



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



Quarterly Report October-December 2024



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This third Quarterly Report of the Securities and Futures Commission for financial year 2024-25 covers the period from 1 October to 31 December 2024.

Highlights

Maintaining market resilience and mitigating harm



Stepping up anti-scam investor education

We launched the new “Don’t be Sucker” anti-scam campaign in December to caution the public against fraudulent schemes. The campaign presented an original cartoon character named “Sucker” (or “Shui Yu/水魚”), along with a theme song, music video and anti-scam tips on social media.



New alerts against



2
suspicious VATPs

5
suspicious investment products

Alerting investors on suspicious activities

We cautioned the public against two suspicious virtual asset trading platforms (VATPs) and five suspicious investment products.

Combatting misconduct

We issued section 179 directions¹ to request information for 41 cases. We also initiated five new enquiries into listed company affairs and 51 new investigations into different forms of misconduct.

¹ 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.

Highlights



We fined four licensed corporations and an individual a total of \$21.31 million. We disciplined five individuals by suspending their licences or prohibiting them from re-entering the industry for seven months to life.

We commenced Market Misconduct Tribunal (MMT) proceedings against Equity Advantage Limited, chairman and executive director of Dickson Concepts (International) Limited for alleged insider dealing.

We obtained a disgorgement order in the MMT of \$353.43 million against former CEO of China Forestry Holdings Company Limited and his investment vehicle for the loss they avoided by insider dealing.



Enhancing regulation and managing risks

The new Type 13 regulated activity (RA 13) regime governing public fund depositaries took effect in October. We granted RA 13 licences or registrations to 19 depositaries and more than 300 individuals.

We concluded in October a consultation on market soundings guidelines which apply to licensed or registered persons. The guidelines will become effective in May 2025.

Leading international standard-setting efforts

In November, our Chief Executive Officer (CEO) Ms Julia Leung and senior executives participated in the IOSCO² Board meeting in Madrid, Spain, to discuss the risk outlook for 2025-26, retail investor protection and Fintech.

In October, we hosted the inaugural meeting of the Supervisory Directors' Network under the IOSCO Asia-Pacific Regional Committee (APRC) in Hong Kong, attended by regulators from over 10 jurisdictions. As APRC Chair, Ms Leung co-chaired the first joint workshop between the IOSCO APRC and the Financial Stability Board's Regional Consultative Group for Asia, where securities market regulators, central banks and finance ministries in the region discussed virtual assets, tokenisation and artificial intelligence (AI).

² International Organization of Securities Commissions.

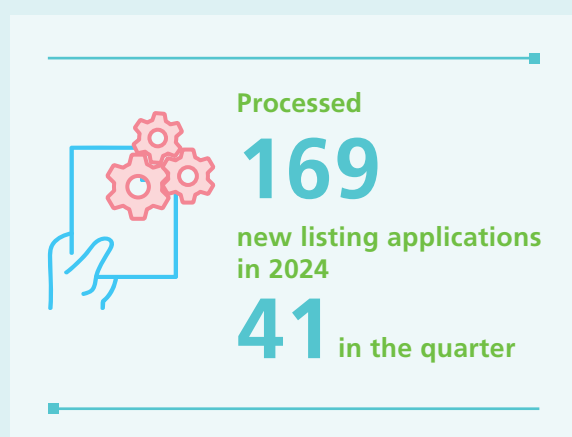
Highlights

Enhancing Hong Kong market competitiveness



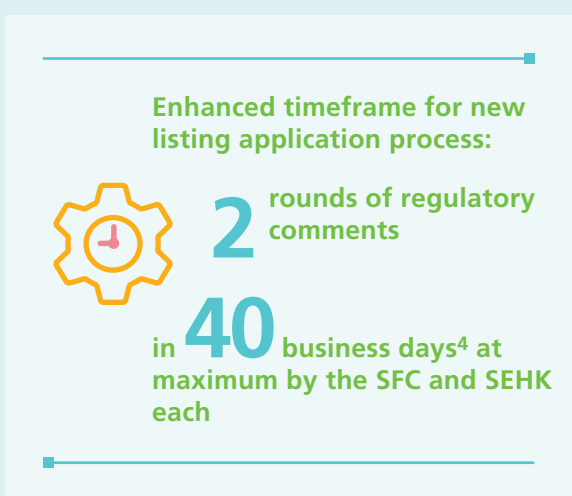
Gatekeeping listing applications

For 2024, we processed 257 listing applications, including 169 new applications. In the quarter, we processed 41 new applications, including one via de-SPAC transaction³, eight from pre-profit biotech firms and two from specialist technology companies.



Enhancing listing market, quality, liquidity and efficiency

Together with the Stock Exchange of Hong Kong Limited (SEHK), we announced an enhanced timeframe for the new listing application process. For all new applications received after the announcement, the SFC's average response time was within 20 business days.



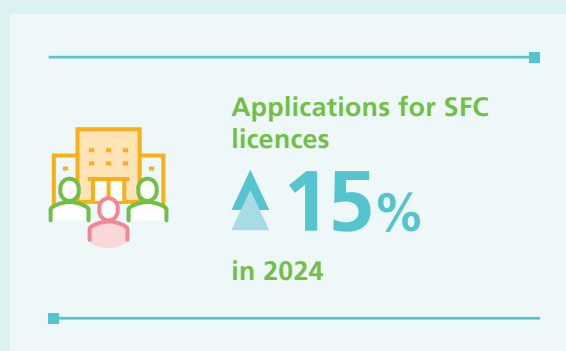
To foster direct communication with sponsors, we held an inaugural IPO Sponsor Forum in December to discuss the IPO vetting process with senior management of sponsor firms.

Working with the SFC, SEHK launched a consultation in December on proposals to optimise IPO price discovery and open market requirements to boost the competitiveness of Hong Kong's listed securities market.

As a result of collaborative efforts with the SFC, Hong Kong Exchanges and Clearing Limited will implement Phase 1 of the reduction of minimum trading spread in the securities market in mid-2025 to reduce market friction and lower transaction cost.

Increase in licence applications

As at 31 December, there were 48,559 licensees and registrants, of which 3,305 were licensed corporations, 45,145 were individuals and 109 were registered institutions.



Strengthening Hong Kong's super-connector role

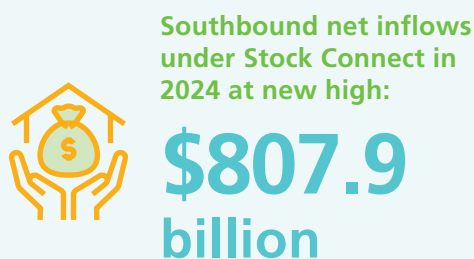
Following the China Securities Regulatory Commission's (CSRC) April 2024 announcement to further support listing in Hong Kong, four leading Mainland enterprises listed here as at end-December.

³ 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.

⁴ This refers to the number of business days in the hands of the regulators, and excludes the response time of the applicant and its sponsor.

Highlights

Marking its tenth anniversary, Stock Connect saw southbound net inflows surge to an annual record high of \$807.9 billion in 2024.



Enhancements to the Mainland-Hong Kong Mutual Recognition of Funds scheme took effect on 1 January 2025, relaxing sales restrictions and allowing the delegation of investment management functions.

The first batch of 14 licensed corporations eligible for the Wealth Management Connect Pilot Scheme in the Greater Bay Area commenced offering cross-boundary investment services with Mainland partners in December.

Building an offshore RMB and risk management hub

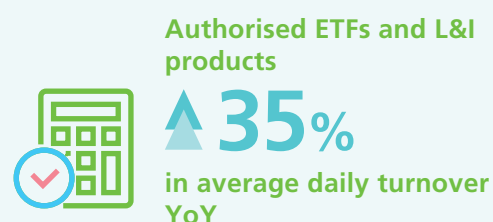
As of end-December, RMB interest rate swap transactions of over RMB4.6 trillion in aggregate notional amount were executed under Swap Connect.

Following the SFC's approval, China Government bonds and policy bank bonds held by overseas investors under Bond Connect became eligible collateral for Swap Connect, effective 13 January 2025.

Hong Kong as an asset and wealth management hub

Our CEO Ms Leung and other senior executives joined the Hong Kong delegation to Saudi Arabia in October to enhance regulatory cooperation. The first two Hong Kong-listed exchange-traded funds were cross-listed on the Saudi Exchange.

In 2024, SFC-authorized ETFs and leveraged and inverse products recorded net inflows of \$22.8 billion (US\$2.9 billion) and an average daily turnover of \$18.9 billion (US\$2.4 billion), up 35% from 2023 and equivalent to 14% of the turnover of Hong Kong's stock market.



The first phase of the Integrated Fund Platform, a fund repository, was launched to provide investors with one-stop access to information on SFC-authorized funds.

As at 31 December, the assets under management (AUM) of Hong Kong-domiciled funds decreased 1.4% from the previous quarter and increased 22% year-on-year (YoY) to \$1,641.7 billion (US\$211.4 billion). Net fund inflows amounted to \$162.9 billion (US\$20.9 billion) during the year.



As at 31 December, there were 472 registered open-ended fund companies, up 93.4% YoY, of which 39 were newly registered during the quarter.

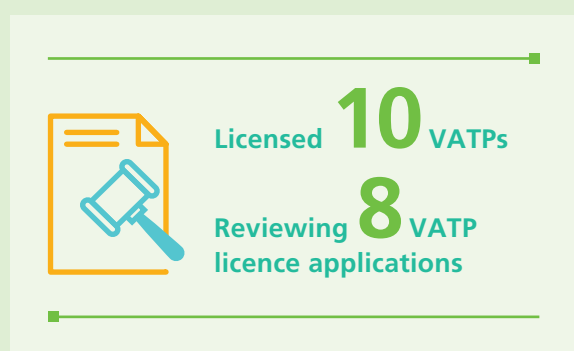
Highlights

Transforming markets via technology and ESG



Enhancing virtual asset regulatory regime

We granted licences to eight VATP applicants, bringing the total number of licensed VATPs to 10 as at end-February 2025. We are considering the licence applications of eight others, four of which are deemed to be licensed.



In December, we provided VATPs with a clear roadmap on their licensing journey and guidance on the revamped second-phase assessment.

We have also established in early 2025 a consultative panel with representatives from each licensee's senior management, to support licensed VATPs and consider their views in our policymaking.

Tokenisation to increase industry efficiency

We have been co-leading with the Hong Kong Monetary Authority the tokenisation initiatives for the asset management industry and providing regulatory guidance to participants in the Project Ensemble Sandbox.

During the quarter, one local bank completed in the sandbox a first-of-its-kind simulation of dealing and trading processes of a tokenised money market fund using tokenised deposits.

Promoting technology development in financial sector

At Hong Kong FinTech Week 2024 co-organised by the SFC, our senior management highlighted our initiatives to foster a vibrant virtual asset market in Hong Kong.

We issued a circular setting out the risks associated with the use of AI language models by licensed corporations and our regulatory expectations.

In December, the HKSAR Government published the Roadmap on Sustainability Disclosure in Hong Kong, which was developed by a dedicated working group co-led by the SFC and the FSTB⁵. It sets out Hong Kong's approach to require publicly accountable entities to adopt the IFRS Sustainability Disclosure Standards and elaborates on the blueprint to develop a local comprehensive ecosystem to support sustainability disclosures.

We worked with SEHK to enhance climate-related disclosure requirements for listed companies. The new requirements took effect in phases from 1 January 2025.

⁵ Financial Services and the Treasury Bureau.

Highlights

Enhancing SFC's resilience and efficiency



Board appointments

Effective 20 October, Dr Kelvin Wong Tin-yau, SBS, JP, was appointed the SFC's Chairman for a three-year term. Mr Keith Pogson was appointed and Mr Chew Fook-aun was re-appointed Non-Executive Directors for two-year terms.

