purpose of these consolidated financial statements, we consider that the following are related parties of the Group:

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group.



## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 3. Material accounting policies (continued)

#### (j) Related parties (continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity. As the SFC is a statutory body with its Board members appointed by the Chief Executive of the Hong Kong Special Administrative Region (the Government) under the SFO, transactions with other government departments and agencies under normal dealings are not necessarily regarded as related party transactions in the context of HKAS 24 *Related Party Disclosures*.

#### (k) Debtors and deposits

Debtors and deposits are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method less impairment losses (see note 3(i)(iv)).

#### (l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and fixed deposits with banks with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

#### (m) Creditors

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 3. Material accounting policies (continued)

#### (n) Bank loan

We state bank loan initially at fair value, net of transaction costs incurred, and thereafter at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

#### (o) Impairment of non-financial assets

We review the carrying amounts of the Group's assets at the end of each reporting period to determine whether there is any objective evidence of impairment. If any such evidence exists, we estimate the asset's recoverable amount, which is the higher of its net selling price and value in use. We recognise in the consolidated statement of profit or loss and other comprehensive income the difference between the asset's carrying amount and the recoverable amount as an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount.

We reverse an impairment loss in respect of an asset in a subsequent period if the circumstances and events that are objectively linked to the write down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future. We reverse an impairment loss only to the extent that the asset's carrying amount does not exceed the carrying amount that we should have determined, net of depreciation, as if we had not recognised any impairment loss.

#### (p) Provisions and contingent liabilities

We recognise a provision in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, we disclose the obligation as a contingent liability, unless the probability of the outflow of economic benefits is remote. We also disclose possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events as contingent liabilities unless the probability of outflow of economic benefits is remote.

### 4. Taxation

Section 3(3) of the SFO exempts the SFC from Hong Kong taxes.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 5. Investment income

	2025 \$'000	2024 \$'000
Interest income from bank deposits	25,755	105,067
Interest income from debt securities at amortised cost	87,901	84,824
Net gain on financial assets at FVTPL – pooled funds	103,159	51,315
Net loss on financial assets at FVTPL – debt securities	–	(6,451)
	216,815	234,755

### 6. Other income

	2025 \$'000	2024 \$'000
Gain arising from lease termination (Note 13c)	–	112,220
Investigation costs awarded	3,239	4,488
Sale of SFC publications	–	29
Others	61	280
	3,300	117,017

### 7. Staff costs and directors' emoluments

	2025 \$'000	2024 \$'000
Salaries and allowances	1,563,676	1,443,568
Retirement scheme contributions	101,550	97,165
Medical and life insurance	72,329	47,846
Staff functions	4,755	3,092
Recruitment	2,475	6,719
Registration and membership fees	2,119	2,183
	1,746,904	1,600,573

The total number of staff as at 31 March 2025 was 981 (954 for the SFC, 24 for the Investor and Financial Education Council and 3 for the Investor Compensation Company Limited) (as at 31 March 2024: the total number of staff was 985, comprising 958 for the SFC, 24 for the Investor and Financial Education Council and 3 for the Investor Compensation Company Limited).

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 7. Staff costs and directors' emoluments (continued)

Directors' emoluments included in the above comprised:

	Chief Executive Officer <sup>2</sup>	Executive Directors <sup>2</sup>	Non-executive Chairman <sup>3</sup>	Non-executive Directors <sup>3</sup>
<u>2025</u>				
Number of executives	1	6	2	10
	\$'000	\$'000	\$'000	\$'000
Directors' fee	–	–	1,255	2,512
Salaries, allowances and benefits	6,634	26,689	–	–
Discretionary pay	1,954	6,806	–	–
Retirement scheme contributions <sup>1</sup>	663	2,634	–	–
	9,251	36,129	1,255	2,512
	Chief Executive Officer <sup>2</sup>	Executive Directors <sup>2</sup>	Non-executive Chairman	Non-executive Directors
<u>2024</u>				
Number of executives	1	5	1	8
	\$'000	\$'000	\$'000	\$'000
Directors' fee	–	–	1,255	2,512
Salaries, allowances and benefits	6,504	21,585	–	–
Discretionary pay	1,748	5,177	–	–
Retirement scheme contributions <sup>1</sup>	647	2,158	–	–
	8,899	28,920	1,255	2,512

<sup>1</sup> This represents net contribution expenses accrued during the year ended 31 March 2025 in accordance with the accounting policy set out in note 3(e). The future payment of contributions is subject to completion of a vesting period, which is based on total years of service with the SFC. The amount vested as at 31 March 2025 was \$2,464,000 (as at 31 March 2024: \$2,253,000).

<sup>2</sup> Directors' emoluments to Chief Executive Officer and Executive Directors are for services in connection with the management of the affairs of the SFC.

<sup>3</sup> Number of executives includes those who did not serve out a full year, i.e. new appointment and retirement during the year.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 7. Staff costs and directors' emoluments (continued)

The aggregate of the emoluments of the five highest paid individuals, representing the emoluments of the Chief Executive Officer and four senior management, was \$34,528,000 (2024: \$34,156,000) with the breakdown as follows:

	2025 \$'000	2024 \$'000
Salaries and allowances	25,318	25,005
Discretionary pay	6,678	6,657
Retirement scheme contributions	2,532	2,494
	34,528	34,156

Their emoluments are within the following bands:

	2025 No. of individuals	2024 No. of individuals
\$5,500,001 to \$6,000,000	1	0
\$6,000,001 to \$6,500,000	2	4
\$6,500,001 to \$7,000,000	1	0
\$8,500,001 to \$9,000,000	0	1
\$9,000,001 to \$9,500,000	1	0

### Employee benefits

*Abolition of Mandatory Provident Fund (MPF)/Occupational Retirement Schemes Ordinance (ORSO) offsetting arrangement*

The Government is set to prospectively phase out the MPF/ORSO offsetting arrangement for severance payment (SP) and long service payment (LSP) from 1 May 2025. Effective 1 April 2025, the SFC as a general principle will cease the offsetting arrangement for SP and LSP by not offsetting the employer's MPF/ORSO contributions retrospectively for employees.

#### *Retirement scheme*

We provide retirement benefits to our staff through a defined contribution scheme under the Occupational Retirement Schemes Ordinance (ORSO Scheme) and a Mandatory Provident Fund Scheme (MPF Scheme). Prior to the inception of the MPF Scheme, all general grade staff were included in the Group's ORSO Scheme. Following the introduction of the MPF Scheme in December 2000, new general grade staff have since been covered under the MPF Scheme while executive staff have been allowed to opt for either the Group's ORSO Scheme or the MPF Scheme.



## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 7. Staff costs and directors' emoluments (continued)

#### Employee benefits (continued)

##### *Retirement scheme (continued)*

##### *(a) ORSO Scheme*

##### *(i) General grade staff*

For general grade staff, we make monthly contributions which are a percentage of the fixed pay, subject to a vesting scale with the benefit fully vested upon completion of 10 years' service. We reinvest forfeited contributions for general grade staff who leave the Group prior to qualifying for 100% disbursement of the contributions into the total pool of contributions that will be shared by the existing members in the scheme at the end of the scheme year. The amount so reinvested during the year was nil (2024: nil).

##### *(ii) Executive staff*

For executive staff, we make monthly contributions which are a percentage of the fixed pay. We use forfeited contributions in respect of executive staff who leave the Group prior to qualifying for 100% disbursement of the contributions to offset the Group's future contributions. The amount so forfeited during the year was \$2,505,000 (2024: \$2,971,000) and the amount so forfeited available at the end of the reporting period was \$89,000 (2024: \$10,000).

This scheme has obtained an exemption under Section 5 of the MPF Schemes Ordinance.

##### *(b) MPF Scheme*

We have participated in a master trust MPF Scheme since December 2000 and made contributions to the MPF Scheme in accordance with the statutory requirements of the MPF Schemes Ordinance.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 8. Finance costs

	2025 \$'000	2024 \$'000
Interest expense on bank loan and related charges	94,813	27,219
Interest expense on lease liabilities (Note 13b)	513	4,492
	95,326	31,711

### 9. Other expenses

	2025 \$'000	2024 \$'000
Information and systems services	111,223	103,803
Legal and professional services and others	63,234	54,836
Investor and other education programme costs to the Investor and Financial Education Council	31,503	28,163
Overseas travelling, regulatory meeting expenses and others	19,124	16,318
General office and insurance	14,942	11,946
Learning and development	8,269	8,165
Auditor's remuneration	1,008	1,070
Funding to the International Financial Reporting Standards Foundation	818	843
Loss on disposal of fixed assets	17	32
	250,138	225,176

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 10. Financial assets at amortised cost – debt securities

	2025 \$'000	2024 \$'000
(a) Amortised cost		
Listed – outside Hong Kong	2,049,603	1,655,213
Listed – in Hong Kong	1,027,494	1,334,881
Unlisted	71,344	10,942
	3,148,441	3,001,036
(b) Fair value		
Listed – outside Hong Kong	2,023,021	1,588,242
Listed – in Hong Kong	967,137	1,230,565
Unlisted	71,374	10,944
	3,061,532	2,829,751
(c) Maturity profile		
Within one year	1,445,025	898,557
After one year but within two years	749,479	595,137
After two years but within five years	605,829	930,894
After five years	348,108	576,448
	3,148,441	3,001,036

As at 31 March 2025, the weighted average yield to maturity of the debt securities was 4.2% p.a. (2024: 5.3% p.a.).

### 11. Financial assets at fair value through profit or loss

	2025 \$'000	2024 \$'000
Pooled funds – unlisted	1,065,993	1,087,666

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 12. Fixed assets

	Leasehold land and buildings (Note 22) \$'000	Furniture, fixtures and leasehold improvements \$'000	Office equipment \$'000	Computer application systems \$'000	Personal computers and software \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost</b>							
At 1 April 2024	4,258,265	194,412	22,918	498,393	211,671	3,611	5,189,270
Additions	–	779	1,210	55,712	13,484	–	71,185
Disposals	–	(67)	(293)	(178,297)	(23,240)	–	(201,897)
At 31 March 2025	4,258,265	195,124	23,835	375,808	201,915	3,611	5,058,558
<b>Accumulated depreciation</b>							
At 1 April 2024	28,388	146,239	17,032	389,035	194,881	2,883	778,458
Charge for the year	85,166	38,266	4,264	53,487	12,278	400	193,861
Written back on disposals	–	(65)	(278)	(178,297)	(23,240)	–	(201,880)
At 31 March 2025	113,554	184,440	21,018	264,225	183,919	3,283	770,439
<b>Net book value</b>							
At 31 March 2025	4,144,711	10,684	2,817	111,583	17,996	328	4,288,119
<b>Cost</b>							
At 1 April 2023	–	192,321	22,400	449,490	200,050	3,611	867,872
Additions	4,258,265	2,736	683	48,903	13,011	–	4,323,598
Disposals	–	(645)	(165)	–	(1,390)	–	(2,200)
At 31 March 2024	4,258,265	194,412	22,918	498,393	211,671	3,611	5,189,270
<b>Accumulated depreciation</b>							
At 1 April 2023	–	109,010	13,107	343,554	183,574	2,261	651,506
Charge for the year	28,388	37,864	4,068	45,481	12,697	622	129,120
Written back on disposals	–	(635)	(143)	–	(1,390)	–	(2,168)
At 31 March 2024	28,388	146,239	17,032	389,035	194,881	2,883	778,458
<b>Net book value</b>							
At 31 March 2024	4,229,877	48,173	5,886	109,358	16,790	728	4,410,812

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 13. Leases

As at 31 March 2025 and 2024, the Group had right-of-use assets and lease liabilities as follows:

	2025 \$'000	2024 \$'000
Right-of-use assets		
Premises	21,976	20,407
Office equipment	192	1,070
	22,168	21,477
Lease liabilities		
Current	8,393	9,212
Non-current	14,478	12,879
	22,871	22,091

- (a) During the year, the Group recognised additional right-of-use assets of \$10,999,000 (2024: \$8,883,000) under new or renewed lease agreements for premises.
- (b) For the year ended 31 March 2025, the Group recognised depreciation expense for the right-of-use assets for premises of \$9,364,000 (2024: \$108,047,000) and office equipment of \$878,000 (2024: \$878,000). The interest expense on lease liabilities was \$513,000 (2024: \$4,492,000). The total cash outflow for leases during the year was \$10,656,000 (2024: \$110,774,000).
- (c) For the year ended 31 March 2025, \$6,000 was recorded as loss arising from lease termination. For the year ended 31 March 2024, lease of the existing office spaces has been terminated as a result of the property acquisition. The respective right-of-use assets, the provisions set aside for reinstatement costs and the lease provision recognised at the start of the original lease term according to HKFRS 16 *Leases*, were reversed and resulted in a one-off expense write back of \$112,220,000 for the year ended 31 March 2024.



## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 14. Bank deposits and cash at bank

As at 31 March 2025, the effective interest rate on bank deposits ranged from 2.60% p.a. to 3.87% p.a. (2024: 4.17% p.a. to 4.7% p.a.). These balances mature within one year as at both 31 March 2025 and 2024.

#### Reconciliation to cash and cash equivalents

	2025 \$'000	2024 \$'000
Fixed deposits with banks	486,687	610,147
Cash at bank and in hand	58,677	146,154
Amounts shown in the consolidated statement of financial position	545,364	756,301
Less: Amounts with an original maturity beyond three months	–	(25,050)
Cash and cash equivalents in the consolidated statement of cash flows	545,364	731,251

### 15. Cash held for Grant Scheme

A Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts (the Grant Scheme) was established on 10 May 2021. The Grant Scheme is administered by the SFC and funded by the Government to provide subsidies for qualified open-ended fund companies and real estate investment trusts to set up in Hong Kong. The cash held for the Grant Scheme are solely restricted for the use of such subsidies and are therefore not available for general use by any of the entities within the Group. The unused balance will be reimbursed to the Government upon the end of the Grant Scheme. The corresponding amount due to the Government is included in creditors and accrued charges.