Driving institutional resilience and efficiency

We launched Fund Authorisation Simple Track (FASTrack) to expedite the processing of applications of simple investment funds from specific jurisdictions. We also launched e-IP, an online application and submission system for investment products.

Proactive public communications

Our senior executives spoke at over 40 local and international events on topics including asset management, Fintech, mutual market access, corporate governance and sustainability. We were the supporting organisation of nine industry events.

In November, we co-hosted the "Conversations with Global Investors" forum during the Global Financial Leaders' Investment Summit, which featured more than 20 global leading investors. About 280 public sector and industry leaders from Hong Kong and overseas attended.

We hosted the SFC AML/CFT Regtech Forum for more than 300 participants to encourage responsible Regtech adoption in combatting money laundering and terrorist financing.



Senior executives spoke
at
40
events in the quarter

Maintaining market resilience and mitigating serious harm to our markets

Resilience is crucial to strengthening the foundation of our financial markets to ensure sustainable growth. In maintaining Hong Kong's status as a premier international financial centre and risk management hub, we are committed to upholding the markets' integrity, strengthening their resilience and protecting investors.

Combatting suspicious activities and investment scams

Investor alerts against suspicious entities and investment products

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

During the quarter, we added two entities onto the Alert List for Suspicious Virtual Asset Trading Platforms on our website to warn the public of suspected VA-related fraud and unlicensed activities.

We also cautioned the public against five suspicious investment products by posting related information on our Suspicious Investment Products Alert List and issuing social media posts.

We warned the public of Facebook advertisements in relation to a suspicious investment product named "Litigation Asset-Backed Notes" or "90-Day Notes", which appeared to target Hong Kong investors. These advertisements were not authorised by the SFC under the Securities and Futures Ordinance (SFO). As they contained references to the common features of debentures, they may constitute a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (CWUMPO), the issue of which was also not authorised by the SFC. Therefore, their issue may have breached the SFO or the CWUMPO.

Maintaining market resilience and mitigating serious harm to our markets



The anti-scams “Don’t be Sucker” campaign’s publicity efforts focus on three common scam scenarios, namely, online romance scams, impersonation, and deceptive tips from financial influencers

Stepping up anti-scams investor education

To caution the public against common tactics used in fraudulent schemes, we launched a new anti-scams campaign titled “Don’t be Sucker” in December. The campaign featured the debut of an original cartoon character named Sucker (or Shui Yu/水魚 in Cantonese), which symbolises an impulsive and gullible personality that easily falls prey to investment scams. The campaign also presented a theme song and music video, which

are available on Shui Yu’s YouTube channel. More anti-scams tips are shared on Shui Yu’s dedicated Instagram account.

Also in December, we took part in the Anti-Scam Carnival hosted by the Police, where we set up a booth providing fun and educational games catered for both children and adults, featuring Shui Yu. The carnival attracted over 8,500 participants.



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

During the quarter, we fined¹ four licensed corporations and an individual a total of \$21.31 million. We also disciplined that individual and four others by suspending their licences or prohibiting them from re-entering the industry for seven months to life.

We review corporate announcements daily to identify potential misconduct and irregularities. During the quarter, we issued section 179 directions² to request information for 41 cases. In one case, we conveyed to a listed company our concerns about the valuation of its proposed acquisition.

Additionally, we initiated five new enquiries into listed company affairs under Section 179 of the SFO, and 51 new investigations into different forms of misconduct under Section 182 of the SFO.

In November, we publicly censured and imposed a six-year cold shoulder order against Zuo Ping for failing to make a mandatory general offer in accordance with the Takeovers Code regarding her share dealings in CBK Holdings Limited.

Counteracting insider dealing and market manipulation

- We commenced proceedings in the Market Misconduct Tribunal (MMT) against Dickson Poon, chairman of Dickson Concepts (International) Limited, as well as Equity Advantage Limited, for alleged insider dealing in the shares of Dickson Concepts. We also alleged that Poon and his son Dickson Pearson Guanda Poon, executive director of Dickson Concepts, caused the company to breach the requirements on disclosure of inside information.
- We commenced proceedings in the MMT against Sui Guangyi, former chairman and non-executive director of Ding Yi Feng Holdings Group International Limited, two corporate entities, and 28 other suspects for alleged manipulation of the shares of Smartac International Holdings Limited. We alleged that Sui and the other 30 specified persons conducted manipulative trading in Smartac shares to push up the price and turnover, resulting in a false or misleading appearance of active trading

in Smartac shares and with respect to their 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 Court of First Instance (CFI) against 11 suspected manipulators of the shares of Ding Yi Feng under section 213 of the SFO. Pursuant to the Court order, the 11 suspected manipulators are prohibited from (i) removing any of their assets within Hong Kong, or (ii) in any way disposing of, dealing with or diminishing the value of any of their assets which are within Hong Kong, up to the value of around \$6.35 billion.
- The Eastern Magistrates' Courts granted an application by the Department of Justice to transfer the case against a core suspect in a ramp-and-dump scheme involving the shares of Wan Cheng Metal Packaging Company Limited to the District Court for alleged securities fraud. The suspect, who was surrendered from Singapore to Hong Kong, was charged with securities fraud offences under section 300 of the SFO and sections 159A and 159C of the Crimes Ordinance. This is the first time the SFC has sought assistance from other relevant authorities in naming a fugitive offender on the INTERPOL Red Notice and surrendering a fugitive offender wanted for prosecution for an offence under the SFO.

Tackling corporate fraud and related misfeasance

- We obtained a disgorgement order in the MMT for the sum of \$353.43 million against Li Han Chun, the former chief executive officer (CEO) of China Forestry Holdings Company Limited and his investment vehicle, Top Wisdom Overseas Holdings Limited, for the loss they avoided by insider dealing of China Forestry's shares. We also obtained disqualification orders, cold shoulder orders, and cease and desist orders against Li Han Chun and Li Kwok Cheong, the former chairman of China Forestry, for disclosing false or misleading information in China Forestry's IPO prospectus and annual report.

¹ Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

² 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.

Maintaining market resilience and mitigating serious harm to our markets

- Following our joint operation with the Independent Commission Against Corruption (ICAC), Tsang Chung Yu, a former independent non-executive director of Metaverse Yunji Technology Group Company Limited, and 11 other individuals were charged for conspiracy to defraud and deal with property known or believed to represent proceeds of an indictable offence. The SFC will continue to collaborate with the ICAC on this matter.
- We obtained a disqualification order in the CFI against Au Yeung Ho Yin, the former chief financial officer and executive director of Fujian Nuoqi Co., Ltd., for his failure to discharge his duties as a member of the senior management of Fujian Nuoqi to investigate multiple withdrawals from the company's IPO proceeds that were made without proper board approval, did not serve any genuine commercial purpose, and were purportedly used outside the scope specified in the company's listing prospectus.
- 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 the Stock Exchange of Hong Kong Limited (SEHK) over a secret backdoor listing arrangement concerning Asia Resources³. The convictions arose from a prosecution brought by the ICAC following a referral by the SFC. In 2013, Chim and Ricky Chim, a then substantial shareholder and the chairman of Asia Resources respectively, agreed with Ma Zhonghong on a secret backdoor listing arrangement to sell Asia Resources to Ma. The arrangement involved the placement of \$535.5 million convertible notes to the nominees of Ma, upon which Ma would pay Chim approximately \$210 million to control 70-75% of the issued share capital of Asia Resources. A nominee of Ma was also convicted of money laundering.

Acting against intermediary misconduct

- We banned Ng Ka Shun, a responsible officer of Agg. Asset Management Limited (Agg), from re-entering the industry for life and fined him \$1.7 million for window-dressing Agg's financial resources and mismanaging two funds. Ng began window-dressing Agg's financial resources when the firm submitted its licence application and continued doing so for 34 months after the firm obtained its licence. Agg also mismanaged two funds by allowing one fund to invest a substantial portion of its assets in debentures issued by companies controlled by Ng, and allowing Ng to withdraw investors' subscriptions from another fund for his personal benefit. Ng was responsible for making investment decisions for both funds.
- We prohibited Jonathan Dominic Lu Wai Ching from re-entering the industry for 15 years following the MMT's determination that he engaged in market misconduct through false trading in the shares of Sinopharm Tech Holdings Limited and Quantum Thinking Limited. Lu, a former responsible officer of Tarascon Capital Management (Hong Kong) Limited, executed the trades through the brokerage accounts of the hedge fund managed by Tarascon and of his mother, resulting in gains of \$5.6 million at the expense of the hedge fund.
- We suspended Wang Shian-tang, a former licensed representative of Yuanta Securities (Hong Kong) Limited, for 26 months. Wang entered into a private profit-sharing agreement with a client without Yuanta's consent. He also maintained a secret personal trading account and conducted trades through it without disclosing this to Yuanta.
- We reprimanded and fined CSC Futures (HK) Limited, Xinhua International Futures (Hong Kong) Co., Limited and Zheshang International Financial Holdings Co., Limited for failures in complying with anti-money laundering and counter-financing of terrorism and other regulatory requirements. The three firms were fined \$4.95 million, \$9 million and \$2.66 million respectively. For the case of Xinhua, we also suspended the licence of Ngai Wai for nine months for his failure to discharge his duties as a responsible officer and a member of the senior management of Xinhua during the material time. He was Xinhua's former responsible officer and manager-in-charge for overall management oversight, compliance, information technology and risk management.
- We suspended Singh Amit Kishan, a former employee of Bank Julius Baer & Co. Ltd., for seven months for regulatory breaches in relation to Singh's circumvention of Julius Baer's procedures on account opening, know-your-client and product suitability.

³ In February, Chim and Ricky Chim were sentenced to 34 months and 37 months in prison respectively.

Maintaining market resilience and mitigating serious harm to our markets

- We reprimanded and fined Ever-Long Securities Company Limited \$3 million for failing to discharge its duties as the sole sponsor in the application of Coastal Corporation Limited in 2016 to list on the Growth Enterprise Market of SEHK.

Other notable cases

- The Eastern Magistrates' Courts sentenced Lai Ka Yi to two weeks' imprisonment with a compensation order after she was convicted of holding herself out as carrying on a business in dealing in securities without a licence from the SFC. Lai, however, has appealed against both conviction and sentence, and the appeal hearing at the CFI is scheduled on 15 May 2025.

- We are conducting a joint investigation with the ICAC regarding a case of suspected misconduct in public office, which has resulted in the ICAC laying charges against a former SFC employee and two other defendants. The joint investigation followed our own internal probe into the former employee for obtaining and misusing confidential information. We terminated the employment of the former employee and referred the matter to the ICAC. The relevant investigations are ongoing and we are looking into potential violations under the SFO.

Enforcement activities

	Quarter ended 31.12.2024	Nine months ended 31.12.2024 ^g	Nine months ended 31.12.2023	YoY change (%)
S179 ^a inquiries commenced	5	28	29	-3.4
S181 ^b inquiries commenced (number of letters sent)	37 (1,206)	119 (3,868)	146 (3,499)	10.5
S182 ^c directions issued	51	167	136	22.8
Investigations started	50	166	136	22.1
Investigations completed	39	154	130	18.5
Individuals and corporations charged in criminal proceedings	4	5	20	-75.0
Criminal charges laid	12	13	46	-71.7
Notices of Proposed Disciplinary Action ^d issued	7	20	21	-4.8
Notices of Decision ^e issued	10	22	24	-8.3
Individuals and corporations subject to ongoing civil proceedings ^f	275	275	205	34.1
Compliance advice letters issued	59	136	117	16.2
Cases with search warrants executed	15	35	20	75.0

^a 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.

^b Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including information identifying the ultimate clients, the particulars and instructions relating to the transactions.

^c Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

^d 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.

^e A notice which sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

^f As of the last day of the period.

^g Figures have been adjusted for the period.

Maintaining market resilience and mitigating serious harm to our markets

Enhancing asset managers' compliance

In October, we issued a circular highlighting the deficiencies and substandard conduct identified in the asset management industry. The circular focused on regulatory concerns in four key areas: conflicts of interest, risk management and investment within mandate, information for investors, and valuation methodologies. The circular also reminded asset managers of their obligations in these areas. We also informed the industry that a thematic inspection on managers of private funds is underway to assess their regulatory compliance.

Bolstering surveillance and cross-boundary enforcement cooperation

Our surveillance of untoward price and turnover movements resulted in 1,206 requests for trading and account records from intermediaries during the quarter. We also received and assessed 80 notifications from intermediaries regarding suspicious equity and derivative trading⁴.

During the quarter, we identified high shareholding concentration in four listed companies through our enhanced surveillance programme. As a result, we issued four announcements to alert investors of the potential risks associated with trading in the shares of these companies, which were predominantly held by a limited number of shareholders.

We issued restriction notices to four brokers, prohibiting them from dealing with or processing certain assets held in their client accounts that are related to suspected market manipulation or fraud involving unauthorised online trades through hacked accounts.

In November, we held a two-day joint enforcement training with the China Securities Regulatory Commission, which was attended by over 130 enforcement officers. The training covered a wide range of topics, including market surveillance, cross-boundary enforcement cooperation, as well as strategies for investigations into listed company and intermediary misconduct.

Supervising and guiding intermediaries and managing systemic risks

Supervising intermediaries

We commenced 57 on-site inspections in the quarter to ensure intermediaries' regulatory compliance and operational resilience.



57
on-site inspections

Inspections of licensed corporations

	Quarter ended 31.12.2024	Nine months ended 31.12.2024	Nine months ended 31.12.2023	YoY change (%)
On-site inspections commenced	57	191	166	15.1

⁴ Intermediaries are required to report clients' suspected market misconduct to the SFC.

Maintaining market resilience and mitigating serious harm to our markets

Regulating depositaries of public funds

The new Type 13 regulated activity (RA 13) regime for governing public fund depositaries took effect on 2 October. On the launch day, the SFC granted RA 13 licences or registrations to 19 depositaries under major banking and insurance groups operating in Hong Kong and over 300 of their staff members, in order to facilitate the transition.

Providing guidelines for market soundings

In October, we published the consultation conclusions on guidelines for market soundings. The guidelines, which will become effective on 2 May 2025, set out the principles and requirements applicable to licensed or registered persons when they conduct market soundings, which are most commonly seen in block trades. These requirements include safeguarding confidential information that licensed or registered persons are entrusted with during market soundings.

Respondents to the consultation generally supported the objectives of the proposals in upholding market integrity during market soundings, and many provided constructive feedback. To address their comments, we refined the scope of the guidelines, clarified some requirements, and incorporated respondents' feedback in the guidelines as appropriate. To facilitate intermediaries' implementation of the guidelines, we also provided practice guidance and examples by way of frequently asked questions (FAQs).

Managing risks of OTCD market

In December, the SFC and the Hong Kong Monetary Authority (HKMA) issued FAQs and supplementary reporting instructions to guide market participants on implementing enhancements to the over-the-counter derivatives (OTCD) reporting regime. This followed the two regulators' conclusion of a joint further consultation on mandating the use of Unique Transaction Identifier, Unique Product Identifier and the reporting of Critical Data Elements for the regime. The enhancements will help ensure Hong Kong's OTCD reporting regime keeps up with international standards and will facilitate the analysis of OTCD transactions.

Enhancing regulatory regimes for REITs and CIS

In October, we published the consultation conclusions on proposals to introduce a statutory scheme of arrangement and compulsory acquisition mechanism for real estate investment trusts (REITs), alongside an enhanced market conduct regime for listed collective investment schemes (CIS) under the SFO. The SFC is working with the Government on the legislative amendments to implement the proposals.

Leading international standard-setting efforts

We foster a close working relationship 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 the committees and working groups of the International Organization of Securities Commissions (IOSCO)⁵ and the Financial Stability Board (FSB) enable us to shape international policies.

IOSCO

In November, our CEO Ms Julia Leung and other senior executives participated in the IOSCO Board meeting in Madrid, which discussed the risk outlook for 2025-26, retail investor protection and Fintech-related work. They also attended meetings of the Financial Stability Engagement Group (FSEG) and the Steering Group of the Sustainable Finance Task Force (STF), which discussed FSEG's workplan and STF's work priorities for 2025, respectively.

In October, the SFC hosted in Hong Kong the inaugural meeting of the Supervisory Directors' Network under the IOSCO Asia-Pacific Regional Committee (IOSCO APRC). Chaired by our Executive Director of Intermediaries Dr Eric Yip, over 30 regulators from more than 10 jurisdictions discussed supervisory and regulatory approaches on crypto-assets, generative artificial intelligence (AI) and market sounding. At the meeting, market participants and academics shared the latest market developments, business observations and practical use of AI to augment banking operations and risk assessment.

⁵ 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 in 130 jurisdictions.

Maintaining market resilience and mitigating serious harm to our markets



Dr Eric Yip, Executive Director of Intermediaries (fourth from right, front row), and other SFC senior executives at the IOSCO APRC Supervisory Directors' Network meeting in October

In October, 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). Senior representatives from securities market regulators, central banks and finance ministries discussed financial stability implications of crypto-assets, tokenisation and AI. They also emphasised the need for continued collaboration and dialogue on issues with financial stability implications.

Ms Christina Choi, our Executive Director of Investment Products, has been elected to continue to serve as Chair of IOSCO's Committee on Investment Management until 2026. The committee issued the IOSCO consultation reports on revised recommendations for Liquidity Risk Management (LRM) for Collective Investment Schemes, as well as the complementary guidance for their effective implementation. The guidance sets out technical elements focusing on open-ended funds to facilitate fund managers' implementation.

During the quarter, we attended the plenary meeting of the IOSCO Assessment Committee in Auckland, New Zealand. The committee approved its report on effective market surveillance, and discussed its forthcoming workplan. The workplan included implementation monitoring of the IOSCO Enforcement Principles and Policy Recommendations for Crypto and Digital Asset Markets, as well as a thematic review of IOSCO's Recommendations on Sustainability-Related Practices, and Disclosure in Asset Management. In addition, we participated in meetings of the IOSCO Financial Stability Coordination Group, which discussed data-related challenges and coordination between IOSCO and the FSB.



Meeting of the IOSCO Assessment Committee in Auckland in November, attended by the SFC's representative (Senior Manager of International Affairs and Sustainable Finance Mr Guan Tan, seventh from right, back row)

Maintaining market resilience and mitigating serious harm to our markets



CEO Ms Leung and senior executives at the FSB RCGA meeting in October

FSB

In October, our CEO Ms Leung and our Executive Director of Supervision of Markets Mr Rico Leung attended an FSB RCGA meeting to discuss recent regulatory developments, the financial stability implications of financial scams and fraud, assessment of global and regional vulnerabilities, as well as resolution and crisis preparedness.

In the same month, Mr Leung also participated in a virtual meeting of the FSB Standing Committee on Standards Implementation to finalise a report on securitisation evaluation and discussed the modalities of follow-up work on crypto-assets in 2025.

As a member of the FSB's Working Group on Leverage in Non-bank Financial Intermediation (NBFI), we helped prepare the Consultation Report on Leverage in NBFI. Published in December, the report sets out policy recommendations to address financial stability risks arising from leverage in NBFI, through improved risk identification and monitoring, a combination of policy measures, and enhanced cross-border collaboration.

Stepping up regulatory collaboration

We participated in the 5th Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) Tripartite Meeting (Mainland, Hong Kong and Macao) in Chengdu, Sichuan, in November. Organised by the Anti-Money Laundering Bureau of the People's Bank of China, the meeting aimed to facilitate the sharing of the latest AML/CFT developments and foster discussions to prepare for the 5th round of mutual evaluation.

We actively participated in several supervisory colleges in Tokyo, Frankfurt and Zurich to share intelligence and exchange views with other global regulators regarding the business, conduct and financial risks associated with global systemically important financial institutions.

Enhancing Hong Kong market competitiveness and appeal

To enhance Hong Kong's appeal as a leading fund-raising and asset management hub, the SFC continues to serve as a capital market enabler to improve liquidity and efficiency, as well as deepen ties with Mainland and global markets through regulatory collaboration.

Enhancing listing market competitiveness and efficiency

Gatekeeping listing applications

For the year ended 31 December, we processed a total of 257 listing applications, including 169 new listing applications. The two numbers were down 4.8% and up 10.5% year-on-year respectively.

During the quarter, we processed 147 listing applications, of which we cleared 73. The processed applications included 41 new listing applications, among which one was from a company seeking listing by way of de-SPAC¹ transaction, eight were from pre-profit biotech companies and two were from specialist technology companies.

The average processing time for 2024 was 92 business days², down 15.1% from the previous year. During the quarter, the 73 cleared listing applications took an average of 85 business days³ to process.



147

listing applications processed⁴ in the quarter

Average processing time:

85 business days

¹ 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.

² Including the SFC's vetting time and the response time of the listing applicants or their advisers.

³ For the 73 cleared cases of listing applications.

⁴ Including 41 new listing applications and 106 cases brought forward from the previous reporting period.

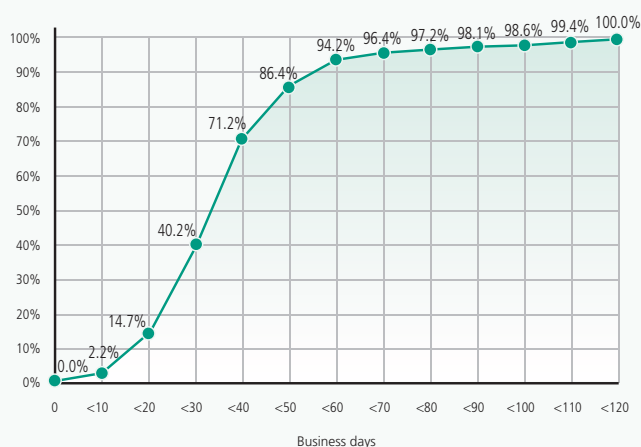
Enhancing Hong Kong market competitiveness and appeal

Vetting time of listing applications

During the three years up to 31 December 2024, we cleared a total of 361 cases and 94% of these within 60 business days.

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.

SFC vetting time (January 2022 to December 2024)



Enhancing timeframe for new listing application process

To further elevate Hong Kong’s attractiveness as a leading international listing venue in the region, the SFC and the Stock Exchange of Hong Kong Limited (SEHK) jointly announced an enhanced timeframe for the new listing application process in October, which provides greater clarity and certainty to the processing timeline by the regulators. The SFC’s average response time for all new listing applications received after the joint announcement was within 20 business days.



Enhanced timeframe for new listing application process:

2 rounds of regulatory comments
in **40** business days⁵ at maximum by SFC and SEHK each

Listing applications and takeovers activities

	Quarter ended 31.12.2024	Nine months ended 31.12.2024	Nine months ended 31.12.2023	YoY change (%)
Listing applications	41	119	107	11.2
Takeovers and share buy-backs transactions	132	300	253	18.6

⁵ This refers to 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

Strengthening listing market quality, liquidity and efficiency

Enhancing market liquidity

Working together with the SFC, SEHK launched a three-month consultation in December on its proposals to optimise IPO⁶ price discovery and open market requirements to boost the competitiveness of the Hong Kong listed securities market. In particular, SEHK proposed to optimise the IPO price discovery process by ensuring the allocation of a meaningful portion of shares to the book-building placing tranche. It also proposed to review open market requirements to ensure that sufficient shares of issuers will be in public hands and are available for trading at listing.