### 16. Debtors, deposits and prepayments

Debtors, deposits and prepayments include \$303,948,000 of receivables in relation to levies receivable from SEHK and HKFE (2024: \$127,885,000) which are usually due within 30 days. Due to the short-term nature of the balance, the carrying amount is considered to be the same as their fair value.

### 17. Creditors and accrued charges

Creditors and accrued charges mainly include accruals and payables to creditors relating to operating expenses.

Payables are usually due within one year. Amount due to the Government as disclosed in note 15 are payable on demand. Due to the short-term nature of the balance, the carrying amount is considered to be the same as their fair value.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 18. Bank loan

	2025 \$'000	2024 \$'000
Bank loan – secured		
Current	18,262	18,262
Non-current	1,800,432	2,001,319
	<b>1,818,694</b>	<b>2,019,581</b>

To finance the property acquisition transaction, the Group has obtained a 5-year term loan of \$2,029,160,000 on 21 December 2023. The term loan carries a fixed interest rate of 4.7% per annum for the first two years and subsequently carries a floating interest rate of the Hong Kong Interbank Offered Rate for the interest period of one month (HIBOR for 1 month) plus 0.55% per annum, with a capped interest rate of prime rate less 0.1% per annum. The term loan is secured by the Group's land and buildings.

The carrying amount is considered to be the same as its fair value as the interest payable on the bank loan is at the current market rate.

### 19. Provisions for reinstatement costs

Provisions represent reinstatement costs to restore the premises to a condition as stipulated in the relevant lease agreements when the lease expires.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 20. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Non-cash changes						31 March 2025 \$'000
	1 April 2024 \$'000	Cash flows \$'000	Bank loan related charges \$'000	Interest element \$'000	New leases \$'000	Termination of leases \$'000	
Bank loan	2,019,581	(202,916)	2,029	–	–	–	1,818,694
Interest payable <sup>1</sup>	2,874	(93,071)	–	92,784	–	–	2,587
Lease liabilities	22,091	(10,656)	–	513	10,982	(59)	22,871
	2,044,546	(306,643)	2,029	93,297	10,982	(59)	1,844,152

	Non-cash changes						31 March 2024 \$'000
	1 April 2023 \$'000	Cash flows \$'000	Bank loan related charges \$'000	Interest element \$'000	New leases \$'000	Termination of leases \$'000	
Bank loan	–	2,019,014	567	–	–	–	2,019,581
Interest payable <sup>1</sup>	–	(23,778)	–	26,652	–	–	2,874
Lease liabilities	722,541	(110,774)	–	4,492	8,559	(602,727)	22,091
	722,541	1,884,462	567	31,144	8,559	(602,727)	2,044,546

<sup>1</sup> The balance represents interest payable for bank loan and it is included in creditors and accrued charges.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 21. Initial funding by Government

The Government provided funds to pay for the SFC's initial non-recurrent and capital expenditure. These funds are not repayable to the Government.

### 22. Capital commitment

As at 31 March 2025 and 2024, the Group had capital commitments contracted for but not yet incurred as follows:

	2025 \$'000	2024 \$'000
Land and buildings	939,176	1,073,345
Other fixed assets	30,168	50,883
	969,344	1,124,228

On 17 November 2023, a Sales and Purchase agreement was entered into between the SFC and its landlord with a consideration of \$5.4 billion to acquire 12 office floors in the premises previously rented. Transaction of the nine office floors that we previously occupied was completed in December 2023. Acquisition of the three additional floors will be completed by 2028, with a down payment of \$468,606,000 (2024: \$334,438,000) included in deposits and prepayments.

### 23. Subsidiaries

The SFC formed Investor Compensation Company Limited (ICC) on 11 September 2002 with an issued share capital of \$0.2. On 20 November 2012, the SFC launched the Investor and Financial Education Council (IFEC) as a company limited by guarantee and not having a share capital. Both companies are wholly owned subsidiaries of the SFC and are incorporated in Hong Kong.

The objective of the ICC is to facilitate the administration and management of the Investor Compensation Fund established under the SFO.

The objective of the IFEC is to improve the financial knowledge and capability of the general public and to assist them in making informed financial decisions.

As at 31 March 2025, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to \$0.2 (2024: \$0.2). The balance is too small to present on the statement of financial position of the SFC which is expressed in thousands of dollars.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 24. Related party transactions

We have related party relationships with the Investor Compensation Fund (ICF) and the Unified Exchange Compensation Fund (UECF). In addition to the related party relationships disclosed in note 26, we have the following related party transactions and balances.

#### (a) Reimbursement from the ICF for all the ICC's expenses, in accordance with Section 242(1) of the SFO

During the year, \$6,439,000 was recovered from the ICF for the ICC's expenses (2024: \$6,061,000). As at 31 March 2025, ICC had an amount due from the ICF of \$295,000 (2024: amount due to the ICF of \$148,000).

#### (b) Remuneration of key management personnel

We consider that the directors' emoluments as disclosed in note 7 are the only remuneration for key management personnel of the Group.

### 25. Financial risk management and fair value

Financial instruments of the Group mainly comprise investments in debt securities and pooled funds, bank balances and the bank loan. The underlying investments of the pooled funds comprised of listed equity securities and cash and other receivables to be used for re-investment purposes.

As of 31 March 2025, the financial assets measured at amortised cost and FVTPL were \$4,073,655,000 (2024: \$3,972,923,000) and \$1,065,993,000 (2024: \$1,087,666,000) respectively; the financial liabilities measured at amortised cost were \$1,905,388,000 (2024: \$2,113,770,000).

The main financial risks of the Group arise from its investments in debt securities and pooled funds. The Group appoints external investment managers to manage the Group's investments and to ensure that the portfolio's investments comply with the investment policy approved by the Financial Secretary which sets control limits on credit risk, interest rate risk, liquidity risk, foreign exchange risk and market risk. The external investment managers report thereon to the Group on a regular basis. Cash balances and bank loan mainly expose to credit risk and interest rate risk which management monitors regularly.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.



## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 25. Financial risk management and fair value (continued)

#### (a) Credit risk

The Group's investment policy allows investments in debt securities rated Baa1 or above by Moody's, or BBB+ or above by Standard and Poor's (S&P) and bank balances placed with licensed banks in Hong Kong rated P-1 or above by Moody's, or A-1 or above by S&P. Investment in pooled funds up to 25% of the total value of funds under management is permitted. The policy also limits the exposure of the total value of funds to 10% for each organisation and 20% for each country outside the Mainland and Hong Kong, except for the holdings of US Treasuries.

During the year, the Group complied with the above investment policy in order to manage its credit risk, and as a result, was not exposed to significant credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The Group performed impairment assessment using the 12-month ECL as there is no financial assets with significant increase in credit risk. As at 31 March 2025 and 2024, financial assets that are subject to the 12-month ECL assessment include debt securities at amortised cost, debtors and deposits, fixed deposits with banks, and cash at bank and in hand, with respective carrying value as of the balance sheet dates are the same as respective gross carrying amount.

#### (b) Interest rate risk

The Group's interest bearing assets mainly comprise debt securities, fixed deposits with banks and bank balances and interest bearing liabilities mainly comprise a bank loan.

The Group is exposed to the risk that future cash flows from re-investments will fluctuate because of changes in market interest rates (re-pricing risk). As at 31 March 2025, it is estimated that a general increase/decrease of 100 basis points, with all other variables held constant, would increase/decrease the Group's interest income and accumulated surplus by approximately \$19,317,000 (2024: \$15,087,000). This sensitivity analysis is estimated as an annualised impact on interest income assuming the change in interest rates had occurred at the end of the reporting period. The analysis is performed on the same basis for 2024.

The Group manages interest rate risk of its debt securities by imposing different levels of concentration and maturity limits to the investments.

The Group is exposed to limited cash flow interest rate risk in relation to its bank loan.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 25. Financial risk management and fair value (continued)

#### (c) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. See note 27 for funding requirements.

Balances due within one year equal their carrying balances, as the impact of discounting is not significant, except for bank loan and lease liabilities. As at 31 March 2025 and 2024, the contractual undiscounted cash flows for financial liabilities were as follows:

	Contractual undiscounted cash flows				
	Carrying amount \$'000	Total \$'000	Within one year \$'000	After one year but within two years \$'000	After two years but within five years \$'000
<u>2025</u>					
Creditors	63,823	63,823	63,823	–	–
Bank loan	1,818,694	2,142,692	105,890	104,937	1,931,865
Lease liabilities	22,871	24,123	8,958	6,410	8,755
	1,905,388	2,230,638	178,671	111,347	1,940,620
<u>2024</u>					
Creditors	72,098	72,098	72,098	–	–
Bank loan	2,019,581	2,438,391	113,076	105,687	2,219,628
Lease liabilities	22,091	22,562	9,488	6,300	6,774
	2,113,770	2,533,051	194,662	111,987	2,226,402

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 25. Financial risk management and fair value (continued)

#### (d) Foreign exchange risk

The Group's investment guidelines for our investment portfolio only allow investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and Renminbi (RMB). Exposure to RMB should not exceed 15% of the investment portfolio. The majority of the financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. For the years ended 31 March 2025 and 2024, the exchange gain/loss was mainly driven by the revaluation of USD denominated financial assets and there was no RMB exposure.

As at 31 March 2025, the Group had USD denominated financial assets of \$4,240,235,000 (2024: \$4,194,405,000) and the USD/HKD exchange rate was 7.78030 (2024: 7.82645). Holding all other variables constant, movement in USD/HKD exchange rate to the upper bound of the Convertibility Zone would increase the Group's surplus and accumulated surplus by approximately \$37,986,000 (2024: \$12,621,000); while movement in USD/HKD exchange rate to the lower bound of the Convertibility Zone would decrease the Group's surplus and accumulated surplus by approximately \$16,513,000 (2024: \$40,972,000).

#### (e) Market risk

The Group's investment activities also expose to various types of market risks which are associated with the markets in which it invests, to the extent of the amount invested in debt securities and pooled funds. Such risks will be reflected in the price and the carrying value of the financial assets concerned.

The Group's investment guidelines allow the Group to invest in non-fixed income investment instruments up to 25% of the total value of funds under management. During the year, the Group complied with the above investment policy in order to manage its market risk. The Group invests in units of pooled funds, which comprised of listed equity securities and cash and other receivables to be used for re-investment purposes, the performance of which is measured against the results of benchmark indices, MSCI AC Asia ex Japan (Net Return) and MSCI AC World (Net Return), including their returns and volatilities. Based on the weighted average volatilities of these benchmark indices in the corresponding period, it is estimated that a general increase/decrease of such benchmark indices of 14.8% (2024: 15.9%) would increase/decrease the Group's investment income and the accumulated surplus by approximately \$163,020,000 (2024: \$175,546,000).

The sensitivity analysis above indicates the instantaneous change in the Group's accumulated surplus that would arise assuming that the changes in the benchmark indices had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair value of the Group's investment in pooled funds would change in accordance with the historical correlation with the relevant benchmark indices since the portfolio is diversified in terms of industry distribution and that all other variables remain constant.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 25. Financial risk management and fair value (continued)

#### (f) Fair value measurement

##### (i) Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs (unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date).
- Level 2 valuations: Fair value measured using only Level 2 inputs (observable inputs which fail to meet Level 1, and not using significant unobservable inputs for which market data are not available).
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>2025</u>				
Pooled funds – unlisted	1,065,993	–	–	1,065,993
<u>2024</u>				
Pooled funds – unlisted	1,087,666	–	–	1,087,666

The fair value of the investment in the pooled funds is determined based on the net asset values of the pooled funds which are publicly available in the active markets.

Changes in market conditions could materially affect fair value estimates. Any increase or decrease in the fair value of financial instruments would affect profit or loss in future years.

During both years, there were no transfers between financial instruments in Level 1 and 2, and no transfers into or out of Level 3. The Group's policy is to recognise transfers between the different levels of the fair value hierarchy as at the end of the reporting period in which they occur.

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 25. Financial risk management and fair value (continued)

#### (f) Fair value measurement (continued)

##### (ii) Fair value of financial assets carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 March 2025 and 2024 except for the following financial instruments, for which their carrying amount, fair value and the level of fair value hierarchy were disclosed below:

	Carrying amount \$'000	Fair value			
		Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<u>2025</u>					
Financial assets at amortised cost					
– debt securities	3,148,441	3,061,532	–	3,061,532	–
<u>2024</u>					
Financial assets at amortised cost					
– debt securities	3,001,036	2,829,751	–	2,829,751	–

### 26. Sponsored unconsolidated structured entities

The SFC considers the ICF and the UECF as unconsolidated structured entities sponsored by the SFC where no interests are held by the SFC.

Pursuant to Section 236 of the SFO, the SFC has established and maintained the ICF to compensate investors who suffer a loss due to the default of an intermediary in relation to the trading of products on Hong Kong Exchanges and Clearing Limited. The SFC is primarily responsible for the administration and management of the ICF in accordance with Section 238 of the SFO, but has transferred some functions to the ICC under Section 80 of the SFO. According to Section 237(2)(b) of the SFO, the SFC may, with the consent in writing of the Financial Secretary, pay into the ICF from its reserves such amount of money as it considers appropriate. As at 31 March 2025, the ICF's maximum liability in respect of claims received was \$5,593,000 (2024: \$5,593,000) and the net asset value was \$2.7 billion (2024: \$2.6 billion).