Enhancements to Corporate Governance Code

Following market consultation and the SFC's approval, SEHK published consultation conclusions on enhancements to its Corporate Governance Code in December. To enhance board effectiveness, an independent non-executive director (INED) may concurrently hold a maximum of six Hong Kong-listed issuer directorships, subject to a three-year transition period. In addition, to reinforce board independence, SEHK introduced a requirement that an issuer's board must not include an INED who has served more than nine years, which will be implemented in two phases over a six-year transition period after taking into account market feedback. The new rules will take effect in July 2025, subject to the transitional arrangements.

Review of SEHK's work

In December, we published a report on our review of SEHK's performance in regulating listing matters during 2022 and 2023. The review covered SEHK's handling of issuers' non-compliance with the Listing Rule requirements for the disclosure of material information, handling of issuers' unusual stock price and volume movements, and vetting of IPO applications. We made recommendations to SEHK in several areas for improvement, such as breaches of the notifiable and connected transaction rules by a notable number of listed issuers.

Update on measures to lower transaction cost and boost market efficiency

The SFC continues to work with Hong Kong Exchanges and Clearing Limited (HKEX) to explore medium to long-term measures to reduce market friction, lower transaction cost and boost capital efficiency. In December, HKEX issued a consultation conclusions paper to finalise the plan to reduce the minimum trading spreads of the securities market after receiving strong market support. Phase 1 of the reduction will be implemented in mid-2025.

Other potential measures include: reviewing the price structure in market data offerings to better distinguish professional users from non-professional ones; reviewing the board lot arrangement in securities market; building a new system for derivative trading, clearing and risk management; and revamping the clearing infrastructure in the cash market.

Strengthening Hong Kong's role as super-connector

Meeting fund-raising needs of Mainland enterprises

After the China Securities Regulatory Commission's (CSRC) announcement in April 2024 to further support listing in Hong Kong⁷, four Mainland leading enterprises in the sectors of electrical appliances (Midea Group Co., Ltd.), packaged drinks (China Resources Beverage (Holdings) Co., Ltd), artificial intelligence (Horizon Robotics) and logistics (S.F. Holding Co., Ltd.) completed filings with the CSRC and were listed in Hong Kong by December.

Driving Stock Connect progress on tenth anniversary

Stock Connect fared strongly in 2024, with southbound net inflows surging to an annual record high of \$807.9 billion, more than doubling from 2023. In addition, average daily southbound trading increased 54.9% year-on-year to \$48.2 billion. This accounted for 18.3% of market turnover in Hong Kong, which increased from 14.8% in 2023 and marked an annual record high. As of end-December, cumulative southbound net inflows reached nearly \$3.7 trillion to mark the tenth anniversary of Stock Connect.

⁶ Initial public offering.

⁷ As one of the five measures on capital market cooperation with Hong Kong announced in April 2024, the CSRC will further support leading Mainland companies to list in Hong Kong.

Enhancing Hong Kong market competitiveness and appeal

Southbound net inflows
under Stock Connect at new
high in 2024



\$807.9 billion

Daily average at

18%

of HK market turnover

To further develop the scheme, the SFC is working closely with HKEX and Mainland counterparts on the inclusion of renminbi (RMB) counters, real estate investment trusts (REITs), more exchange-traded funds (ETFs), as well as block trading.

Enhancing Mutual Recognition of Funds (MRF)

In December, we announced enhancements to the Mainland-Hong Kong MRF scheme⁸ which came into effect on 1 January 2025. Under the enhanced measures, the cap on the value of units of an MRF fund sold to investors in the host market was relaxed from 50% to 80% of the fund's total assets, thereby increasing a recognised Hong Kong fund's maximum potential sales value on the Mainland by three times. In addition, the investment management functions of MRF funds can be delegated to overseas asset management companies within the same group. This provides more opportunities for international asset managers to leverage their global market expertise and knowledge to offer more offshore solutions and products to Mainland investors.

As at 31 December, 43 Mainland funds were authorised and 40 Hong Kong funds were approved under the Mainland-Hong Kong MRF scheme. The cumulative net subscriptions amounted to about RMB42.67 billion for Hong Kong funds and about RMB874.46 million

for Mainland funds as at 31 December. During the quarter, Hong Kong funds and Mainland funds recorded net subscriptions of about RMB6.03 billion and RMB6.35 million respectively.

More traction for Wealth Management Connect 2.0

In November, we announced the first batch of 14 licensed corporations eligible to participate in the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). They commenced offering cross-boundary investment services for GBA investors in December together with their Mainland partner brokers. This further strengthens the financial market connectivity in the GBA and fosters the development of Hong Kong's wealth management sector.

Building offshore RMB and risk management hub

The trading volume of Swap Connect has been increasing with the active participation of Mainland and overseas investors since its launch in mid-2023. As of end-December 2024, 74 overseas investors participated in Swap Connect, and the aggregate notional amount of executed RMB interest rate swap transactions was over RMB4.6 trillion, representing a daily average of about RMB12 billion.

After obtaining the SFC's approval of the related clearing rule amendments, HKEX announced in mid-December that China Government bonds and policy bank bonds held by overseas investors under Bond Connect can be used as eligible collateral for Swap Connect, starting from 13 January 2025. This offers overseas investors an additional choice of non-cash collateral to enhance their capital efficiency. It also promotes synergies between Bond Connect and Swap Connect by increasing the attractiveness of holding China Government bonds and policy bank bonds, thereby fostering the internationalisation of RMB.

⁸ Enhancements to the MRF scheme are also one of the five measures announced by the CSRC in April 2024.

Enhancing Hong Kong market competitiveness and appeal

Regulatory collaboration with the Mainland

To further advance various Mainland-related cooperation initiatives, we maintained close, high-level communications with the Mainland authorities and our counterparts during the quarter.

In November, we received visits by the top management of the CSRC, National Financial Regulatory Administration (NFRA) and State Administration of Foreign Exchange (SAFE). We updated each other on recent developments

in our respective financial markets and discussed ways to further enhance various mutual market access schemes and deepen regulatory cooperation.

In December, we visited the top management of the CSRC, Ministry of Finance (MOF), People's Bank of China (PBoC) and SAFE in Beijing to strengthen regulatory cooperation, promote the internationalisation of RMB and consolidate Hong Kong's position as an international financial centre.



SFC Chairman Dr Kelvin Wong (left) and CEO Ms Julia Leung (right) met with CSRC Chairman Mr Wu Qing (middle) in Beijing in December



Meeting with the Minister of NFRA Mr Li Yunze (middle) in Hong Kong in November



Meeting with the Minister of Finance Mr Lan Fo'an (middle) in Beijing in December

Enhancing Hong Kong market competitiveness and appeal

We also maintained our frequent interactions with Mainland authorities at working levels. We actively coordinated communications between our operational divisions and the relevant Mainland authorities to push forward various ongoing cross-boundary cooperation initiatives. In December, we received a working-level delegation from the National Development and Reform Commission. We also arranged sharing sessions for several delegations from the CSRC and Mainland exchanges to deepen their understanding of Hong Kong's regulatory framework and supervisory work.

We continued to support initiatives led by the HKSAR Government on Mainland-Hong Kong financial cooperation. In October, we 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.

Other regulatory engagement

In November, we held the 16th bilateral regulatory meeting with the Financial Supervisory Commission of Taiwan, China, to exchange views on various issues including regulatory development of virtual assets, supervising fund tokenisation, sustainable finance and severe weather trading.



Applications for SFC licences
in 2024

▲ 15%

Gatekeeping securities industry

Increasing number of licensees under the SFO

For 2024, we received 8,261 licence applications including 7,990 individuals and 271 corporations, a 15% increase from 2023⁹. Between October and December, we received 1,965 licence applications¹⁰ comprising 1,902 individuals and 63 corporations, down 21% from the previous quarter and up 24% from the same quarter last year.

As at 31 December, there were 48,559 licensees and registrants, of which 3,305 were licensed corporations, 45,145 were individuals and 109 were registered institutions. During the quarter, the number of new licensees and registrants totalled 3,432¹¹, amongst which 3,354 were individuals, and 78 were licensed corporations and registered institutions. Among the licensed corporations approved during the quarter, Type 9 (asset management) regulated activity¹² (RA) accounted for 62% and Type 4 (advising on securities) for 49%.

Licensees and registrants under the SFO

	As at 31.12.2024	As at 31.3.2024	Change (%)	As at 31.12.2023	YoY change (%)
Licensed corporations	3,305	3,246	1.8	3,257	1.5
Registered institutions	109	112	-2.7	112	-2.7
Licensed individuals	45,145	44,493	1.5	44,722	0.9
Total	48,559	47,851	1.5	48,091	1.0

⁹ Change from calendar year 2023 to 2024. This does not include applications for provisional licences.

¹⁰ The figure does not include applications for provisional licences.

¹¹ Including provisional licensed representatives.

¹² Each licensed corporation may have multiple RA licences.

Enhancing Hong Kong market competitiveness and appeal

Licensing applications under the SFO

	Quarter ended 31.12.2024	Nine months ended 31.12.2024	Nine months ended 31.12.2023	YoY change (%)
Applications to conduct new regulated activity	6,032	19,266	17,199	12.0
Applications for SFC licences [^]	1,965	6,392	5,375	18.9

[^] Figures do not include applications for provisional licences. During the quarter, we received 938 provisional licence applications compared with 778 in the same quarter last year.

ATS providers

	As at 31.12.2024	As at 31.3.2024	Change (%)	As at 31.12.2023	YoY change (%)
Under Part III	53	54	-1.9	53	0.0
Under Part V	33	29	13.8	30	10.0

Automated trading services

As of 31 December, there were 53 automated trading services (ATS) providers¹³ authorised under Part III of the Securities and Futures Ordinance (SFO), while 33 corporations, including 11 dark pool operators, were licensed under Part V of the SFO to provide ATS.

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

Strengthening connectivity with Middle East markets

In October, the SFC's senior executives comprising Chief Executive Officer (CEO) Ms Julia Leung, Executive Director of Investment Products Ms Christina Choi, Commission Secretary and Chief Governance Officer Mr Paul Yeung, and Senior Director of Investment Products Mr Trevor Lee joined the Hong Kong delegation to Saudi Arabia led by The Honourable Mr Paul Chan, Financial Secretary of the HKSAR, to enhance regulatory cooperation.

During their visit, two Hong Kong-listed ETFs¹⁴ were cross-listed via a master-feeder structure on the Saudi Exchange for the first time, which marked a new milestone in the connectivity between the two markets.

As at end-December, the combined market capitalisation of the Saudi feeder ETFs reached US\$1.6 billion, making them the largest in the Saudi ETF market.

We also met with the Chairman of Saudi Arabia's Capital Market Authority (CMA) and the Saudi Exchange's CEO as well as other senior executives to discuss Hong Kong's role in bridging Saudi and the broader Asian markets. We also connected leading Saudi and Hong Kong asset managers at a roundtable co-organised with the CMA.



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

¹³ Under the SFO, two regimes regulate ATS providers. Typically, those that offer facilities similar to those of a traditional exchange or a clearing house are authorised under Part III of the SFO. Intermediaries which provide dealing services with ATS as an added facility are licensed under Part V of the SFO.

¹⁴ One of the two ETFs tracks an index comprising major Stock Connect-eligible Hong Kong-listed stocks and the other tracks Hong Kong's flagship equity benchmark.