The SFC is also responsible for the administration and management of the UECF under respective provisions in the repealed Securities Ordinance. This fund provides compensation to investors who suffer a loss due to the default of an exchange participant of the SEHK occurring before 1 April 2003 when the SFO came into effect. As at 31 March 2025, the UECF's maximum liability in respect of claims received was \$10,161,000 (2024: \$10,161,000) and the net asset value was \$89,510,000 (2024: \$88,098,000). Claims for any defaults occurring after 31 March 2003 should be made against the ICF.

During the year, the SFC did not provide financial or other support to these unconsolidated structured entities that it was not contractually required to provide (2024: nil). The related party relationships with these entities are disclosed in note 24.



## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 27. Funding and reserve management

The SFC manages its funding requirements from its income and accumulated surplus. Apart from the initial funding by the Government as disclosed in note 21, the SFC is eligible to receive an appropriation from the Government in each financial year. Since the financial year ended 31 March 1994, the SFC has requested the Government not to make an appropriation to it. There were no externally imposed capital requirements to which the SFC is subject to.

The SFC has a reserve for future acquisition of office premises. As of 31 March 2025, \$1.109 billion is set aside to support the acquisition of three additional office floors and future principal bank loan repayments (2024: \$1.187 billion). The SFC's investment holdings and available cash balances will be used to support this reserve.

During the year, there was \$202,916,000 (2024: \$2,313,200,000) transfer to accumulated surplus which represented the cash outflow in relation to acquisition of land and buildings (Note 12) and repayment of bank loan in relation to this acquisition (Note 18).

### 28. Statement of financial position of the SFC

	2025 \$'000	2024 \$'000
<b>Non-current assets</b>		
Investment in subsidiaries	–	–
Fixed assets	4,283,399	4,404,316
Right-of-use assets	21,530	20,278
Deposits and prepayments	469,500	335,185
Financial assets at amortised cost – debt securities	1,703,416	2,102,479
	<b>6,477,845</b>	<b>6,862,258</b>
<b>Current assets</b>		
Financial assets at amortised cost – debt securities	1,445,025	898,557
Financial assets at fair value through profit or loss – pooled funds	1,065,993	1,087,666
Debtors, deposits and prepayments	366,802	203,472
Fixed deposits with banks	486,687	610,147
Cash held for Grant Scheme	50,003	58,656
Cash at bank and in hand	45,607	129,264
	<b>3,460,117</b>	<b>2,987,762</b>

## Notes to the consolidated financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 28. Statement of financial position of the SFC (continued)

	2025 \$'000	2024 \$'000
<b>Current liabilities</b>		
Fees received in advance	8,319	8,497
Creditors and accrued charges	230,139	183,117
Bank loan	18,262	18,262
Lease liabilities	7,877	8,725
Provisions for reinstatement costs	–	574
	264,597	219,175
<b>Net current assets</b>	3,195,520	2,768,587
<b>Total assets less current liabilities</b>	9,673,365	9,630,845
<b>Non-current liabilities</b>		
Bank loan	1,800,432	2,001,319
Lease liabilities	14,391	12,276
Provisions for reinstatement costs	1,447	873
	1,816,270	2,014,468
<b>Net assets</b>	7,857,095	7,616,377
<b>Funding and reserves</b>		
Initial funding by Government	42,840	42,840
Reserve for property acquisition	1,108,884	1,186,800
Accumulated surplus	6,705,371	6,386,737
	7,857,095	7,616,377

# Investor Compensation Fund

## Report of the Investor Compensation Fund Committee

The members of the Investor Compensation Fund Committee (the Committee) present their report together with the audited financial statements for the year ended 31 March 2025.

### Establishment of the Investor Compensation Fund

Part XII of the Securities and Futures Ordinance (Chapter 571) established the Investor Compensation Fund (the Fund) on 1 April 2003.

### Financial statements

The financial performance of the Fund for the year ended 31 March 2025 and the financial position of the Fund as at that date are set out in the financial statements on pages 170 to 179.

### Members of the Committee

The members of the Committee during the year and up to the date of this report were:

Mr Leung Chung Yin, Rico (Chairman)

Ms Kwok Hom Siu, Sally

Dr Lin, James C. (retired on 31 July 2024)

Mr Wan Chi Yiu, Andrew

Mr Yih, Dieter Lai Tak, JP (appointed on 1 August 2024)

### Interests in contracts

No contract of significance to which the Fund was a party and in which a Committee member of the Fund had a material interest, subsisted at the end of the year or at any time during the year.

### Auditors

Deloitte Touche Tohmatsu has been appointed as auditor of the Fund, in place of PricewaterhouseCoopers.

The financial statements have been audited by Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment.

By order of the Committee

**Rico Leung**

Chairman

27 May 2025

# Independent auditor's report To the Securities and Futures Commission

### Opinion

We have audited the financial statements of Investor Compensation Fund (the Fund) set out on pages 170 to 179, which comprise the statement of financial position as at 31 March 2025, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 March 2025, and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

### Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (HKSAs) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matter

The financial statements of the Fund for the year ended 31 March 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 23 May 2024.

### Other information

The directors of the Securities and Futures Commission (SFC) are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of directors of the SFC and those charged with governance for the financial statements

The directors of the SFC are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA, and for such internal control as the directors of the SFC determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of the SFC are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the SFC either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### Independent auditor's report (continued) To the Securities and Futures Commission

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 240(6) of the Securities and Futures Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the SFC.

- Conclude on the appropriateness of the directors of the SFC use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the SFC and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in the independent auditor's report is Ha, Hong Yiu Vico (practicing certificate number: P06612).

**Deloitte Touche Tohmatsu**  
Certified Public Accountants

Hong Kong  
27 May 2025



## Statement of profit or loss and other comprehensive income

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Income</b>			
Interest income		127,123	124,165
Exchange loss		(8,888)	(4,215)
Recoveries		33	–
		118,268	119,950
<b>Expenses</b>			
Investor Compensation Company Limited expenses	6	6,439	6,061
Auditor's remuneration		170	192
		6,609	6,253
<b>Surplus and total comprehensive income for the year</b>		<b>111,659</b>	<b>113,697</b>

The notes on pages 174 to 179 form part of these financial statements.

## Statement of financial position

As at 31 March 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Current assets</b>			
Interest receivable		27,515	55,366
Amount due from the Investor Compensation Company Limited		–	148
Fixed deposits with banks	7	2,724,489	2,584,342
Cash at bank	7	432	648
		<b>2,752,436</b>	<b>2,640,504</b>
<b>Current liabilities</b>			
Provision for compensation	8	3,394	3,394
Creditors and accrued charges		256	278
Amount due to the Investor Compensation Company Limited		295	–
		<b>3,945</b>	<b>3,672</b>
<b>Net current assets</b>		<b>2,748,491</b>	<b>2,636,832</b>
<b>Net assets</b>		<b>2,748,491</b>	<b>2,636,832</b>
Representing:			
<b>Compensation fund</b>		<b>2,748,491</b>	<b>2,636,832</b>

Approved and authorised for issue by the Securities and Futures Commission on 27 May 2025 and signed on its behalf by

**Dr Kelvin Wong, SBS, JP**

Chairman of the SFC

**Julia Leung, SBS, JP**

Chief Executive Officer of the SFC

The notes on pages 174 to 179 form part of these financial statements.

## Investor Compensation Fund

### Statement of changes in equity

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

	Contributions from the Unified Exchange Compensation Fund (note 9) \$'000	Contributions from the Commodity Exchange Compensation Fund (note 9) \$'000	Contributions from the Securities Dealers' Deposits Fund (note 9) \$'000	Contributions from the Commodities Dealers' Deposits Fund (note 9) \$'000	Accumulated surplus \$'000	Total \$'000
Balance at 1 April 2023	994,718	108,923	–	–	1,413,407	2,517,048
Contributions from the Securities Dealers' Deposits Fund and the Commodities Dealers' Deposits Fund	–	–	5,470	617	–	6,087
Surplus and total comprehensive income for the year	–	–	–	–	113,697	113,697
Balance at 31 March 2024 and 1 April 2024	994,718	108,923	5,470	617	1,527,104	2,636,832
Surplus and total comprehensive income for the year	–	–	–	–	111,659	111,659
Balance at 31 March 2025	994,718	108,923	5,470	617	1,638,763	2,748,491

The notes on pages 174 to 179 form part of these financial statements.

## Statement of cash flows

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Cash flows from operating activities</b>			
Surplus for the year		111,659	113,697
Adjustments for:			
Interest income		(127,123)	(124,165)
Exchange loss		8,888	4,215
		(6,576)	(6,253)
Change in amount due from/to the Investor Compensation Company Limited		443	(356)
(Decrease)/increase in creditors and accrued charges		(22)	4
Net cash used in operating activities		(6,155)	(6,605)
<b>Cash flows from investing activities</b>			
Withdrawal of fixed deposits other than cash and cash equivalents		401,765	421,471
Interest received		154,822	116,149
Net cash generated from investing activities		556,587	537,620
<b>Cash flows from financing activity</b>			
Contributions from the Securities Dealers' Deposits Fund and the Commodities Dealers' Deposits Fund		–	6,087
Net cash generated from financing activity		–	6,087
<b>Net increase in cash and cash equivalents</b>		550,432	537,102
Cash and cash equivalents at the beginning of the year		702,082	164,980
<b>Cash and cash equivalents at the end of the year</b>	7	1,252,514	702,082

### Analysis of the balance of cash and cash equivalents

	2025 \$'000	2024 \$'000
Fixed deposits with banks	1,252,082	701,434
Cash at bank	432	648
	1,252,514	702,082

The notes on pages 174 to 179 form part of these financial statements.

### Notes to the financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

#### 1. Status and principal activities

The Securities and Futures Ordinance (SFO) provides for the establishment of the Investor Compensation Fund (the Fund) to compensate investors who suffer a loss due to the default of an intermediary in relation to trading of products on Hong Kong Exchanges and Clearing Limited. The defaulting intermediary must be licensed by or registered with the Securities and Futures Commission (SFC) for dealing in securities, futures contracts or securities margin financing. For defaults occurring on or after 1 January 2020, the Fund also covers investors' losses in relation to securities traded on a stock market operated by the Shanghai Stock Exchange or the Shenzhen Stock Exchange and in respect of which an order for sale or purchase is permitted to be routed through the northbound link of a Stock Connect arrangement (Stock Connect Securities).

The SFC is primarily responsible for the administration and management of the Fund in accordance with Section 238 of the SFO, but has transferred some functions to the Investor Compensation Company Limited (ICC) under Section 80 of the SFO. The ICC is thus responsible for receipt, determination and payment of valid claims against the Fund in respect of defaults of intermediaries occurring on or after 1 April 2003. Upon making payment to a claimant, the SFC is subrogated to the claimant's right against the defaulter.

Pursuant to Section 244 of the SFO, the Chief Executive in Council may make rules for the maximum amount of compensation that may be paid to a person making a claim for compensation. For defaults occurring on or after 1 January 2020, the maximum compensation limit is raised from \$150,000 to \$500,000 per claimant for a single default.

If amounts owed to claimants against the Fund exceed the Fund's net assets, the SFC would apportion compensation payments to claimants as provided in the Securities and Futures (Investor Compensation – Claims) Rules. The SFC would pay unpaid claim amounts when funds become available in the Fund.

#### 2. Money constituting the Fund

The Fund mainly consists of the amounts paid from the two compensation funds and the two dealers' deposit funds, namely the Unified Exchange Compensation Fund (UECF) and the Commodity Exchange Compensation Fund (CECF) (wound up on 26 May 2006), the Securities Dealers' Deposits Fund (SDD) (wound up on 27 June 2023) and the Commodities Dealers' Deposits Fund (CDD) (wound up on 27 June 2023). Further details are set out in note 9.

Other sources of money for the Fund include the levies chargeable on securities traded on the Stock Exchange of Hong Kong Limited (SEHK) (excluding orders routed through the southbound link of the Stock Connect arrangement), futures contracts traded on Hong Kong Futures Exchange Limited (HKFE) and Stock Connect Securities (see also note 5), and returns earned on any investment of the Fund.

#### 3. Material accounting policies

##### (a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong. Material accounting policies adopted by the Fund are set out below.

The HKICPA has issued certain amendments to HKFRS Accounting Standards that are mandatorily effective or available for early adoption for the current period of the Fund. None of these amendments have a material effect on how the Fund's results and financial position for the current or prior periods are prepared or presented.



## Notes to the financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 3. Material accounting policies (Continued)

#### (a) Statement of compliance (Continued)

We have not applied any new or amendments to HKFRS Accounting Standards that are not yet effective for the current period. We anticipate that the application of these standards will have no material impact on the financial statements in the foreseeable future.

#### (b) Basis of preparation

We have prepared these financial statements using the historical cost as the measurement basis.

We prepare the financial statements in conformity with HKFRS Accounting Standards which require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. We make estimates and associated assumptions based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We review the estimates and underlying assumptions on an ongoing basis. We recognise revisions to accounting estimates in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### (c) Recognition of income

##### (i) Interest income

We record interest income as it accrues using the effective interest method.

##### (ii) Recoveries

We recognise recoveries pursuant to Sections 87 and 243 of the SFO as income to the Fund. We record recoveries received when and only when we can be virtually certain that the recoveries will be received.

#### (d) Translation of foreign currencies

We translate foreign currency transactions during the year into Hong Kong dollars at the exchange rates prevailing at the transaction dates. We translate monetary assets and liabilities denominated in foreign currencies into Hong Kong dollars at the closing rate at the end of the reporting period. We record exchange gains and losses on translation in the statement of profit or loss and other comprehensive income.

#### (e) Impairment of financial assets

We assess on a forward-looking basis the expected credit losses (ECL) associated with the Fund's financial assets that are carried at amortised cost. We perform impairment assessments using the 12-month ECL, unless there has been a significant increase in credit risk by comparing the risk of a default as at the reporting date and the initial recognition date.

In assessing whether the credit risk has increased significantly since initial recognition, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, we consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

We consider an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

## Notes to the financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 3. Material accounting policies (Continued)

#### (e) Impairment of financial assets (Continued)

We write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in the statement of profit or loss and other comprehensive income.

#### (f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and fixed deposits with banks with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

#### (g) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment losses (see note 3(e)).

#### (h) Provisions for compensation

We make provision for liabilities arising from claims resulting from defaults for which it is probable that the Fund will require an outflow of economic benefits to settle the obligation and the amount can be estimated reliably, independent of whether a notice calling for claims pursuant to Section 3 of the Securities and Futures (Investor Compensation – Claims) Rules has been published. The provision covers all such claims received up to the date on which the financial statements are approved by the SFC. If the effect is material, we determine provisions by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The maximum liability of the Fund to claims is set at \$150,000 per claimant for each default case occurring on or before 31 December 2019 and \$500,000 per claimant for each default case occurring on or after 1 January 2020.

As the Fund is continually updating information in respect of the claims received, it is possible that the recent claim experience is not indicative of future payments that will be required for claims received as at the end of the reporting period. Any increase or decrease in the provision would affect the profit and loss in future years.

#### (i) Creditors and accrued charges

Creditors and accrued charges are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### (j) Provisions and contingent liabilities

We recognise a provision in the statement of financial position when the Fund has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, we disclose the obligation as a contingent liability, unless the probability of the outflow of economic benefits is remote. We also disclose possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (k) Related parties

For the purpose of these financial statements, we consider that the following are related parties of the Fund:

- (a) A person, or a close member of that person's family, is related to the Fund if that person:
  - (i) has control or joint control over the Fund;
  - (ii) has significant influence over the Fund; or
  - (iii) is a member of the key management personnel of the Fund.

## Notes to the financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 3. Material accounting policies (Continued)

#### (k) Related parties (Continued)

- (b) An entity is related to the Fund if any of the following conditions applies:
- (i) The entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Fund.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### 4. Taxation

No provision for Hong Kong profits tax has been made as the Fund did not have any taxable profit.

### 5. Levy from SEHK and HKFE

From 1 April 2003, the Fund received a levy chargeable on securities traded on SEHK and futures contracts traded on HKFE pursuant to Part 2 and Part 3 of the Securities and Futures (Investor Compensation – Levy) Rules.

After the Securities and Futures (Investor Compensation – Levy) (Amendment) Rules 2005 came into effect on 28 October 2005, a levy suspension and reinstatement mechanism was established whereby the investor compensation levies can be suspended when the net asset value of the Fund exceeds \$1.4 billion, and subsequently reinstated when the net asset value of the Fund falls below \$1 billion.

Pursuant to the Securities and Futures (Investor Compensation – Levy) (Amendment) Rules 2019 which came into effect on 1 January 2020, the Fund is entitled to a levy chargeable on securities traded on SEHK (excluding orders routed through the southbound link of the Stock Connect arrangement), futures contracts traded on HKFE and Stock Connect Securities. In addition, the trigger levels for levy suspension and reinstatement were raised to \$3 billion and \$2 billion respectively.

Pursuant to the Gazette on 11 November 2005, no person is required to pay any levy to the Fund in respect of a sale and purchase transaction of securities and futures contract with effect from 19 December 2005. The changes in trigger levels do not affect the levy suspension in effect.

### 6. Investor Compensation Company Limited expenses

The SFC formed the ICC in September 2002 to perform functions on behalf of the Fund in relation to the compensation to investors and other functions under Part III and Part XII of the SFO. The Fund is responsible for funding the establishment and operation of the ICC. For the year ended 31 March 2025, the ICC incurred costs of \$6,439,000 for its operations (2024: \$6,061,000).

## Notes to the financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 7. Fixed deposits with banks and cash at bank

The effective interest rates on bank deposits at 31 March 2025 ranged from 3.45% p.a. to 5.15% p.a. (2024: 3.77% p.a. to 5.85% p.a.). The deposit balances at both 31 March 2025 and 2024 mature within one year.

#### Reconciliation to cash and cash equivalents

	2025 \$'000	2024 \$'000
Fixed deposits with banks	2,724,489	2,584,342
Cash at bank	432	648
Amounts shown in the statement of financial position	2,724,921	2,584,990
Less: amounts with an original maturity beyond three months	(1,472,407)	(1,882,908)
Cash and cash equivalents in the statement of cash flows	1,252,514	702,082

### 8. Provision for compensation

The provision of compensation as at 31 March 2025 was \$3,394,000, which was related to a number of claims received in respect of a default case which occurred on or before 31 December 2019 (2024: \$3,394,000). The maximum liability of the Fund to these claims is the lower of \$150,000 per claimant or the amount claimed. The provision is expected to be paid within one year.

### 9. Contributions from compensation funds and dealers' deposits funds

Under Sections 74(2) and 75(2) of Schedule 10 of the SFO, the SFC may pay into the Fund such sum of money from the UECF and the CECF as it considers appropriate after 1 April 2003. Up to 31 March 2025, the SFC had paid \$994,718,000 (2024: \$994,718,000) from the UECF and \$108,923,000 (2024: \$108,923,000) from the CECF into the Fund.

Under Section 76 (11) of Schedule 10 of the SFO, the SFC shall pay into the Fund any remaining balance in the SDD and the CDD after repaying the dealers' deposits and any money due to the registered dealers. Upon the winding-up of the SDD and the CDD in June 2023, the SFC had paid the remaining balances of \$5,470,000 from the SDD and \$617,000 from the CDD into the Fund.

The Fund defines "capital" as including contributions from the UECF, the CECF, the SDD and the CDD and the accumulated surplus.

### Notes to the financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

#### 10. Related party transactions

The Fund has related party relationships with the SFC, the ICC, the UECF, the SDD and the CDD. The SDD and the CDD were wound up in June 2023. There were no significant related party transactions other than those disclosed in the financial statements of the Fund for the years ended 31 March 2025 and 2024 (refer to notes 6 and 9).

As at 31 March 2025, the Fund had an amount due to the ICC of \$295,000 (2024: amount due from the ICC of \$148,000).

#### 11. Financial risk management

The Fund's interest-bearing assets mainly comprise fixed deposits at banks which mature or reprice in the short term, as a result of which the Fund is exposed to limited interest rate risk. As at 31 March 2025, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Fund's surplus and accumulated surplus by approximately \$27,245,000 (2024: \$25,843,000). The exposure to credit, liquidity and foreign currency risks arises in the normal course of the Fund's operation.

The Fund's credit risk is primarily attributable to amounts at bank. As at 31 March 2025 and 2024, the bank balances were placed with licensed banks in Hong Kong rated P-1 by Moody's or A-1 or above by Standard and Poor's. There are no amounts past due or impaired.

The Fund's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All financial liabilities are due within one year or payable on demand.

The Fund's policy only allows investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi (RMB). All financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. For the years ended 31 March 2025 and 2024, the Fund's exchange gain/loss was mainly driven by the revaluation of USD denominated financial assets.

As at 31 March 2025, the Fund had USD denominated financial assets of \$1,547,016,000 (2024: \$1,479,684,000) and the USD/HKD exchange rate was 7.78030 (2024: 7.82645). Holding all other variables constant, a movement in USD/HKD exchange rate to the upper bound of the Convertibility Zone would increase the Fund's surplus and accumulated surplus by approximately \$13,859,000 (2024: \$4,452,000); while a movement in USD/HKD exchange rate to the lower bound of the Convertibility Zone would decrease the Fund's surplus and accumulated surplus by approximately \$6,025,000 (2024: \$14,454,000).

#### 12. Contingent liabilities

In addition to the provision for compensation made as described in note 8, there were 12 outstanding claims as at 31 March 2025 (2024: 12 outstanding claims). The maximum liability in respect of these claims in aggregate was \$2,199,000 (2024: \$2,199,000). This is determined based on the lower of the maximum compensation limit per claimant (as detailed in note 3(h)) or the amount claimed.



# Unified Exchange Compensation Fund

## Report of the Securities Compensation Fund Committee

The members of the Securities Compensation Fund Committee (the Committee) present their report together with the audited financial statements for the year ended 31 March 2025.

### Establishment of the Unified Exchange Compensation Fund

Part X of the repealed Securities Ordinance (Chapter 333) established the Unified Exchange Compensation Fund (the Fund). However, when the Securities and Futures Ordinance (SFO) and its subsidiary legislation came into effect from 1 April 2003, a new single Investor Compensation Fund (ICF) was formed to ultimately replace the Fund and the Commodity Exchange Compensation Fund. Up to 31 March 2025, the Fund transferred \$994,718,000 to the ICF. After the settlement of all claims against the Fund and its other liabilities, the Securities and Futures Commission will eventually transfer the remaining balance of the Fund to the ICF.

Part X of the repealed Securities Ordinance remains effective in respect of the operation of the Fund to the extent described in Section 74 of Schedule 10 of the SFO.

### Financial statements

The financial performance of the Fund for the year ended 31 March 2025 and the financial position of the Fund as at that date are set out in the financial statements on pages 183 to 193.

### Members of the Committee

The members of the Committee during the year and up to the date of this report were:

Mr Leung Chung Yin, Rico (Chairman)	
Ms Kwok Hom Siu, Sally	
Ms Lai Chun Mei, Hilda	
Dr Lin, James C.	(retired on 31 July 2024)
Mr Wan Chi Yiu, Andrew	
Mr Yih, Dieter Lai Tak, JP	(appointed on 1 August 2024)

### Interests in contracts

No contract of significance to which the Fund was a party and in which a Committee member of the Fund had a material interest, subsisted at the end of the year or at any time during the year.

### Auditors

Deloitte Touche Tohmatsu has been appointed as auditor of the Fund, in place of PricewaterhouseCoopers.

The financial statements have been audited by Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment.

By order of the Committee

**Rico Leung**  
Chairman

8 May 2025

### Independent auditor's report To the Securities and Futures Commission

#### Opinion

We have audited the financial statements of Unified Exchange Compensation Fund (the Fund) set out on pages 183 to 193, which comprise the statement of financial position as at 31 March 2025, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 March 2025, and of its financial performance and its cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

#### Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (HKSAs) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Fund in accordance with the HKICPA's Code of Ethics for Professional Accountants (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other matter

The financial statements of the Fund for the year ended 31 March 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 14 May 2024.

#### Emphasis of matter

We draw attention to note 3(b) to the financial statements which indicates that the Fund is in the process of terminating its business and operations. Accordingly, the financial statements have been prepared on a basis other than that of a going concern, which includes writing down the Fund's assets to their recoverable amounts. Provision has been made for any contractual commitments that have become onerous as at the end of the reporting period. The financial statements do not include any provision for future losses or liabilities for which there was no present legal or constructive obligation at the end of the reporting period. Our opinion is not modified in respect of this matter.

#### Other information

The directors of the Securities and Futures Commission (SFC) are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Independent auditor's report (continued) To the Securities and Futures Commission

#### Responsibilities of directors of the SFC and those charged with governance for the financial statements

The directors of the SFC are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA, and for such internal control as the directors of the SFC determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of the SFC are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the SFC either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 103(3) of the repealed Securities Ordinance (which remains effective by virtue of section 74 of Schedule 10 of the Securities and Futures Ordinance), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the SFC.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the SFC and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in the independent auditor's report is Ha, Hong Yiu Vico (practicing certificate number: P06612).

**Deloitte Touche Tohmatsu**  
Certified Public Accountants

Hong Kong  
8 May 2025

## Unified Exchange Compensation Fund

### Statement of profit or loss and other comprehensive income

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

	2025 \$'000	2024 \$'000
<b>Income</b>		
Interest income	4,140	4,486
<b>Expenses</b>		
Recoveries re-distributed	–	40
Auditor's remuneration	78	87
	78	127
<b>Surplus and total comprehensive income for the year</b>	<b>4,062</b>	<b>4,359</b>

The notes on pages 187 to 193 form part of these financial statements.

## Unified Exchange Compensation Fund

### Statement of financial position

As at 31 March 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Current assets</b>			
Interest receivable		455	612
Fixed deposits with banks	6	100,107	99,009
Cash at bank	6	364	353
		100,926	99,974
<b>Current liabilities</b>			
Creditors and accrued charges	7	10,216	10,226
Relinquished trading rights payable to SEHK	8	1,200	1,650
		11,416	11,876
<b>Net current assets</b>		89,510	88,098
<b>Net assets</b>		89,510	88,098
Representing:			
<b>Compensation fund</b>		89,510	88,098

Approved and authorised for issue by the Securities Compensation Fund Committee on behalf of the Securities and Futures Commission on 8 May 2025 and signed on its behalf by

**Rico Leung**

Chairman

**Sally Kwok**

Committee Member

The notes on pages 187 to 193 form part of these financial statements.