Enhancing Hong Kong market competitiveness and appeal

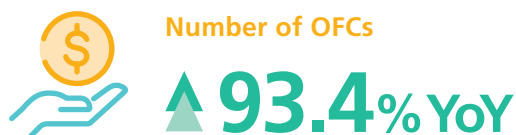


Executive Director of Investment Products
Ms Christina Choi (first row, centre) took part in the SFC-CMA asset management industry roundtable in Riyadh

To help Hong Kong asset managers leverage the opportunities of regional market connectivity, we published a quick reference guide to provide an overview of the market landscape of Saudi Arabia and explain how Hong Kong funds can be offered in the Kingdom. This formed part of our broader efforts to strengthen regulatory cooperation with the Middle East, which may include entering into supervisory memoranda of understanding with financial regulators in the region.

Guiding managers of money market funds

We issued a circular to remind money market fund (MMF) management companies of our requirements and expectations for managing MMFs. We also set out good practices observed from a thematic review and our engagement with MMF managers. They were reminded to implement effective liquidity risk management and treat both redeeming and remaining investors fairly when handling redemption requests.



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

AUM increase for Hong Kong-domiciled funds

As at 31 December, there were 954 Hong Kong-domiciled funds, up 0.6% from the previous quarter and up 4.4% from a year ago. Their AUM decreased 1.4% from previous quarter and increased 22% year-on-year to \$1,641.7 billion (US\$211.4 billion). Net fund inflows of about \$36.8 billion (US\$4.7 billion) were recorded in the quarter. During the year, net fund inflows amounted to \$162.9 billion (US\$20.9 billion), up 87.8% year-on-year.



Hong Kong-domiciled funds' AUM

▲ 22% YoY

Authorising investment products

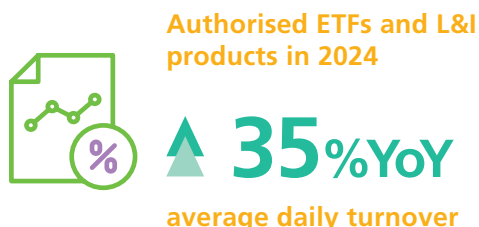
During the quarter, we authorised 42 unit trusts and mutual funds (including 23 Hong Kong-domiciled funds), two mandatory provident fund (MPF) pooled investment funds and 120 unlisted structured investment products for public offering in Hong Kong.

Further growth of open-ended fund companies (OFCs)

As at 31 December, there were 472 registered OFCs, of which 39¹⁵ were newly registered during the quarter. The number of registered OFCs increased 93.4% year-on-year.

¹⁵ This figure includes 34 private OFCs.

Enhancing Hong Kong market competitiveness and appeal



Growth of ETF and L&I product markets

As at 31 December, 175 SFC-authorised ETFs and 19 SFC-authorised leveraged and inverse (L&I) products were listed on SEHK (in aggregate up 11% from a year ago), with total market capitalisation of \$463 billion (US\$60 billion). In 2024, these ETFs and L&I products recorded net inflows of \$22.8 billion (US\$2.9 billion) and an average daily turnover of \$18.9 billion (US\$2.4 billion), up 35% from 2023 and equivalent to over 14% of the turnover of Hong Kong's stock market.

During the quarter ending December, these ETFs and L&I products recorded net outflows of \$0.9 billion (US\$0.1 billion) and an average daily turnover of \$29.3 billion (US\$3.8 billion), equivalent to 16% of the turnover of Hong Kong's stock market.

As at 31 December, 17 ETFs are eligible for southbound trading. During the quarter, southbound ETF trading had an average daily turnover of \$4.08 billion (US\$525 million), contributing 8.6% of the eligible Hong Kong ETFs' total turnover.

First-phase launch of integrated fund platform (IFP)

The IFP is a new financial infrastructure to facilitate retail fund distribution in Hong Kong and generate new business opportunities in the retail fund market. In December, the fund repository – the IFP's first phase – was launched to provide investors with one-stop access to information on SFC-authorised funds. We have been working closely with HKEX and other parties to implement the next phases of the IFP. Other functionalities to be rolled out include a communication network and a business platform to facilitate business-to-business fund dealings.

SFC-authorised ETFs and L&I products^{a,b}

	As at 31.12.2024	As at 31.3.2024	Change (%)	As at 31.12.2023	YoY change (%)
Number of SFC-authorised ETFs and L&I products ^c	194	179	8.4	174	11.5
Market capitalisation ^d (\$ billion)	462.7	386.4	19.8	383.6	20.6

	Nine months ended 31.12.2024	Nine months ended 31.3.2024	Change (%)	Nine months ended 31.12.2023	YoY change (%)
Average daily turnover (\$ billion)	20.7	13.8	49.9	13.8	49.8
Net fund flow ^d (\$ billion) – Net inflow (outflow)	5.0	68.4	N/A	55.6	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

ETF Connect – Southbound trading and fund flow of eligible Hong Kong ETFs[^]

Nine 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 the eligible ETFs' total turnover (%)	Fund inflow/ (outflow) of eligible Hong Kong ETFs (\$ million)
31.12.2024	17	255,461	2,639	7.7	(21,702)
31.3.2024	8	196,197	2,644	11.4	21,387
31.12.2023	8	209,197	3,016	13.4	31,658

[^] Based on data from HKEX.

Authorised collective investment schemes

	As at 31.12.2024	As at 31.3.2024	Change (%)	As at 31.12.2023	YoY change (%)
Unit trusts and mutual funds – Hong Kong-domiciled	954 ^a	926	3.0	914	4.4
Unit trusts and mutual funds – non-Hong Kong-domiciled	1,429	1,425	0.3	1,423	0.4
Investment-linked assurance schemes (ILAS)	319	319	0.0	318	0.3
Pooled retirement funds	32	32	0.0	32	0.0
MPF schemes	25	26	-3.8	26	-3.8
MPF pooled investment funds	195	197	-1.0	197	-1.0
Others	26 ^b	26	0.0	25	4.0
Total	2,980	2,951	1.0	2,935	1.5

^a This figure includes 116 approved pooled investment funds (retail APIFs) which MPFs may invest into and may also be offered to the public in Hong Kong.

^b Comprising 15 paper gold schemes and 11 REITs.

Authorised unlisted structured investment products

	As at 31.12.2024	As at 31.3.2024	Change (%)	As at 31.12.2023	YoY change (%)
Unlisted structured investment products [^]	385	311	23.8	277	39.0

[^] On a one product per key facts statement basis, including equity-linked investments and deposits.

Registered OFCs

	As at 31.12.2024	As at 31.3.2024	Change (%)	As at 31.12.2023	YoY change (%)
OFCs	472 [^]	302	56.3	244	93.4

[^] This figure includes 436 private OFCs.

Enhancing Hong Kong market competitiveness and appeal

SFC-authorised RMB investment products

	As at 31.12.2024
Unlisted products	
Unlisted funds primarily investing in onshore Mainland securities markets ^a or offshore RMB bonds, fixed-income instruments or other securities	59
Unlisted funds (non-RMB denominated) with RMB share classes	454
Paper gold schemes denominated in RMB	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	43
Unlisted structured investment products issued in RMB ^b	384
ILAS with policy currency in RMB	8
Listed products	
ETFs primarily investing in the onshore Mainland securities markets ^a or offshore RMB bonds, fixed-income instruments or other securities	50
ETFs (non-RMB denominated) with RMB trading counters and/or RMB share classes	50
RMB leveraged and inverse products	1
RMB gold ETFs ^c	1
RMB REITs	1

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

^b The number is on a “one product per key facts statement” basis.

^c Only includes gold ETFs denominated in RMB.

Leading market transformation via 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.

Enhancing virtual asset regulatory regime continuously

We granted licences to eight virtual asset trading platform (VATP) applicants, bringing the total number of licensed VATPs to 10 as at end-February 2025. This came after we completed our risk-based on-site inspection on all the deemed-to-be-licensed VATP applicants. We are considering the licence applications of eight applicants under our swift licensing process, four of which are deemed to be licensed applicants under the Anti-Money Laundering and Counter Terrorist Financing Ordinance (AMLO).

In December, we provided VATPs with a clear roadmap on their licensing journey and guidance on the revamped second-phase assessment. To enhance its usefulness, we revamped the second-phase assessment to ensure that the policies, procedures, systems and controls are suitably designed and implemented by a VATP and the assessment will be performed as a direct assurance engagement. We will supervise the overall process of the second-phase assessment through a tripartite engagement together with the VATP and its external assessor.

In supporting their development of sustainable business models, the SFC has established in early 2025 an official consultative panel for all licensed VATPs with representatives from senior management of each licensee to ensure that their perspectives are considered in our policymaking.

We continue to work closely with the Financial Services and the Treasury Bureau (FSTB), to develop the over-the-counter VA regime. In order to establish a comprehensive regulatory framework for virtual assets, we also support the FSTB in developing a further legislative framework for VA custody and will conduct public consultations to introduce related new licensing regimes.



Licensed **10** VATPs
Reviewing **8** VATP
licence applications

Leading market transformation via technology and ESG

Tokenisation to increase industry efficiency

Following the launch of the Project Ensemble Sandbox in August, the SFC has been co-leading the tokenisation initiatives for the asset management sector with the HKMA, and providing regulatory guidance to sandbox participants to support their tokenisation experiments. During the quarter, a local bank completed in the sandbox a first-of-its-kind simulation of the dealing and trading process of a tokenised money market fund using tokenised deposits. This paves the way for further exploring atomic settlement of tokenised funds and money on a 24/7 basis. The advancement could increase operational efficiency, reduce costs and attract international investors across various time zones.

Providing guidance on using generative artificial intelligence (AI) language models

To facilitate the industry's responsible use of generative AI language models, we issued a circular setting out the risks associated with the use of these models by licensed corporations and our regulatory expectations. The guidance covers senior management responsibilities, AI model risk management, cybersecurity and data risk management, as well as third party provider risk management.

Promoting Fintech development

As part of our efforts to promote Fintech development, we co-organised Hong Kong FinTech Week 2024 in October. Our Executive Director of Intermediaries Dr Eric Yip highlighted the SFC's initiatives in fostering



Executive Director of Intermediaries Dr Eric Yip delivered a keynote speech at Hong Kong FinTech Week 2024

a vibrant virtual asset market in Hong Kong. Director of Intermediaries and Head of Fintech unit Ms Elizabeth Wong joined a panel discussion to share the SFC's policy on tokenisation. Moreover, our Director of Investment Products Ms Fion Tsui participated in a roundtable moderated by Ms Wong to discuss how the SFC supports tokenisation initiatives in the asset management sector.

In addition, we spoke on Fintech-related topics at over 15 press conferences, panel discussions, interviews and roundtables organised by international organisations, local government agencies and the industry.

Licensees under the AMLO

	As at 31.12.2024	As at 30.9.2024	QoQ Change (%)	As at 31.12.2023
Licensed providers	7	2	250.0	0
Licensed individuals	74	43	72.1	0
Total	81	45	80.0	0

Licensing applications under the AMLO

	Quarter ended 31.12.2024	Nine months ended 31.12.2024	Nine months ended 31.12.2023	YoY change (%)
Applications for SFC licences	11	131	35	274.3

Leading market transformation via technology and ESG



Director of Intermediaries and Head of Fintech unit Ms Elizabeth Wong spoke at a panel discussion (left) and moderated a roundtable, joined by Director of Investment Products Ms Fion Tsui (next to Ms Wong), at Hong Kong FinTech Week 2024

Advancing Hong Kong's leading role in sustainable finance

Our Chief Executive Officer (CEO) Ms Julia Leung serves as Vice Chair of the Sustainable Finance Task Force (STF) of the International Organization of Securities Commissions (IOSCO). In November, she attended an IOSCO STF Steering Group meeting in Madrid, which discussed work priorities of the STF for 2025 on policy development, risk analysis, strategic engagement and capacity building.

In the same month, Ms Christine Kung, our Senior Director and Head of International Affairs and Sustainable Finance, spoke at the Beijing International Sustainability Conference 2024 to share Hong Kong's approach and progress on developing a comprehensive local sustainability disclosure ecosystem which is centred around the full adoption of the International Financial Reporting Standards Sustainability Disclosure Standards. She also exchanged perspectives with fellow securities regulators and standard setters on effective mechanisms to promote the interoperability and alignment of approaches across jurisdictions to meet investor needs.

During the quarter, we helped finalise IOSCO's Final Report on Voluntary Carbon Markets as well as its Report on Transition Plans Disclosures, which were both published in November. The former report outlines a set of good practices seeking to enhance the financial integrity and orderly functioning of voluntary carbon markets, while the latter highlights the five most useful components of transition plan disclosures and sets out future considerations for key stakeholders.

In addition, we actively participated in other international initiatives¹ to advance the sustainable finance agenda.



Senior Director and Head of International Affairs and Sustainable Finance Ms Christine Kung at Beijing International Sustainability Conference 2024

¹ We have signed the International Sustainability Standards Board's COP28 Declaration of Support. We are also a member of the International Platform on Sustainable Finance, and a member of the United Nations Sustainable Stock Exchanges Initiative's Consultative Group, Transition Plans Advisory Group and Small and Medium Enterprises and Sustainability Advisory Group.

Leading market transformation via technology and ESG

Adopting global sustainability disclosure standards

In December, the HKSAR Government published the Roadmap on Sustainability Disclosure in Hong Kong, which was developed by a dedicated working group co-led by the SFC and the FSTB under the Green and Sustainable Finance Cross-Agency Steering Group². The roadmap sets out the approach and pathway for large publicly accountable entities in Hong Kong to fully adopt the IFRS Sustainability Disclosure Standards no later than 2028. It also details Hong Kong's blueprint to develop a comprehensive sustainability disclosure ecosystem that encompasses sustainability assurance, data and technology, as well as skills and competencies.

In supporting the full adoption of the IFRS Sustainability Disclosure Standards in Hong Kong, the SFC works closely with the Stock Exchange of Hong Kong (SEHK) to enhance climate-related disclosure requirements for listed companies. SEHK's new requirements became effective on 1 January 2025, making Hong Kong one of the world's first jurisdictions to enhance its climate-related disclosure requirements based on the IFRS S2 Climate-related Disclosures. The new requirements aim to facilitate listed companies in reporting in accordance with the ISSB standards.



CEO Ms Julia Leung (middle, front row), Executive Director of Intermediaries Dr Eric Yip (fifth from left, front row) and Senior Director and Head of International Affairs and Sustainable Finance Ms Christine Kung (fourth from left, front row), attending the VCoC launch event together with industry-led working group members

The SFC continues to engage with working group members and local stakeholders to deliver the key milestones of the roadmap and develop free data tools and capacity building programmes to support sustainability reporting.

Supporting voluntary code of conduct for ESG ratings and data providers

The SFC welcomed the publication of Hong Kong's voluntary code of conduct (VCoC) by an industry-led working group for environmental, social and governance (ESG) ratings and data products providers in October.

The VCoC will help promote higher transparency and quality ESG information for Hong Kong's financial market, thus advancing the city's leading role in sustainable finance. As of end-December, 11 providers, both international and local, have indicated their intention to sign up for the VCoC.

Extending sustainability-related education and outreach efforts

In October, Ms Julia Leung spoke at the launch ceremony of the Hong Kong chapter of the Glasgow Financial Alliance for Net Zero, emphasising the importance of public-private collaboration in developing credible transition pathways, scaling transition finance and building industry capacity.

During the quarter, Ms Christine Kung spoke at various public engagements including the ASIFMA³ Sustainable Finance Conference 2024 on how climate-related financial disclosures support the net zero transition. At the 2023 Hong Kong Awards for Environmental Excellence Ceremony, she spoke about local and international trends of corporate sustainability disclosures.

Authorised ESG funds

As at 31 December, there were 224 SFC-authorised ESG funds with total assets under management of \$1,175.6 billion (US\$151.4 billion).

² Established in May 2020, the Steering Group is co-chaired by the SFC and the HKMA. Members include the FSTB, Environment and Ecology Bureau, Insurance Authority, Mandatory Provident Fund Schemes Authority, Accounting and Financial Reporting Council, and Hong Kong Exchanges and Clearing Limited.

³ Asia Securities Industry and Financial Markets Association.

Enhancing SFC's institutional resilience and efficiency

To gatekeep effectively for the development of Hong Kong's capital markets, we pursue our own institutional resilience and operating efficiency. In addition to robust budgeting and internal controls, we strive to uphold sound corporate governance, enhance processes as well as step up communications.

Sound financial and resource management

We recorded a surplus of \$77 million for the quarter. Our income was \$651 million, up 17.8% from the previous quarter and 17.5% from the same quarter last year. On a nine-month basis, our income increased 27.4% year-on-year. A large part of this was levy income attributable to the 102.3% increase from the same quarter last year in the average daily turnover of Hong Kong's securities market to \$176 billion for the quarter, particularly driven by the high market turnover in October.

Our expenditure for the quarter was \$574 million, up 3% from the previous quarter and up 8% from the same quarter last year. On a nine-month basis, our expenditure was up 8.6% year-on-year.

Finance

(\$ million)	Quarter ended 31.12.2024	Nine months ended 31.12.2024	Nine months ended 31.12.2023	YoY change (%)
Income	651	1,726	1,355	27.4
Expenses including depreciation	574	1,690	1,556	8.6
Surplus/(deficit)	77	36	(201)	117.9

As of 31 December, our reserves stood at \$7.6 billion, of which \$1.2 billion was set aside to support the acquisition of three additional floors and future principal bank loan repayments.

As of 31 December, we had 959 staff members, up from 952 a year ago.

Board appointments

Dr Kelvin Wong Tin-yau, SBS, JP, was appointed the SFC's Chairman for a three-year term, effective 20 October. Mr Tim Lui, GBS, JP, stepped down on 19 October after having chaired the SFC for six years.

Mr Keith Pogson was appointed and Mr Chew Fook-aun was re-appointed Non-Executive Directors (NEDs) respectively for a term of two years. Their terms began on 20 October 2024 and 1 January 2025, respectively. Ms Agnes Chan, BBS, stepped down as NED in October 2024.

Enhancing SFC's institutional resilience and efficiency

Celebrating 35-year regulatory journey



Keynote address by Mr John KC Lee, Chief Executive of the Hong Kong SAR



Keynote address by Mr Paul Chan, Financial Secretary of the Hong Kong SAR



Toasting ceremony

In October, we hosted a cocktail reception to celebrate our 35th anniversary with public and private sector leaders. Over 300 distinguished guests joined the gathering, including HKSAR's Chief Executive the Honourable Mr John KC Lee, GBM, SBS, PDSM, PMSM and Financial Secretary the Honourable Mr Paul Chan, GBM, GBS, MH, JP, alongside dignitaries from the Central People's Government, senior government officials, members of the Executive Council and the Legislative Council, and senior executives of financial firms.

The event featured keynote speeches underscoring the SFC's role as the guardian of Hong Kong's capital markets over the past 35 years and an original dance specially choreographed by local artists to visualise its

journey. After a toasting ceremony, our Chief Executive Officer (CEO) Ms Julia Leung, SBS, JP, moderated a fireside chat with all seven past and then chairmen of the SFC, who shared their insights on the SFC's evolution since 1989. We also commemorated the 75th anniversary of the People's Republic of China at the event.

Another highlight of our celebration was a lunchtime fireside chat with the SFC's former Chairman (1998-2005), Tan Sri Andrew Sheng, SBS, JP, in October. During the event, he shared his career journey with more than 125 SFC staff members. To make the fireside chat more interactive, colleagues from different divisions took turns to tap into his experience and knowledge on leadership and global geopolitics in relation to the SFC's role as a financial regulator.



Welcoming remarks by then Chairman Mr Tim Lui, GBS, JP



Fireside chat with the SFC's past and then chairmen



Fireside chat with former Chairman Andrew Sheng

Enhancing SFC's institutional resilience and efficiency

Driving institutional resilience and efficiency

To expedite the processing of applications of simple investment funds from specific jurisdictions, we launched the Fund Authorisation Simple Track (FASTrack) in November. To increase transparency, the SFC pledged to grant fund authorisation within 15 business days after receiving quality submissions. We also introduced FASTrack to over 280 industry participants on a webinar, and promoted it to overseas fund industry associations through virtual meetings.

The new one-stop online application and submission system for investment products e-IP became fully operational on 30 November after a four-month parallel run period. Since its launch in July, e-IP had run smoothly and received widespread industry support. We also introduced new features and more advanced settings to further enhance user experience.

During the quarter, we upgraded our internal artificial intelligence (AI) solution to drive operational efficiency in everyday tasks. We also undertook a project to deploy AI in monitoring global regulatory actions and news reports to strengthen our off-site supervision capabilities and identify emerging risks.

Besides, we collaborated with a law enforcement agency in Hong Kong to conduct a cybersecurity review for the SFC's systems to guard against cyber threats. We are also working with another law enforcement agency in Hong Kong on the SFC's policies and processes for managing conflicts of interest and confidential information.

To achieve greater enforcement outcome, we introduced a host of enhancements to optimise operational workflows and increase efficiency. Our Enforcement Division and Legal Services Division conducted

comprehensive operational due diligence on the investigation and enforcement processes. Measures are being implemented to enhance existing processes, gather and analyse evidence more effectively, standardise protocols, leverage data analytics, and streamline cross-divisional processes.

The Enforcement Division is also driving operational efficiency through a number of strategic internal process enhancements. These included developing protocols to use generative AI to streamline the analysis of complex information, exploring speech-to-text technologies to expedite contemporaneous transcription of interviews, and securing direct access to critical operational intelligence in order to proactively identify and mitigate potential risks.

Deploying different channels for regulatory communications

We provide stakeholders with regulatory updates and explain our work through a variety of publications. During the quarter, we released the SFC's *July-September 2024 Quarterly Report* to summarise our key regulatory work, corporate developments and financial information. We also published the quarterly *Takeovers Bulletin* in December.

During the quarter, we issued 27 circulars to guide the industry on a wide range of topics, including licensing for virtual asset trading platforms, voluntary code of conduct for environmental, social and governance ratings and data products providers, and updates on mutual market access schemes. A total of 127 posts were published on the SFC's social media platforms to promote public awareness of various matters, such as alerts against scams and suspicious investment products, latest developments on corporate governance, sustainability and regulatory updates.

Enhancing SFC's institutional resilience and efficiency

Publications and other communications

	Quarter ended 31.12.2024	Nine months ended 31.12.2024
Press releases	62	160
Policy statements and announcements	1	2
Consultation papers	0	2
Consultation conclusions	2	6
Industry-related publications	1	6
Codes and guidelines ^a	0	8
Circulars to industry	27	53
Social media posts ^b	127	304
Corporate website average daily page views ^c	64,125	66,401
General enquiries	1,120	3,023

^a Includes updates to previous versions.

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

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

Enhancing SFC's institutional resilience and efficiency

Proactive industry communications to facilitate regulatory efficiency and transparency

We keep stakeholders informed of regulatory updates and explain our work through industry events, publications as well as other engagements and channels. During the quarter, our senior executives spoke at over 40 local and international events on topics including asset management, Fintech, mutual market access, corporate governance and sustainability. We were the supporting organisation of nine industry events.



Chairman Dr Wong spoke at the HKEX Connect Summit

In November, our Chairman Dr Kelvin Wong delivered a speech at the HKEX Connect Summit which commemorated the 10th anniversary of Stock Connect. He highlighted how Hong Kong has leveraged its position as an international financial centre and the mutual market access scheme to contribute to the growth of the Mainland. Dr Wong also spoke at the Regional Regulatory Forum hosted by the Accounting and Financial Reporting Council in December, calling for collective commitment to the highest standards of financial reporting to achieve a resilient and sustainable market.