## Unified Exchange Compensation Fund

### Statement of changes in equity

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

	Trading rights deposits from SEHK (note 8) \$'000	Excess transaction levy from SEHK (note 9) \$'000	Additional contributions from SEHK and the SFC (note 10) \$'000	Other contributions (note 11) \$'000	Accumulated surplus \$'000	Contributions to the ICF (note 12) \$'000	Total \$'000
Balance at 1 April 2023	52,150	353,787	630,000	6,502	38,118	(994,718)	85,839
Net contributions to SEHK	(2,100)	–	–	–	–	–	(2,100)
Surplus and total comprehensive income for the year	–	–	–	–	4,359	–	4,359
Balance at 31 March 2024 and 1 April 2024	50,050	353,787	630,000	6,502	42,477	(994,718)	88,098
Net contributions to SEHK	(2,650)	–	–	–	–	–	(2,650)
Surplus and total comprehensive income for the year	–	–	–	–	4,062	–	4,062
Balance at 31 March 2025	47,400	353,787	630,000	6,502	46,539	(994,718)	89,510

The notes on pages 187 to 193 form part of these financial statements.

## Statement of cash flows

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

	Note	2025 \$'000	2024 \$'000
<b>Cash flows from operating activities</b>			
Surplus for the year		4,062	4,359
Adjustment for:			
Interest income		(4,140)	(4,486)
		(78)	(127)
Decrease in creditors and accrued charges		(10)	(99)
Decrease in relinquished trading rights payable to SEHK		(450)	–
Net cash used in operating activities		(538)	(226)
<b>Cash flows from investing activities</b>			
Withdrawal/(placement) of fixed deposits other than cash and cash equivalents		15,995	(9,024)
Interest received		4,297	4,328
Net cash generated from/(used in) investing activities		20,292	(4,696)
<b>Cash flows from financing activity</b>			
Net trading rights deposits refunded to SEHK		(2,650)	(2,100)
Net cash used in financing activity		(2,650)	(2,100)
<b>Net increase/(decrease) in cash and cash equivalents</b>		17,104	(7,022)
Cash and cash equivalents at the beginning of the year		62,362	69,384
<b>Cash and cash equivalents at the end of the year</b>	6	79,466	62,362

### Analysis of the balance of cash and cash equivalents

	2025 \$'000	2024 \$'000
Fixed deposits with banks	79,102	62,009
Cash at bank	364	353
	79,466	62,362

The notes on pages 187 to 193 form part of these financial statements.

## Notes to the financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 1. Status and principal activities

The Unified Exchange Compensation Fund (the Fund) provides compensation to investors who suffer a loss due to the default of an exchange participant of the Stock Exchange of Hong Kong Limited (SEHK). Part X of the repealed Securities Ordinance governs its operation.

SEHK receives and determines claims against the Fund. The Securities and Futures Commission (SFC) maintains and invests the money of the Fund and makes payments to claimants. Upon making payment to a claimant, the SFC is subrogated to the claimant's rights against the defaulter.

The repealed Securities Ordinance limits the total compensation amount that may be paid per exchange participant default to \$8 million. If allowed claims exceed the limit, payments are made proportionally to claimants. SEHK, with the approval of the SFC, can decide to exceed the limit if it considers, among other things, that the assets of the Fund so permit. For eight defaults since 1998, SEHK proposed and the SFC approved exceeding the limit via payment of up to \$150,000 per claimant or, if higher, the claimant's proportional share of the \$8 million limit.

If amounts owed to claimants against the Fund exceed the Fund's net assets, the SFC would apportion compensation payments to claimants as provided in the repealed Securities Ordinance. Unpaid claim amounts would be charged against future receipts by the Fund and paid when funds are available.

After the Securities and Futures Ordinance (SFO) and its subsidiary legislation came into effect from 1 April 2003, a new single Investor Compensation Fund (ICF) was formed to ultimately replace the Fund and the Commodity Exchange Compensation Fund. After the settlement of all claims against the Fund and its other liabilities, the SFC will eventually transfer the remaining balance of the Fund into the ICF. Claims for any defaults occurring after 31 March

2003 should be made against the ICF. If the sum of money in the Fund is not sufficient to meet its liabilities, the SFC shall pay into the Fund from the ICF the appropriate sum of money according to Section 242 of the SFO.

Apart from the above change and Section 112 of the repealed Securities Ordinance, under Section 74 of Schedule 10 of the SFO, Part X of the repealed Securities Ordinance remains effective in respect of the operation of the Fund.

### 2. Money constituting the Fund

SEHK is required to keep deposited with the SFC \$50,000 for each SEHK trading right under the repealed Securities Ordinance. When the SFC makes compensation payments out of the deposits, it may require SEHK to replenish the net amount paid after the SFC has exhausted its subrogated rights against the defaulter. The SFC pays SEHK the investment return earned on any remaining deposits net of the Fund expenses. During the year, the SFC did not make any such payment as the total of the compensation payments exceeded the deposits received from SEHK (2024: nil).

SEHK and the SFC have made contributions of their own money to the Fund. The SFC determined it would retain investment returns earned on these contributions in the Fund.

Other sources of money for the Fund include: recoveries; excess transaction levy received before the SFO became effective from 1 April 2003 detailed in note 9; other contributions detailed in note 11; and replenishments from SEHK detailed in note 15.

The Fund defines "capital" as including all elements of the Fund, as disclosed in the statement of changes in equity less contributions from SEHK (trading rights deposits from SEHK detailed in note 8) and contributions to the ICF (note 12).

## Notes to the financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 3. Material accounting policies

#### (a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards, a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong. Material accounting policies adopted by the Fund are set out below.

The HKICPA has issued certain amendments to HKFRS Accounting Standards that are mandatorily effective or available for early adoption for the current period of the Fund. None of these amendments have a material effect on how the Fund's results and financial position for the current or prior periods are prepared or presented.

We have not applied any new or amendments to HKFRS Accounting Standards that are not yet effective for the current period. We anticipate that the application of these standards will have no material impact on the financial statements in the foreseeable future.

#### (b) Basis of preparation

Under the SFO, the Fund will continue in operation until all claims against it and all its liabilities have been settled. As the Fund will eventually cease operation, we have prepared these financial statements on a non-going concern basis. We expect that the operations of the Fund will be maintained until all claims and recoveries from liquidators in relation to the broker defaults that happened on or before 31 March 2003 have been fully settled. We have not provided for potential future claims and recoveries as these cannot be reliably estimated. We have also not provided in the financial statements for all expenses expected to be incurred subsequent to the end of the reporting period and up to the date operations will cease and these are estimated to be immaterial.

We prepare the financial statements in conformity with HKFRS Accounting Standards which require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. We make estimates and associated assumptions based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We review the estimates and underlying assumptions on an ongoing basis. We recognise revisions to accounting estimates in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### (c) Recognition of income

##### (i) Interest income

We record interest income as it accrues using the effective interest method.

##### (ii) Recoveries

We recognise recoveries pursuant to Section 118 of the repealed Securities Ordinance as income to the Fund and recoveries re-distributed to claimants as expenses. We record recoveries received and re-distributed when and only when we can be virtually certain that the recoveries will be received and paid.

At the end of each reporting period, the fair value of the equity securities received under subrogation is remeasured, with any resultant gain or loss being included in "Recoveries" in statement of profit or loss and other comprehensive income. Dividend income, if any, is also included in "Recoveries".

## Notes to the financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 3. Material accounting policies (continued)

#### (c) Recognition of income (continued)

##### (iii) Replenishments from SEHK

We record replenishments from SEHK pursuant to Section 107 of the repealed Securities Ordinance as income of the Fund on a receipt basis. For the purpose of calculating the amount to be replenished by SEHK, we deem compensation payments up to the amount of \$8 million for each default to be charged to the contribution from SEHK.

#### (d) Impairment of financial assets

We assess on a forward-looking basis the expected credit losses (ECL) associated with the Fund's financial assets that are carried at amortised cost. We perform impairment assessments using the 12-month ECL, unless there has been a significant increase in credit risk by comparing the risk of a default as at the reporting date and the initial recognition date.

In assessing whether the credit risk has increased significantly since initial recognition, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, we consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

We consider an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

We write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in the statement of profit or loss and other comprehensive income.

#### (e) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and fixed deposits with banks with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

#### (f) Creditors and accrued charges

Creditors and accrued charges are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### (g) Provisions and contingent liabilities

We recognise a provision in the statement of financial position when the Fund has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, we disclose the obligation as a contingent liability, unless the probability of the outflow of economic benefits is remote. We also disclose possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events as contingent liabilities unless the probability of outflow of economic benefits is remote.

## Notes to the financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 3. Material accounting policies (continued)

#### (h) Related parties

For the purpose of these financial statements, we consider that the following are related parties of the Fund:

- (a) A person, or a close member of that person's family, is related to the Fund if that person:
  - (i) has control or joint control over the Fund;
  - (ii) has significant influence over the Fund; or
  - (iii) is a member of the key management personnel of the Fund.
- (b) An entity is related to the Fund if any of the following conditions applies:
  - (i) The entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Fund or an entity related to the Fund.

- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Fund.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### 4. Equity securities received under subrogation

As at 31 March 2025, the equity securities received under subrogation amounted to \$13 (2024: \$15). The balances as at 31 March 2025 and 2024 are too small to be presented on the statement of financial position which is expressed in thousands of dollars.

### 5. Taxation

No provision for Hong Kong profits tax has been made as the Fund did not have any taxable profit.



## Notes to the financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 6. Fixed deposits with banks and cash at bank

The effective interest rates on bank deposits at 31 March 2025 ranged from 3.40% p.a. to 4.10% p.a. (2024: 4.00% p.a. to 4.80% p.a.). The deposit balances at both 31 March 2025 and 2024 mature within one year.

#### Reconciliation to cash and cash equivalents

	2025 \$'000	2024 \$'000
Fixed deposits with banks	100,107	99,009
Cash at bank	364	353
Amounts shown in the statement of financial position	100,471	99,362
Less: amounts with an original maturity beyond three months	(21,005)	(37,000)
Cash and cash equivalents in the statement of cash flows	79,466	62,362

### 7. Creditors and accrued charges

Creditors and accrued charges comprised mainly compensation payments re-established for those cheque payments that were not cleared for more than six months from the cheque issuing date and accrued auditor's remuneration. They are unsecured, non-interest bearing and due on demand or within one year.

### 8. Trading rights deposits from SEHK/Relinquished trading rights payable to SEHK

According to Section 104 of the repealed Securities Ordinance, SEHK contributes to the SFC in respect of each trading right at the rate of \$50,000. In the absence of claims or other provisions as set out in Section 106 of the repealed Securities Ordinance, the SFC must refund to SEHK the deposit within six months after the trading right was relinquished. During the year, deposits of \$100,000 in respect of 2 new trading rights were received from SEHK and deposits of \$3,200,000 in respect of 64 relinquished trading rights were refunded to SEHK. As at 31 March 2025, 24 trading rights totalling \$1,200,000 were relinquished but not yet refunded (2024: 33 trading rights totalling \$1,650,000 were relinquished but not yet refunded).

The movement of trading rights deposits from SEHK during the year was as follows:

	2025 \$'000	2024 \$'000
Balance at the beginning of the year	50,050	52,150
Add: new trading rights issued	100	200
Less: relinquished trading rights refunded	(3,200)	(2,300)
Adjustment for: net decrease in relinquished trading rights payable to SEHK	450	–
Balance at the end of the year	47,400	50,050

## Notes to the financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 9. Excess transaction levy from SEHK

SEHK paid these amounts to the Fund from 1992 to 1994 under an agreement with the SFC and the Financial Secretary concerning SEHK's budget and its receipt of transaction levy. A portion of this balance was contributed to the ICF. Note 12 sets out more details on the contributions made to the ICF.

### 10. Additional contributions from SEHK and the SFC

Following the revisions of the compensation rules and compensation limit in 1998, the SFC and SEHK had injected \$330 million and \$300 million respectively to the Fund during the years from 1998 to 2001. A portion of this balance was contributed to the ICF. Note 12 sets out more details on the contributions made to the ICF.

### 11. Other contributions

In October 1993, a member of SEHK made a special contribution of \$3,500,000 to the Fund in recognition of the SFC's concerns about its misconduct in handling its client trading activities. In November 2000, the former Financial Services Bureau of the HKSAR Government transferred \$3,002,000 to the Fund under the provisions of the Exchanges (Special Levy) Ordinance. A portion of this balance was contributed to the ICF. Note 12 sets out more details on the contributions made to the ICF.

### 12. Contributions to the ICF

When the SFO and its subsidiary legislation came into effect from 1 April 2003, a new single Investor Compensation Fund was formed to ultimately replace the Fund and the Commodity Exchange Compensation Fund. Under Section 74(2) of Schedule 10 of the SFO, the SFC may after 1 April 2003 pay into the ICF, which came into operation after 1 April 2003, such sum of money from the Fund as it considers appropriate. Total contributions paid into the ICF from the Fund up to 31 March 2025 amounted to \$994,718,000 (2024: \$994,718,000), no further contributions have been made to the ICF since 1 April 2005.

### 13. Related party transactions

The Fund has related party relationships with the ICF and the SFC. There were no related party transactions during the years ended 31 March 2025 and 2024.

### 14. Financial risk management

The Fund's interest-bearing assets mainly comprise fixed deposits at banks which mature or reprice in the short term, as a result of which the Fund is exposed to limited interest rate risk. As at 31 March 2025, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Fund's surplus and accumulated surplus by approximately \$1,001,000 (2024: \$990,000). The exposure to credit and liquidity risks arises in the normal course of the Fund's operation. The Fund is not exposed to any foreign exchange risk as all transactions and balances are denominated in Hong Kong dollars.

The Fund's credit risk is primarily attributable to amounts at bank. As at 31 March 2025 and 2024, the bank balances were placed with licensed banks in Hong Kong rated P-1 by Moody's or A-1 or above by Standard and Poor's. There are no amounts past due or impaired.

The Fund's policy is to regularly monitor its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

## Notes to the financial statements

For the year ended 31 March 2025 (Expressed in Hong Kong dollars)

### 15. Replenishments from SEHK

Under Section 107 of the repealed Securities Ordinance, the SFC may require SEHK to replenish the Fund with an amount that is equal to that paid in connection with the satisfaction of the claim (limited to \$8,000,000 per each defaulted case) after the SFC has exhausted all relevant rights of action and other legal remedies against the defaulter.

Up to 31 March 2025, SEHK has replenished \$16,361,000 to the Fund. In compliance with Section 107 of the repealed Securities Ordinance, if no further recoveries were to be collected, the SFC may require SEHK to further replenish \$70,798,000 to the Fund as follows:

	2025 \$'000	2024 \$'000
Compensation paid up to the \$8 million limit as set out in Section 109(3) of the repealed Securities Ordinance	100,738	100,738
Less: recoveries received for compensation paid up to \$8 million	(29,986)	(29,986)
Add: recoveries re-distributed to claimants	16,407	16,407
Less: replenishments from SEHK	(16,361)	(16,361)
Net amount the SFC may request SEHK for replenishment	70,798	70,798

Under Section 74(3) of Schedule 10 of the SFO, the SFC, having allowed sufficient funds to meet claims, may reimburse SEHK for the deposits paid by SEHK into the Fund for each trading right. The reimbursement of these SEHK deposits may be set off against further replenishments required from SEHK.

Replenishments from SEHK are not recognised in the statement of financial position given that the Fund is not aware of any need to request replenishment from SEHK in the near future.

# Operational Data

**Table 1 Breaches noted during on-site inspections**

	2024/25	2023/24	2022/23
Failure to comply with Securities and Futures (Financial Resources) Rules	14	13	8
Failure to safekeep client securities	42	41	27
Failure to maintain proper books and records	29	16	20
Failure to safekeep client money	54	45	26
Unlicensed dealing and other registration issues	17	19	10
Breach of licensing conditions	1	1	6
Breach of requirements of contract notes/statements of account/receipts	62	43	46
Failure to make filing/notification	7	0	3
Breach of margin requirements	17	8	3
Marketing malpractices	1	0	0
Illegal short selling of securities	1	1	0
Dealing malpractices	2	0	0
Breach of Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission <sup>1</sup>	379	332	243
Breach of Corporate Finance Adviser Code of Conduct	11	9	16
Breach of Fund Manager Code of Conduct	122	122	88
Breach of regulation of online trading	9	17	7
Non-compliance with anti-money laundering guidelines	289	269	214
Breach of other rules and regulations of the Exchanges <sup>2</sup>	10	7	2
Internal control weaknesses <sup>3</sup>	856	465	430
Others	149	84	81
<b>Total</b>	<b>2,072</b>	<b>1,492</b>	<b>1,230</b>

1 Commonly related to risk management, client agreements, safeguarding of client assets and information for or about clients.

2 The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited.

3 Comprised deficiencies in management review and supervision, operational controls over the handling of client accounts, segregation of duties, information management, adequacy of audit trail for internal control purposes, among other weaknesses.

## Operational Data

**Table 2 Successful prosecutions**

### Market manipulation

Defendants	Date of conviction	Fine/Penalty	Investigation costs awarded
TSOI Chiu Kwan	16.5.2024	Three-month imprisonment	\$52,913
YIP Chi Wing	16.5.2024	Three-month imprisonment	\$52,913
LAM Wing Ki	22.7.2024	Four-year, four-month imprisonment	–
SIT Yi Ki	22.7.2024	Six-year, eight-month imprisonment	–
TAM Cheuk Hang	22.7.2024	Six-year, eight-month imprisonment	–

### Other cases

Defendants	Date of conviction	Fine/Penalty	Investigation costs awarded
WONG Ming Chung	20.6.2024	\$10,000	\$25,680
TSE Tsun Wai	2.7.2024	\$4,800 with compensation order – ordered to pay \$50,000 to a retail investor	–
TSE Yin Fung	2.1.2025	\$25,000	\$29,304

Note: Cases with fines below \$10,000 are not shown in this table.

**Table 3 Other public disciplinary actions**

Company/Name	Date	Breaches	Action
WONG Yung Stephen	19.3.2025	Failure to discharge duties as a Responsible Officer and a member of Kylin International (HK) Co., Limited's senior management	Banned from re-entering the industry for 14 months
SHUM Wai Nap	20.6.2024	Failure to properly manage a private fund to ensure its investments were in line with the fund's stated investment strategy, objectives and investment restrictions; failure to properly manage the risks of the fund in accordance with PICC Asset Management (Hong Kong) Company Limited's policies	Suspended for seven months
CHENG Dennis Chung Sing	23.9.2024	Concealed a trade execution error from Goldman Sachs (Asia) Securities Ltd	Banned from re-entering the industry for six months
SINGH Amit Kishan	18.10.2024	Regulatory breaches in relation to the circumvention of Julius Baer's procedures on account opening, know-your-client, and product suitability	Suspended for seven months

Table 4 Other enforcement activities

	2024/25	2023/24	2022/23
S179 <sup>1</sup> inquiries commenced	41	34	31
S181 <sup>2</sup> inquiries commenced (number of letters sent)	175 (5,428)	188 (4,627)	191 (5,851)
S182 <sup>3</sup> directions issued	222	182	130
Rule 8 directions <sup>4</sup> issued	1	2	0
Show cause letters <sup>4</sup> issued	1	2	0
Cases with search warrants executed	41	26	35
Compliance advice letters issued	177	144	113
Criminal, Civil and Market Misconduct Tribunal (MMT) proceedings			
(a) Insider dealing			
Individuals/corporations summonsed (summons laid)	1 (1)	1 (1)	0 (0)
Individuals/corporations involved in ongoing civil proceedings	10	10	8
Individuals/corporations involved in ongoing MMT proceedings	4	3	2
(b) Market manipulation			
Individuals/corporations summonsed (summons laid)	1 (4)	3 (5)	1 (25)
Individuals/corporations involved in ongoing civil proceedings	67	29	18
Individuals/corporations involved in ongoing MMT proceedings	36	22	1
(c) Others			
Individuals/corporations summonsed (summons laid)	1 (1)	3 (10)	10 (73)
Individuals/corporations involved in ongoing civil proceedings	196	166	154
Individuals/corporations involved in ongoing MMT proceedings	9	9	11
Individuals charged for suspected market misconduct and money laundering offences for indictment prosecution <sup>5</sup>	4	17	14
Disciplinary enquiry			
Notices of Proposed Disciplinary Action <sup>6</sup> issued	28	26	26
Notices of Decision <sup>7</sup> issued (including S201 <sup>8</sup> agreement)	31	27	29
SFAT hearings			
Applications to SFAT	1	4	1
Applications/hearings completed/withdrawn/abandoned	3	2	9
Applications for extension of time to file an application for review (refused)	2	0	0

<sup>1</sup> Section 179 of the Securities and Futures Ordinance (SFO) gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

<sup>2</sup> Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including the identity information of the ultimate clients, the particulars and instructions relating to the transactions.

<sup>3</sup> Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

<sup>4</sup> A Rule 8 direction is issued by the SFC pursuant to Section 8 of the Securities and Futures (Stock Market Listing) Rules, directing The Stock Exchange of Hong Kong Limited (SEHK) to suspend trading in the shares of a listed company on grounds that the market is misinformed, disorderly or unfair. A show cause letter is sent by the SFC to inform a listed company that it is minded to exercise its power under the aforesaid Rules to direct SEHK to suspend trading in the shares of the company, in the absence of a satisfactory explanation.

<sup>5</sup> Four individuals were charged with the offence of conspiracy under sections 159A and 159C of the Crimes Ordinance (CO), of which two were charged with the offence of conspiracy to employ a scheme with intent to defraud or deceive in transactions involving securities under section 300 of the SFO; one of these individuals was also charged under sections 25(1) and 25(3) of the Organized and Serious Crimes Ordinance (OSCO). Another individual was charged under sections 295(3), 295(6), 310(1)(b), 313(1)(a-c), 315(1)(a), 324(1), 325(1)(a), and 328(a)(ii) of the SFO, and one more was charged under sections 295(3) and 295(6) of the SFO.

<sup>6</sup> A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

<sup>7</sup> A notice that sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

<sup>8</sup> Section 201 of the SFO gives the SFC the power to resolve disciplinary proceedings by agreement when the SFC considers it appropriate to do so in the interest of the investing public or in the public interest.



Table 5 Takeovers activities

	2024/25	2023/24	2022/23
<b>Codes on Takeovers and Mergers and Share Buy-backs</b>			
General and partial offers under Code on Takeovers and Mergers	44	32	33
Privatisations	30	17	11
Whitewash waiver applications	18	21	22
Other applications under Code on Takeovers and Mergers <sup>1</sup>	296	240	231
Off-market and general offer share buy-backs	5	7	7
Other applications under Code on Share Buy-backs <sup>1</sup>	2	0	1
<b>Total</b>	<b>395</b>	<b>317</b>	<b>305</b>
<b>Executive Statements</b>			
Sanctions imposed with parties' agreement <sup>2</sup>	1	0	3
<b>Takeovers and Mergers Panel</b>			
Meetings for review of Codes on Takeovers and Mergers and Share Buy-backs	1	0	1
Hearings before the Panel (disciplinary and non-disciplinary)	0	0	2
Statements issued by the Panel <sup>3</sup>	0	0	2

<sup>1</sup> Including stand-alone applications and those made during the course of a code-related transaction.

<sup>2</sup> Pursuant to section 12.3 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.

<sup>3</sup> Pursuant to section 16.1 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.

Table 6 Hong Kong domiciled authorised funds

By type	As at 31.3.2025				As at 31.3.2024			
	Number		Total NAV (US\$ million)		Number		Total NAV (US\$ million)	
Bond	176	(21.8%)	45,777	(18.4%)	165	(21.6%)	25,928	(14.5%)
Equity	198	(24.4%)	45,970	(18.4%)	203	(26.5%)	44,854	(25.2%)
Mixed	107	(13.2%)	25,022	(10.0%)	111	(14.5%)	25,175	(14.1%)
Money market	82	(10.1%)	60,294	(24.2%)	67	(8.8%)	28,010	(15.7%)
Feeder funds <sup>1</sup>	50	(6.2%)	73	(0.0%)	50	(6.5%)	15	(0.0%)
Index <sup>2</sup>	179	(22.1%)	71,154	(28.5%)	156	(20.4%)	53,588	(30.1%)
Guaranteed	1	(0.1%)	28	(0.0%)	1	(0.1%)	30	(0.0%)
Commodity and virtual assets <sup>3</sup>	16	(2.0%)	1,033	(0.4%)	12	(1.6%)	682	(0.4%)
Sub-total	809	(100.0%) <sup>4</sup>	249,351	(100.0%) <sup>4</sup>	765	(100.0%)	178,280 <sup>4</sup>	(100.0%)
Umbrella structures	167				161			
<b>Total</b>	<b>976</b>				<b>926</b>			

Note: Unit trusts and mutual funds authorised under the Code on Unit Trusts and Mutual Funds.

<sup>1</sup> The NAV of feeder funds whose master funds are authorised by the SFC has been excluded from the total NAV figures in the "Feeder funds" category to better reflect the total asset under management.

<sup>2</sup> Including equity and fixed income index tracking funds, exchange-traded funds and leveraged and inverse products.

<sup>3</sup> From 30 June 2024, commodity and virtual asset funds, exchange-traded funds and leveraged and inverse products (whether actively managed or index tracking) have been re-categorised under the "Commodity and virtual asset" category. Corresponding adjustments have been made to the relevant historical figures.

<sup>4</sup> Figures may not add up to total due to rounding.

Table 7 Non-Hong Kong domiciled authorised funds

a) By origin	As at 31.3.2025							As at 31.3.2024			
	Umbrella funds	Sub-funds	Single funds	Total		Total NAV (US\$ million)		Total		Total NAV (US\$ million)	
Luxembourg	58	1,035	0	1,093	(75.6%)	1,210,237	(62.1%)	1,066	(74.8%)	1,172,193	(74.3%)
Ireland	23	232	2	257	(17.8%)	288,746	(14.8%)	258	(18.1%)	248,008	(15.7%)
United Kingdom	2	6	12	20	(1.4%)	37,337	(1.9%)	26	(1.8%)	75,359	(4.8%)
Mainland China	1	1	43	45	(3.1%)	16,438	(0.8%)	46	(3.2%)	17,112	(1.1%)
Bermuda	0	0	1	1	(0.1%)	83	(0.0%)	1	(0.1%)	116	(0.0%)
Cayman Islands	3	16	4	23	(1.6%)	1,121	(0.1%)	23	(1.6%)	1,171	(0.1%)
Others	0	0	6	6	(0.4%)	395,369	(20.3%)	5	(0.4%)	63,680	(4.0%)
<b>Total</b>	<b>87</b>	<b>1,290</b>	<b>68</b>	<b>1,445</b>	<b>(100.0%)</b>	<b>1,949,330<sup>1</sup></b>	<b>(100.0%)</b>	<b>1,425</b>	<b>(100.0%)</b>	<b>1,577,641<sup>1</sup></b>	<b>(100.0%)</b>

<sup>1</sup> Figures may not add up to total due to rounding.

b) By type	As at 31.3.2025					As at 31.3.2024			
	Number		Total NAV (US\$ million)			Number		Total NAV (US\$ million)	
Bond	378	(27.8%)	519,226	(26.6%)		358	(26.8%)	453,231	(28.7%)
Equity	774	(57.0%)	771,439	(39.6%)		775	(57.9%)	823,726	(52.2%)
Mixed	165	(12.2%)	181,733	(9.3%)		163	(12.2%)	166,913	(10.6%)
Money market	11	(0.8%)	14,902	(0.8%)		12	(0.9%)	11,777	(0.7%)
Feeder funds <sup>1</sup>	3	(0.2%)	0	(0.0%)		3	(0.2%)	0	(0.0%)
Index <sup>2</sup>	25	(1.8%)	368,496	(18.9%)		25	(1.9%)	62,796	(4.0%)
Hedge	1	(0.1%)	83	(0.0%)		1	(0.1%)	116	(0.0%)
Commodity <sup>3</sup>	1	(0.1%)	93,451	(4.8%)		1	(0.1%)	59,082	(3.7%)
Sub-total	1,358	(100.0%)	1,949,330	(100.0%)		1,338	(100.0%) <sup>4</sup>	1,577,641	(100.0%) <sup>4</sup>
Umbrella structures	87					87			
<b>Total</b>	<b>1,445</b>					<b>1,425</b>			

Note: Unit trusts and mutual funds authorised under the Code on Unit Trusts and Mutual Funds.