Chairman Dr Wong (first left) and CEO Ms Leung (second right) participated in a panel discussion at the Regional Regulatory Forum

In support of the World Investor Week 2024, our then Chairman Mr Tim Lui delivered a keynote speech at the Strike the Gong for Financial Literacy ceremony in October. He emphasised the importance of investor education in empowering investors to protect themselves, and called on investors to take up the responsibilities to be the first line of defence against potential risks.



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

In November, we co-hosted the "Conversations with Global Investors" forum with the Hong Kong Monetary Authority and the Hong Kong Academy of Finance during the three-day Global Financial Leaders' Investment Summit. The forum featured more than 20 global leading investors, who shared their insights on how to explore new opportunities in different investment markets by managing risks and embracing change. About 280 overseas and local leaders from across the financial industry, businesses and public sector attended the forum.



Executive Director of Investment Products Ms Christina Choi led a panel discussion on global macro conditions, investment outlook and long-term asset allocation strategies

Enhancing SFC's institutional resilience and efficiency

During the October visit to Riyadh, Saudi Arabia, CEO Ms Leung participated at the 8th edition of the Future Investment Initiative Conference (FII8) to share her views about the importance of digital finance and highlight the use of stablecoins to facilitate cross-border payments.



CEO Ms Leung participated at a panel discussion at FII

Also in November, we hosted the SFC AML/CFT Regtech Forum for more than 300 participants to encourage responsible Regtech adoption in combatting money laundering and terrorist financing. We also published a report to share the Regtech adoption progress, key drivers and illustrative use cases. In addition, two AML/CFT webinars were organised for

close to 1,800 management and compliance personnel from licensed corporations to share our supervisory observations and feedback on suspicious transaction reporting.

To foster direct communications with the sponsor community, we held an inaugural IPO¹ Sponsor Forum in December, which was attended by senior management of sponsor firms. In 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. We also gained a better understanding of sponsors' various pain points throughout the IPO vetting process.

We hosted another two workshops in November for over 200 industry practitioners on our digitalised licensing process and the latest trends in licensing activities. The workshops also covered issues identified from vetting licence applications and compliance with licensing requirements.

As part of our ongoing communication with the securities industry, we hosted a seminar in October to discuss recent developments including those in virtual assets, asset management, and fixed income, currencies and commodities. More than 200 industry representatives attended the seminar.

¹ Initial public offering.

Operational Data

Table 1 Takeovers activities

	Quarter ended 31.12.2024	Nine months ended 31.12.2024	Nine months ended 31.12.2023	YoY change (%)
Codes on Takeovers and Mergers and Share Buy-backs				
General and partial offers under Code on Takeovers and Mergers	11	31	25	24.0
Privatisations	12	24	13	84.6
Whitewash waiver applications	7	13	18	-27.8
Other applications under Code on Takeovers and Mergers ¹	100	227	192	18.2
Off-market and general offer share buy-backs	2	5	5	0.0
Other applications under Code on Share Buy-backs ¹	0	0	0	0.0
Total	132	300	253	18.6
Executive Statements				
Sanctions imposed with parties' agreement ²	1	1	0	N/A
Takeovers and Mergers Panel				
Meetings for review of Codes on Takeovers and Mergers and Share Buy-backs	1	1	0	N/A
Hearings before the Panel (disciplinary and non-disciplinary)	0	0	0	0.0
Statements issued by the Panel ³	0	0	0	0.0

¹ Including stand-alone applications and those made during the course of a code-related transaction.

² Pursuant to section 12.3 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.

³ Pursuant to section 16.1 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.

Operational Data

Table 2 Breaches noted during on-site inspections

	Quarter ended 31.12.2024	Nine months ended 31.12.2024	Nine months ended 31.12.2023	YoY change (%)
Failure to comply with Securities and Futures (Financial Resources) Rules	2	11	9	22.2
Failure to safekeep client securities	10	35	26	34.6
Failure to maintain proper books and records	6	20	11	81.8
Failure to safekeep client money	11	41	28	46.4
Unlicensed dealing and other registration issues	4	15	15	0.0
Breach of licensing conditions	1	1	1	0.0
Breach of requirements of contract notes/statements of account/receipts	22	55	21	161.9
Failure to make filing/notification	1	6	0	N/A
Breach of margin requirements	4	12	8	50.0
Marketing malpractices	1	1	0	N/A
Illegal short selling of securities	0	1	0	N/A
Dealing malpractices ¹	0	1	1	0.0
Breach of Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ²	94	286	231	23.8
Breach of Corporate Finance Adviser Code of Conduct	6	12	7	71.4
Breach of Fund Manager Code of Conduct	21	77	99	-22.2
Breach of regulation of on-line trading	1	4	8	-50.0
Non-compliance with anti-money laundering guidelines	69	211	186	13.4
Breach of other rules and regulations of the Exchanges ³	3	10	5	100.0
Internal control weaknesses ⁴	210	678	291	133.0
Others	48	126	55	129.1
Total	514	1,603	1,002	60.0

¹ The breach was previously classified as “illegal short selling of securities” in *Annual Report 2023-24*.

² Commonly related to risk management, safeguarding of client assets, information for or about clients, client agreements and management responsibilities.

³ The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited.

⁴ 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 3 Hong Kong-domiciled authorised funds

a) Number of funds by type	As at 31.12.2024	As at 31.3.2024	Change (%)	As at 31.12.2023	YoY change (%)
Bond	169	165	2.4	162	4.3
Equity	203	203	0.0	204	-0.5
Mixed	111	111	0.0	113	-1.8
Money market	77	67	14.9	62	24.2
Feeder funds	50	50	0.0	50	0.0
Index ¹	164	156	5.1	154	6.5
Guaranteed	1	1	0.0	1	0.0
Commodity and virtual asset ²	16	12	33.3	12	33.3
Sub-total	791	765	3.4	758	4.4
Umbrella structures	163	161	1.2	156	4.5
Total	954	926	3.0	914	4.4

b) Assets under management by type	Total NAV (US\$ million) as at 31.12.2024	Total NAV (US\$ million) as at 31.3.2024	Change (%)	Total NAV (US\$ million) as at 31.12.2023	YoY change (%)
Bond	29,479	25,928	13.7	25,714	14.6
Equity	46,201	44,854	3.0	45,332	1.9
Mixed	24,245	25,175	-3.7	25,527	-5.0
Money market	46,753	28,010	66.9	23,045	102.9
Feeder funds ³	69	15	360.0	20	245.0
Index ¹	63,520	53,588	18.5	53,067	19.7
Guaranteed	28	30	-6.7	31	-9.7
Commodity and virtual asset ²	1,156	682	69.5	564	105.0
Total⁴	211,451	178,280	18.6	173,301	22.0

¹ Including equity and fixed income index tracking funds, exchange-traded funds and leveraged and inverse products.

² 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.

³ 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.

⁴ Figures may not add up to total due to rounding.

Operational Data

Table 4 Non-Hong Kong-domiciled authorised funds

a) Number of funds by origin	As at 31.12.2024	As at 31.3.2024	Change (%)	As at 31.12.2023	YoY change (%)
Luxembourg	1,083	1,066	1.6	1,070	1.2
Ireland	252	258	-2.3	252	0.0
United Kingdom	20	26	-23.1	29	-31.0
Mainland China	45	46	-2.2	46	-2.2
Bermuda	1	1	0.0	1	0.0
Cayman Islands	23	23	0.0	20	15.0
Others	5	5	0.0	5	0.0
Total	1,429	1,425	0.3	1,423	0.4

b) Assets under management by origin	Total NAV (US\$ million) as at 31.12.2024	Total NAV (US\$ million) as at 31.3.2024	Change (%)	Total NAV (US\$ million) as at 31.12.2023	YoY change (%)
Luxembourg	1,196,860	1,172,193	2.1	1,134,538	5.5
Ireland	269,820	248,008	8.8	237,766	13.5
United Kingdom	37,347	75,359	-50.4	71,652	-47.9
Mainland China	16,465	17,112	-3.8	17,729	-7.1
Bermuda	94	116	-19.0	105	-10.5
Cayman Islands	1,099	1,171	-6.1	1,191	-7.7
Others	77,929	63,680	22.4	62,948	23.8
Total¹	1,599,614	1,577,641	1.4	1,525,928	4.8

¹ Figures may not add up to total due to rounding.

Operational Data

c) Number of funds by type	As at 31.12.2024	As at 31.3.2024	Change (%)	As at 31.12.2023	YoY change (%)
Bond	370	358	3.4	357	3.6
Equity	769	775	-0.8	779	-1.3
Mixed	163	163	0.0	159	2.5
Money market	12	12	0.0	12	0.0
Feeder funds	3	3	0.0	3	0.0
Index ¹	24	25	-4.0	25	-4.0
Hedge	1	1	0.0	1	0.0
Commodity ²	1	1	0.0	1	0.0
Sub-total	1,343	1,338	0.4	1,337	0.4
Umbrella structures	86	87	-1.1	86	0.0
Total	1,429	1,425	0.3	1,423	0.4

d) Assets under management by type	Total NAV (US\$ million) as at 31.12.2024	Total NAV (US\$ million) as at 31.3.2024	Change (%)	Total NAV (US\$ million) as at 31.12.2023	YoY change (%)
Bond	487,038	453,231	7.5	439,127	10.9
Equity	786,219	823,726	-4.6	803,383	-2.1
Mixed	166,882	166,913	0.0	156,885	6.4
Money market	14,656	11,777	24.4	11,633	26.0
Feeder funds ³	0	0	0	0	0
Index ¹	71,509	62,796	13.9	56,521	26.5
Hedge	94	116	-19.0	105	-10.5
Commodity ²	73,215	59,082	23.9	58,274	25.6
Total⁴	1,599,614	1,577,641	1.4	1,525,928	4.8

¹ Including equity and fixed income index tracking funds and exchange-traded funds.

² 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.

³ 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.

⁴ Figures may not add up to total due to rounding.

Operational Data

Table 5 Complaints against intermediaries and market activities

	Quarter ended 31.12.2024	Nine months ended 31.12.2024	Nine months ended 31.12.2023	YoY change (%)
Conduct of licensees	332	1,096	415	164.1
Conduct of registered institutions	0	8	7	14.3
Listed companies and disclosure of interests	352	1,105	722	53.0
Market misconduct ¹	98	256	267	-4.1
Product disclosure	6	16	3	433.3
Unlicensed activities	37	134	270	-50.4
Breach of offers of investments	1	6	43	-86.0
Boiler rooms and suspicious websites	52	134	145	-7.6
Scams and frauds ²	120	305	436	-30.0
Other financial activities not regulated by the SFC ³	81	209	201	4.0
Total	1,079	3,269	2,509	30.3

¹ Primarily, alleged market manipulation and insider dealing.

² Such as identity fraud and impersonation.

³ For example, bullion trading and banking services.