<sup>1</sup> The NAV of feeder funds whose master funds are authorised by the SFC has been excluded from the total NAV figures in the "Feeder funds" category to better reflect the total asset under management.

<sup>2</sup> Including equity and fixed income index tracking funds and exchange-traded funds.

<sup>3</sup> From 30 June 2024, commodity funds and exchange-traded funds (whether actively managed or index tracking) have been re-categorised under the "Commodity" category. Corresponding adjustments have been made to the relevant historical figures.

<sup>4</sup> Figures may not add up to total due to rounding.

## Operational Data

**Table 8 Statistical information and financial position of the Hong Kong securities industry<sup>1</sup>**

	As at 31.12.2024	As at 31.12.2023	As at 31.12.2022
Securities dealers and securities margin financiers	1,397	1,406	1,439
Active cash clients <sup>2</sup>	1,857,740	2,193,229	2,203,172
Active margin clients <sup>2</sup>	2,546,405	2,563,883	2,446,852
Active clients	4,404,145	4,757,112	4,650,024
<b>Balance sheet</b>	<b>(\$ million)</b>	<b>(\$ million)</b>	<b>(\$ million)</b>
Cash in hand and at bank <sup>3</sup>	635,332	564,507	678,480
Amounts receivable from margin clients <sup>4</sup>	177,193	148,038	152,062
Amounts receivable from clients and other dealers arising from dealing in securities	215,701	183,166	179,132
Proprietary positions	67,974	69,444	70,834
Other assets	417,802	366,674	371,941
Total assets	1,514,002	1,331,829	1,452,449
Amounts payable to clients and other dealers arising from dealing in securities	775,133	624,749	697,055
Total borrowings from financial institutions	30,812	28,753	72,890
Short positions held for own account	1,005	2,571	7,183
Other liabilities	205,613	194,380	191,923
Total shareholders' funds	501,439	481,376	483,398
Total liabilities and shareholders' funds	1,514,002	1,331,829	1,452,449

	12 months to 31.12.2024 (\$ million)	12 months to 31.12.2023 (\$ million)	12 months to 31.12.2022 (\$ million)
<b>Profit and loss</b>			
Total value of transactions <sup>5</sup>	144,110,203	107,897,497	126,014,719
Net securities commission income	20,187	17,113	20,210
Gross interest income	41,392	39,987	23,044
Other income <sup>6</sup>	156,960	140,139	144,131
Total operating income	218,539	197,239	187,385
Total overheads and interest expense	178,260	172,046	170,730
Total operating profit	40,279	25,193	16,655
Net profit on proprietary trading	4,090	3,307	6,211
Net profit for the period	44,369	28,500	22,866

<sup>1</sup> Data were extracted from the monthly financial returns submitted under the Securities and Futures (Financial Resources) Rules by corporations licensed for dealing in securities or securities margin financing. Figures reported by an overseas incorporated licensed corporation which carries out its principal business activities outside Hong Kong and operates in Hong Kong as a branch office were excluded.

<sup>2</sup> Active clients are clients for whom the licensed corporation is required to prepare and deliver monthly statements of account in respect of the relevant reporting month under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules.

<sup>3</sup> Cash in hand and at bank include trust monies held on behalf of clients which totalled \$405,156 million (31.12.2023: 340,373 million).

<sup>4</sup> As at 31.12.2024, the average collateral coverage was 3.9 times (as at 31.12.2023: 4.1 times). It represents the number of times the aggregate market value of securities collateral deposited by margin clients over the total amount of margin loan due from these clients on a given date on an industry-wide basis.

<sup>5</sup> The total value of transactions includes trading in equities, bonds and other securities in Hong Kong and overseas.

<sup>6</sup> Comprises fund management fee income, corporate finance income, inter-company management fee income and others.

# Committees, Panels and Tribunal

A number of committees and panels have been set up to advise the SFC on various matters and perform other functions as set out in their terms of reference. Their responsibilities and members are listed in this section. For information on the board committees and Executive Committee, see “Corporate Governance” on pages 97-111.

## SFC Committees

### Advisory Committee

Advises the SFC on any matter of policy regarding the performance of its functions.

Chairman		
LUI Tim Leung Tim, GBS, JP (to 19.10.2024)		Dr WONG Tin Yau, Kelvin, SBS, JP (from 20.10.2024)
Ex-officio member		
LEUNG Fung Yee Julia, SBS, JP		
Members		
Professor CAI Hongbin	LEUNG Chung Yin Rico	TSE Yung Hoi, BBS
CHAN Yuk Sing Freeman (to 14.5.2024)	LI Tong	WONG Tsu Hing Harold, JP
DUIGNAN Michael	MEYER Phillip Michael	WONG Wai Man June
Dr JIA Hongrui	NG Siu Mui Fion	YIU Ka Yan Wilfred
Number of meetings: 2		Average attendance rate: 81%

### Academic and Accreditation Advisory Committee

Approves industry-based courses and examinations for the purpose of meeting the licensing competence requirements, endorses applications from professional bodies and tertiary institutions as recognised institutions for providing continuous professional training (CPT), advises the SFC on areas to study in the context of enhancing Hong Kong’s position as an international financial centre and provides input for the development of industry-related courses and training programmes.

During the year, the Committee met once to consider a number of matters including licensing examination and training plan for Type 13 regulated activity and over-the-counter derivatives licensing regime, new examination services and training programmes provided by Hong Kong Securities and Investment Institute, and observations of compliance with CPT requirements by the industry.

Chairperson	
Dr YIP Chee Hang Eric	
Members	
Prof CAO Jie Jay	LEE Wing Yu Peony (from 1.4.2024)
Dr CHAN Fung Cheung Wilson (to 31.3.2025)	LEUNG Mei Yee Michelle (from 1.4.2024)
Prof CHAN Wing Ho Alex (to 31.3.2025)	WANG Juliana (from 1.4.2024)
Prof CHOI Darwin	WONG Pui Ling Pauline
GELLNER Noah John (from 1.4.2024)	
Secretary	
MAN Hoi Yee Holly	
Number of meetings: 1	Average attendance rate: 91%

## Committees, Panels and Tribunal

### Committee on Real Estate Investment Trusts

Advises the SFC on general policy matters or regulatory issues that are related to the Code on Real Estate Investment Trusts (REITs), the overall market development of REITs, the property or securities market or investment management in Hong Kong or elsewhere, professional practices or guidelines that are involved in the operation of REITs, and fund investment or management in general.

There was no meeting during the year.

#### Chairperson

CHOI Fung Yee Christina

#### Members

CHAN Duen Grace  
Prof CHAU Kwong Wing  
CHEUNG Keith  
CHU Ho Kwan Raphael

DUIGNAN Michael  
LAU Ka Shi Betsy, BBS  
LAU Pak Wai  
LU Ming

WONG Sing Ming (Rita WONG)  
YEONG Wei Ming Alexandra  
YUEN Ka Fai (Frank YUEN)

#### Secretary

LAU Tin Mei

Number of meetings: 0

Average attendance rate: N/A

### Disciplinary Chair Committee

Members are nominated by the Nominations Committee on the basis that they are duly experienced and legally qualified persons. Their role is to act as Chairman of the Takeovers and Mergers Panel in disciplinary proceedings under the Codes on Takeovers and Mergers and Share Buy-backs or of the Takeovers Appeal Committee on a case-by-case basis.

#### Members

JAT Sew Tong, SC, JP  
LAM Yan Kay, Rachel, SC

MAN Bernard, SC  
MAURELLET, José-Antonio, SC

SHIEH Wing Tai, Paul, SC  
WONG Man Kit, Anson, SC, JP



## Committees, Panels and Tribunal

### Fintech Advisory Group

Aims to broaden the SFC's understanding of the opportunities, risks and regulatory implications of the latest Fintech trends and developments.

During the year, the Group met once to discuss a range of topics such as tokenomics and the use of blockchain technology in traditional finance.

#### Chairperson and ex-officio member

Dr YIP Chee Hang, Eric

#### Ex-officio member

WONG Lok Yan Elizabeth

#### Members

AU Alex

AUYANG Evan

CHIU Clara

CRAWFORD Andrew

GAZMARARIAN Lucy

KONG Nike

Prof LIN Chen

OBRADOVIC Bojan

YUEN Kelvin

Number of meetings: 1

Average attendance rate: 100%

### Investor Compensation Fund Committee

Administers the Investor Compensation Fund and regulates its procedures in accordance with Part XII of the Securities and Futures Ordinance (SFO).

During the year, the Committee met once to consider the financial statements of the Fund and deal with other administrative matters.

#### Chairman

LEUNG Chung Yin Rico

#### Members

KWOK Hom Siu (Sally KWOK)

Dr LIN James C. (to 31.7.2024)

WAN Chi Yiu Andrew

YIH Dieter Lai Tak, JP (from 1.8.2024)

Number of meetings: 1

Average attendance rate: 100%

## Committees, Panels and Tribunal

### Investor Compensation Company Limited Claims Committee

Reviews and determines investors' claims for compensation from the Investor Compensation Fund.

There were no circumstances which called for a meeting of the Committee during the year.

#### Chairman

Dr LIN James C. (to 31.7.2024)  
YIH Dieter Lai Tak, JP (from 19.8.2024)

#### Members

CHAN Lui (Clara CHAN)	LEUNG Chung Yin Rico
CHUI Ming Wai (Vivian CHUI)	MUKADAM Thrity Homi
KUNG Chun Hung (Ronnie KUNG) (from 5.3.2025)	SO Kang Wong (Pierre SO) (to 23.2.2025)
KWOK Hom Siu (Sally KWOK)	TSUI Kam Yip (Alison TSUI)
LEE Jor Hung (Dannis LEE)	WAN Chi Yiu Andrew

Number of meetings: 0

Average attendance rate: N/A

### Nominations Committee

Nominates members of the Takeovers and Mergers Panel, the Takeovers Appeal Committee and the Disciplinary Chair Committee.

During the year, the Committee met once to consider the appointment and reappointment of members to the abovementioned panel and committees.

#### Chairman and ex-officio member

LEUNG Fung Yee Julia, SBS, JP

#### Ex-officio members

CHAN Yuk Sing Freeman	DUIGNAN Michael
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#### Members

DAWES Victor, SC, BBS	Dr WONG Tin Yau, Kelvin, SBS, JP (from 22.11.2024)
LUI Tim Leung Tim, GBS, JP (to 19.10.2024)	

#### Alternate members to CHAN Yuk Sing Freeman

KO Teresa Yuk Yin, BBS, JP	MAGUIRE John Martin	WEBB David Michael
LAM Chor Lai Celia	SCHWILLE Mark Andrew	YU Ka Po Benita

Number of meetings: 1

Average attendance rate: 100%

## Committees, Panels and Tribunal

### Products Advisory Committee

The SFC may consult the Committee on a wide range of matters relating to the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products, the SFC Code on MPF Products and the Code on Pooled Retirement Funds as well as the overall market environment, industry practices and novel product features.

During the year, the Committee held a meeting to discuss the proposals to (i) introduce long-term asset funds for retail investors and (ii) enhance the regulation of SFC-authorised money market funds.

#### Chairman

CHOI Fung Yee Christina

#### Members

CHAN Duen Grace	LEE Chi Kee Trevor	SHEN Hua
CHEN Chih Yang (Kent CHEN)	LEE Pui Shan (Rosita LEE)	SMITH Paul Henry
CHENG Siu Fun (Eric CHENG)	LIAN Shadong, MH (Doris LIAN)	Prof SO Wai Man Raymond, BBS, JP
CHOW Kin Hung (Nelson CHOW)	LIN Christine	TAM Sau Ngor Vera
FUNG Ka Shing Bernard	LUI Yu Kwok (Marty LUI)	TSUI Wai Yu (Fion TSUI)
FUNG Wai Cheong (Alger FUNG) (to 30.5.2024)	NG Ka Li (Elisa NG) (to 26.9.2024)	YEONG Wei Ming Alexandra
LAM Ka Yin (Clement LAM) (from 30.5.2024)	NOYES Keith Samuel	YU Chun Sing Sam (from 26.9.2024)
LAW Lai Wah Andrew	PANG Wai Sau Queenie	

#### Secretary

POON Wing Yee Loreen

Number of meetings: 1

Average attendance rate: 95%

### Public Shareholders Group

Advises on issues relating to shareholders' rights and interests.

During the year, the Group met twice and discussed various policy subjects, such as review of the Corporate Governance Code and potential enhancements to current listing regulations.

#### Chairman

DUIGNAN Michael

#### Members

CHAN Kwok King Kingsley	GILL Amar Singh	WANG Fang
CHAN Wai Yan Ronald	LI Lin Lincoln	WEI Zhen
FOONG Leonie	MEYER Phillip Michael	WONG Chi Ming Sally
GAN Lu (from 7.11.2024)	MO Yuen Man Anita	

Number of meetings: 2

Average attendance rate: 61%

## Committees, Panels and Tribunal

### Securities Compensation Fund Committee

Administers the Unified Exchange Compensation Fund and regulates its procedures in accordance with Part X of the repealed Securities Ordinance which, under section 74 of Schedule 10 to the SFO, continues to apply to and in relation to any claim for compensation from the Fund made before 1 April 2003.

During the year, the Committee met once to consider the Fund's financial statements and deal with other administrative matters.

Chairman		
LEUNG Chung Yin Rico		
Members		
KWOK Hom Siu (Sally KWOK)	Dr LIN James C. (to 31.7.2024)	YIH Dieter Lai Tak, JP (from 1.8.2024)
LAI Chun Mei (Hilda LAI)	WAN Chi Yiu Andrew	
Number of meetings: 1		Average attendance rate: 100%

### SFC (HKEC Listing) Committee

Exercises powers and functions equivalent to those of the Main Board and GEM Listing Committees of the Stock Exchange of Hong Kong Limited (SEHK) when actual or potential conflicts of interest arise between Hong Kong Exchanges and Clearing Limited (HKEX) and the proper performance of SEHK's listing functions. In such cases, the relevant SEHK functions may be undertaken by the SFC.

There were no circumstances which called for a meeting of the Committee during the year.

Chairman		
Members present in each Committee meeting will elect a Chairman among themselves at the beginning of that meeting.		
Members		
CHAN Wai Yan Ronald	LEUNG Chung Yin Rico	WONG Christopher Ka Shun
CHEN Ping Lisa	LEUNG Fung Yee Julia, SBS, JP	Dr YIP Chee Hang, Eric (from 2.5.2024)
CHOI Fung Yee Christina	LEUNG Po Wah Pauline	
EMSLEY Matthew Calvert	WILSON Christopher	
LEE Yuen Man Virginia		
Number of meetings: 0		Average attendance rate: N/A

## Committees, Panels and Tribunal

### SFC (HKEC Listing) Appeals Committee

Exercises powers and functions equivalent to those of SEHK's Listing Review Committee when actual or potential conflicts of interest arise between HKEX and the proper performance of listing functions by SEHK. In such cases, the relevant powers and functions may be exercised by the SFC.

There were no circumstances which called for a meeting of the Committee during the year.

#### Chairman

Members present in each Committee meeting will elect a Chairman among themselves at the beginning of that meeting.

#### Members

CHAN Sui Kuen Agnes, BBS (to 19.10.2024)	LO Kar Chun Nicky, SBS, JP
CHAN Chun Hung, Vincent (from 1.8.2024)	LUI Tim Leung Tim, GBS, JP (to 19.10.2024)
CHEW Fook Aun	POGSON, Keith (from 20.10.2024)
DAWES Victor, SC, BBS	Dr WONG Tin Yau, Kelvin, SBS, JP (from 20.10.2024)
KONG Johnson	WONG Yick Kam Michael, SBS, MH, JP
Dr LIN James C. (to 31.7.2024)	YIH Dieter Lai Tak, JP

Number of meetings: 0

Average attendance rate: N/A

### Share Registrars' Disciplinary Committee

Hears and determines disciplinary matters relating to share registrars in the first instance.

There were no circumstances which called for a meeting of the Committee during the year.

#### Chairman

CHIU Jeckle

#### Deputy Chairman

TSUI Kam Yip (Alison TSUI)

#### Members

CHAN Pak Lam Tom	LAM Hui Yip (Clement LAM)	LIN Christine
FOOTMAN Michael Henry Charles	LEE Yuen Man Virginia	WONG Man Yee (Fanny WONG)

Number of meetings: 0

Average attendance rate: N/A

### Share Registrars' Disciplinary Appeals Committee

Hears and determines appeals from the Share Registrars' Disciplinary Committee. Members of the Share Registrars' Disciplinary Appeals Committee for the hearing of each appeal case brought before it consist of members of the Share Registrars' Disciplinary Committee who did not preside or participate in the disciplinary hearing of that case.

There were no circumstances which called for a meeting of the Committee during the year.

## Committees, Panels and Tribunal

### Takeovers and Mergers Panel

Hears disciplinary matters in the first instance and reviews rulings by the Takeovers Executive<sup>1</sup> at the request of any party dissatisfied with such a ruling. Considers novel, important or difficult cases referred to it by the Executive. Reviews, upon request by the SFC, the provisions of the Codes on Takeovers and Mergers and Share Buy-backs and the Rules of Procedure for hearings under the Codes and recommends appropriate amendments to the Codes and Rules of Procedure to the SFC.

During the year, the Panel met once to discuss takeovers-related policy matters and none on non-disciplinary matters.

#### Chairman

CHAN Yuk Sing, Freeman

#### Deputy Chairpersons

KO Teresa Yuk Yin, BBS, JP  
LAM Chor Lai Celia

MAGUIRE John Martin  
SCHWILLE Mark Andrew

WEBB David Michael  
YU Ka Po Benita

#### Members

BIDLAKE Alexandra  
CHAN Che Chung (Conrad CHAN)  
CHARLTON Julia Frances  
CHAU Lai Yi (Joey CHAU)  
CLARK Stephen John  
IP Koon Wing Ernest  
LEE Sum Man, Christina  
LEUNG Po Wah Pauline (to 4.12.2024)

LO Samson Lambert  
NORMAN David Michael  
NORRIS Nicholas Andrew  
PARK Yoo Kyung  
SABINE Martin Nevil  
SHAH Asit Sudhir  
TYE Philip Andrew  
WINTER Richard David

WOLHARDT Julian Juul  
WONG Richard  
WONG Wai Ming  
WONG Yu Tsang Alex  
WOO Ka Biu Jackson  
YIH Dieter Lai Tak, JP  
YUEN Ka Fai (Frank YUEN)

Number of policy meeting: 1      Average attendance rate: 80%

Number of non-disciplinary hearings: 0      Average attendance rate: N/A

Number of disciplinary hearings: 0      Average attendance rate: N/A

<sup>1</sup> The Takeovers Executive refers to the Executive Director of the Corporate Finance Division of the SFC or his delegate.



## Committees, Panels and Tribunal

### Takeovers Appeal Committee

Reviews disciplinary rulings of the Takeovers and Mergers Panel at the request of an aggrieved party for the sole purpose of determining whether any sanction imposed by the Panel is unfair or excessive.

There were no circumstances which called for a meeting of the Committee during the year.

#### Members

BIDLAKE Alexandra	LEUNG Po Wah Pauline (to 4.12.2024)	WEBB David Michael
CHAN Che Chung (Conrad CHAN)	LO Samson Lambert	WINTER Richard David
CHAN Yuk Sing Freeman	MAGUIRE John Martin	WOLHARDT Julian Juul
CHARLTON Julia Frances	NORMAN David Michael	WONG Richard
CHAU Lai Yi (Joey CHAU)	NORRIS Nicholas Andrew	WONG Wai Ming
CLARK Stephen John	PARK Yoo Kyung	WONG Yu Tsang, Alex
IP Koon Wing Ernest	SABINE Martin Nevil	WOO Ka Biu, Jackson
KO Teresa Yuk Yin, BBS, JP	SCHWILLE Mark Andrew	YIH Dieter Lai Tak, JP
LAM Chor Lai, Celia	SHAH Asit Sudhir	YU Ka Po Benita
LEE Sum Man, Christina	TYE Philip Andrew	YUEN Ka Fai (Frank YUEN)

Number of meetings: 0

Average attendance rate: N/A

### Independent Panels and Tribunal

#### Leveraged Foreign Exchange Trading Arbitration Panel

Resolves disputes in accordance with the Securities and Futures (Leveraged Foreign Exchange Trading) (Arbitration) Rules.

The panel received no new cases during the year and none were carried over from the previous year.

#### Chairman

LEE Pui Shan, Rosita

#### Deputy Chairman

CHAN Siu Ping, Chordio

#### Members

FUNG Kit Ming, Veronica	LEUNG Bon Yuen, Eviana	Dr WANG Lei Levin, JP
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## Committees, Panels and Tribunal

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

Reviews and advises the SFC upon the adequacy of the SFC's internal procedures and operational guidelines governing the action taken and decisions made by the SFC and its staff in the performance of its regulatory functions, including those related to the handling of complaints, licensing applications, inspection of intermediaries, investment products authorisation, exercise of investigation and disciplinary action, and corporate finance transactions (including the administration of listing rules).

Chairman	
KWOK Pui-fong, Miranda, JP (from 1.11.2024)	LEE Kam Hung Lawrence, BBS, JP (to 31.10.2024)
Ex-officio members	
LUI Tim Leung Tim, GBS, JP (to 19.10.2024)	Dr YUNG Kin-chung Boyce (from 3.2.2025)
Dr WONG Tin Yau, Kelvin, SBS, JP (from 20.10.2024)	YUNG Lap Yan (to 2.2.2025)
Members	
Prof CHAN Ka Lok, MH	KWAN Wing Han Margaret (to 31.10.2024)
CHAN Lap Tak Jeffrey (to 31.10.2024)	LAI Hin Wing Henry (to 31.10.2024)
CHAN Siu-ping, Chordio (from 1.11.2024)	LAU Pak-wai, David (from 1.11.2024)
CHAU Suet Fung Dilys, JP (to 31.10.2024)	LEE Shun-yi, Jasmine (from 1.11.2024)
CHEN Xin, Lorna (from 1.11.2024)	LIAN Shaodong, MH (from 1.11.2024)
CHEN Yung-ngai, Kenneth (from 1.11.2024)	LI Man Bun Brian David, BBS, JP (to 31.10.2024)
CHUA Suk Lin Ivy (to 31.10.2024)	LIN Xiaodong Charles, MH
CHUI Yik Chiu Vincent (to 31.10.2024)	SO Kwok-yan, Karen (from 1.11.2024)
CHING Kim Wai Kerry	Dr WANG Lei Levin, JP
Dr KWAN Pak-hoo, Bankee, BBS, JP (from 1.11.2024)	

### Virtual Asset Consultative Panel

The Virtual Asset Consultative Panel was established as part of the SFC's proactive engagement with SFC-licensed virtual asset trading platforms (VATPs). It also assists the SFC's formulation of regulatory policy to further facilitate the development of a sustainable and resilient virtual asset ecosystem.

Only formally licensed VATPs are eligible to be Panel members.

During the year, the Panel met once to discuss a range of topics including providing regulatory clarity to the market and optimising the VATP regulatory framework.

Chairperson, Ex-officio member	
Dr YIP Chee Hang, Eric	
Ex-officio member	
WONG Lok Yan Elizabeth	
Members (represented by)	
Accumulus GBA Technology (Hongkong) Co., Limited (HO Hoi Tung)	Hong Kong Virtual Asset Exchange Limited (NG Wai Leung, Anthony)
Bullish HK Markets Limited (GAFFNEY George Nathanael)	OSL Digital Securities Limited (TIU Gary Ka Chun)
DFX Labs Company Limited (HUANG Haizhou)	Panthertrade (Hong Kong) Limited (CHEN Zhihu)
Hash Blockchain Limited (PU Meng)	Thousand Whales Technology (BVI) Limited (WU Chen)
Hong Kong Digital Asset EX Limited (GAO Han)	YAX (Hong Kong) Limited (LIU Kai)
Number of meetings: 1	Average attendance rate: 100%

## Committees, Panels and Tribunal

### Securities and Futures Appeals Tribunal

Reviews a range of specified decisions made under the SFO by the SFC, the Hong Kong Monetary Authority or a recognised investor compensation company, and hears and determines any question or issue arising out of or in connection with any review.

#### Chairmen

HARTMANN Michael John, GBS

LUNN Michael Victor, GBS

MCWALTERS Ian Charles, GBS

#### Members

CHAN Chun Hung Vincent (to 31.7.2024)

HO Ching Tak, Kent (to 31.3.2025)

TANG Hamilton Ty (to 31.3.2025)

Prof CHAN Koon Hung (to 31.3.2025)

HUNG Wan Shun, Stephen, MH

Prof TANG Hei Wai

Prof CHAN Ka Lok, MH (to 31.3.2025)

KOO Chi Sum, Sammy

Dr TO Wing, Christopher

CHAN Siu Ping, Chordio

Dr KWAN Pak Hoo, Bankee, BBS, JP

YAU Yu Xin, Amelia (to 31.3.2025)

CHAN Yuen Shan, Florence

LAU Pak Wai

YIP Chai Tuck

CHAU Suet Fung Dilys, JP (to 31.3.2025)

LEUNG Ming Hym, Peter (to 31.3.2025)

YUEN Siu Bun, Edward

CHEN Xin, Lorna

LUI Kit Fong, Carol

CHEUNG Wai Kwok, Gary

NG Kam Wah, Webster, JP

CHUA Suk Lin, Ivy

SENG SZE Ka Mee, Natalia





This Annual Report has a Chinese version.

**Auditor**

Deloitte Touche Tohmatsu

**Cover design**

hbpriors

**Concept design  
and production**

Toppan Nexus Holdings Limited

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