Securities and Futures Commission

Condensed consolidated statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2024 \$'000	31 Dec 2023 \$'000	31 Dec 2024 \$'000	31 Dec 2023 \$'000
Income					
Levies		1,460,271	1,032,329	623,127	326,126
Fees and charges		107,213	85,770	48,078	29,809
Net investment income/(loss)					
Investment income/(loss)		193,451	153,003	(19,243)	100,920
Less: custody and advisory expenses		(7,934)	(7,988)	(2,581)	(2,517)
Recoveries from the Investor Compensation Fund	8(a)	4,755	4,566	1,566	1,514
Exchange (loss)/gain		(32,506)	(26,187)	256	(13,753)
Other income	2	836	113,026	55	112,173
		1,726,086	1,354,519	651,258	554,272
Expenses					
Staff costs and directors' emoluments	8(b)	1,256,260	1,177,642	418,449	397,260
Depreciation					
Fixed assets		144,268	82,450	49,253	31,949
Right-of-use assets		7,979	106,184	2,495	32,962
Other premises expenses		29,120	27,275	9,879	9,336
Finance costs		73,475	7,277	24,491	4,192
Other expenses		179,286	154,692	69,582	55,912
		1,690,388	1,555,520	574,149	531,611
Surplus/(deficit) and total comprehensive income for the period		35,698	(201,001)	77,109	22,661

The notes on pages 48 to 51 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated statement of financial position

As at 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2024 \$'000	Audited At 31 Mar 2024 \$'000
Non-current assets			
Fixed assets		4,322,463	4,410,812
Right-of-use assets		24,497	21,477
Deposits and prepayments		469,729	335,414
Financial assets at amortised cost – debt securities	9(b)	1,580,982	2,102,479
		6,397,671	6,870,182
Current assets			
Financial assets at amortised cost – debt securities	9(b)	1,542,381	898,557
Financial assets at fair value through profit or loss – pooled funds	9(a)	1,070,169	1,087,666
Debtors, deposits and prepayments		237,151	196,080
Fixed deposits with banks	3	490,834	610,147
Cash held for Grant Scheme	4	66,611	58,656
Cash at bank and in hand	3	54,584	146,154
		3,461,730	2,997,260
Current liabilities			
Fees received in advance		7,406	8,497
Creditors and accrued charges		354,808	199,132
Bank loan	5	16,233	18,262
Lease liabilities		8,565	9,212
Provisions for reinstatement costs		–	574
		387,012	235,677
Net current assets		3,074,718	2,761,583
Total assets less current liabilities		9,472,389	9,631,765
Non-current liabilities			
Bank loan	5	1,801,954	2,001,319
Lease liabilities		16,596	12,879
Provisions for reinstatement costs		1,764	1,190
		1,820,314	2,015,388
Net assets		7,652,075	7,616,377
Funding and reserves			
Initial funding by Government		42,840	42,840
Reserve for property acquisition		1,186,800	1,186,800
Accumulated surplus		6,422,435	6,386,737
		7,652,075	7,616,377

The notes on pages 48 to 51 form part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Unaudited			
	Initial funding by Government \$'000	Reserve for property acquisition \$'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 period	–	–	(201,001)	(201,001)
Transfer to accumulated surplus	–	(2,313,200)	2,313,200	–
Balance at 31 December 2023	42,840	1,061,800	6,608,492	7,713,132
Balance at 1 April 2024	42,840	1,186,800	6,386,737	7,616,377
Surplus and total comprehensive income for the period	–	–	35,698	35,698
Balance at 31 December 2024	42,840	1,186,800	6,422,435	7,652,075

The notes on pages 48 to 51 form part of these condensed consolidated financial statements.

Securities and Futures Commission

Condensed consolidated statement of cash flows

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited nine months ended	
		31 Dec 2024 \$'000	31 Dec 2023 \$'000
Cash flows from operating activities			
Surplus/(deficit) for the period		35,698	(201,001)
Adjustments for:			
Depreciation – Fixed assets		144,268	82,450
Depreciation – Right-of-use assets		7,979	106,183
Finance costs		73,475	7,337
Interest income on deposits for leases		–	(211)
Investment income		(193,451)	(153,003)
Exchange loss		32,937	23,917
Loss on disposal of fixed assets		15	16
Gain arising from lease termination		–	(112,034)
		100,921	(246,346)
Increase in right-of-use assets		(16)	(7)
Increase in debtors, deposits and prepayments		(180,381)	(253,380)
(Increase)/decrease in cash held for Grant Scheme		(7,955)	41,261
Decrease in fees received in advance		(1,091)	(673)
Increase in creditors and accrued charges		160,729	137,454
Net cash generated from/(used in) operating activities		72,207	(321,691)
Cash flows from investing activities			
Decrease in fixed deposits other than cash and cash equivalents		25,050	2,145,190
Interest received		86,535	214,696
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		115,980	4,601
Debt securities at amortised cost purchased		(4,369,286)	(786,759)
Debt securities at amortised cost redeemed at maturity		4,227,450	874,729
Fixed assets purchased		(60,229)	(4,303,045)
Net cash generated from/(used in) investing activities		25,500	(1,456,751)
Cash flows from financing activities			
Principal element of lease payments		(7,913)	(103,798)
Interest element of lease payments		(334)	(4,403)
(Repayment on)/proceeds from bank loan		(202,916)	2,019,014
Interest expense on bank loan		(72,377)	(2,874)
Net cash (used in)/generated from financing activities		(283,540)	1,907,939
Net (decrease)/increase in cash and cash equivalents		(185,833)	129,497
Cash and cash equivalents at the beginning of the nine-month period		731,251	407,901
Cash and cash equivalents at the end of the nine-month period	3	545,418	537,398

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2024 \$'000	At 31 Dec 2023 \$'000
Fixed deposits with banks	490,834	431,552
Cash at bank and in hand	54,584	105,846
	545,418	537,398

The notes on pages 48 to 51 form part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

1. Basis of preparation

We have prepared the interim financial information in accordance with the Hong Kong Accounting Standard 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Securities and Futures Commission (SFC) and its subsidiaries (together, the Group) since the annual financial statements for the year ended 31 March 2024. The interim financial information does not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (HKFRSs).

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2024 included in this report as comparative information does not constitute the Group's statutory annual financial statements for that financial year but is derived from those financial statements.

The condensed consolidated financial statements of the SFC and its subsidiaries, the Investor Compensation Company Limited (ICC) and the Investor and Financial Education Council (IFEC), are made up to 31 December 2024. We eliminated all material intra-group balances and transactions in preparing the condensed consolidated financial statements.

We have applied the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2024 to the interim financial information.

There were no significant changes in the operations of the Group for the nine months ended 31 December 2024.

2. Other income

Other income mainly comprised investigation costs awarded by the courts. In the prior year, a one-off reversal of lease related provisions of \$112,034,000 was also recorded as a result of the property acquisition.

3. Cash and cash equivalents

	Unaudited At 31 Dec 2024 \$'000	Audited At 31 Mar 2024 \$'000
Cash at bank and in hand	54,584	146,154
Fixed deposits with banks	490,834	610,147
Amounts shown in the condensed consolidated statement of financial position	545,418	756,301
Less: Amounts with an original maturity beyond three months	–	(25,050)
Cash and cash equivalents in the condensed consolidated statement of cash flows	545,418	731,251

Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

4. 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 of the Hong Kong Special Administrative Region (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.

5. Bank loan

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 1-month HIBOR plus 0.55% per annum. The term loan is secured by the Group's land and buildings. During the period, the Group has made a principal bank loan repayment of \$202,916,000.

6. 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). The majority of the financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. The exchange loss was mainly driven by the revaluation of USD denominated financial assets.

7. Consolidation

The SFC formed the ICC on 11 September 2002 with an issued share capital of \$0.2. On 20 November 2012, the SFC launched the 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 (ICF) established under the Securities and Futures Ordinance (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 December 2024, the investments in subsidiaries, which are stated at cost less any impairment losses, amounted to \$0.2 (as at 31 March 2024: \$0.2).

Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

8. Related party transactions

The Group has related party relationships with the ICF and the Unified Exchange Compensation Fund. In addition to the related party transactions disclosed elsewhere in these condensed consolidated financial statements, the Group has 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 period, \$4,755,000 was recovered from the ICF for the ICC's expenses (31 December 2023: \$4,566,000). As at 31 December 2024, the ICC had an amount due from the ICF of \$189,000 (as at 31 March 2024: amount due to the ICF of \$148,000).

(b) Remuneration of key management personnel

	Unaudited Nine months ended	
	31 Dec 2024 \$'000	31 Dec 2023 \$'000
Directors' fee and salaries, allowances and benefits in kind	27,632	23,672
Retirement scheme contributions	2,445	2,082
	30,077	25,754

The total remuneration is included in the staff costs and directors' emoluments. Directors' emoluments are for services in connection with the management of the affairs of the SFC. Discretionary pay is not included above as the decision to pay is subject to the approval process towards the end of the financial year and therefore is not determined until then.

Notes to the condensed consolidated financial statements

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

9. Fair value measurement

(a) 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*, which is consistent with the hierarchy adopted in the consolidated financial statements for the year ended 31 March 2024.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>At 31 December 2024 (Unaudited)</u>				
Pooled funds	1,070,169	–	–	1,070,169
<u>At 31 March 2024 (Audited)</u>				
Pooled funds	1,087,666	–	–	1,087,666

During the nine months ended 31 December 2024 and the year ended 31 March 2024, 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.

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.

(b) 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 December 2024 and 31 March 2024 except for the following financial instruments, for which their carrying amount, fair value and the level of their fair value hierarchy were disclosed below:

	Carrying amount \$'000	Fair value			
		Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<u>At 31 December 2024 (Unaudited)</u>					
Financial assets at amortised cost – debt securities	3,123,363	3,006,760	–	3,006,760	–
<u>At 31 March 2024 (Audited)</u>					
Financial assets at amortised cost – debt securities	3,001,036	2,829,751	–	2,829,751	–

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 unaudited condensed financial statements for the nine months ended 31 December 2024.

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 period ended 31 December 2024 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 53 to 58.

Members of the Committee

The members of the Committee during the period 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 1 August 2024)

Mr Wan Chi Yiu, Andrew

Mr Yih, Dieter, 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 reporting period or at any time during the reporting period.

On behalf of the Committee

Rico Leung

Chairman

24 February 2025

Investor Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended		Unaudited Three months ended	
		31 Dec 2024 \$'000	31 Dec 2023 \$'000	31 Dec 2024 \$'000	31 Dec 2023 \$'000
Income					
Interest income		98,325	91,034	31,138	33,502
Exchange (loss)/gain		(11,321)	(7,575)	73	(4,320)
		87,004	83,459	31,211	29,182
Expenses					
Investor Compensation Company Limited expenses	2	4,755	4,566	1,566	1,514
Auditor's remuneration		157	153	40	39
		4,912	4,719	1,606	1,553
Surplus and total comprehensive income for the period		82,092	78,740	29,605	27,629

The notes on pages 57 and 58 form part of these condensed financial statements.

Investor Compensation Fund

Condensed statement of financial position

As at 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2024 \$'000	Audited At 31 Mar 2024 \$'000
Current assets			
Interest receivable		25,410	55,366
Amount due from the Investor Compensation Company Limited		–	148
Fixed deposits with banks	3	2,696,790	2,584,342
Cash at bank	3	586	648
		2,722,786	2,640,504
Current liabilities			
Provision for compensation	4	3,394	3,394
Creditors and accrued charges		279	278
Amount due to the Investor Compensation Company Limited		189	–
		3,862	3,672
Net current assets		2,718,924	2,636,832
Net assets		2,718,924	2,636,832
Representing:			
Compensation fund		2,718,924	2,636,832

The notes on pages 57 and 58 form part of these condensed financial statements.

Investor Compensation Fund

Condensed statement of changes in equity

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Unaudited					
	Contributions from the Unified Exchange Compensation Fund \$'000	Contributions from the Commodity Exchange Compensation Fund \$'000	Contributions from the Securities Dealers' Deposits Fund (note 5) \$'000	Contributions from the Commodities Dealers' Deposits Fund (note 5) \$'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 period	–	–	–	–	78,740	78,740
Balance at 31 December 2023	994,718	108,923	5,470	617	1,492,147	2,601,875
Balance at 1 April 2024	994,718	108,923	5,470	617	1,527,104	2,636,832
Surplus and total comprehensive income for the period	–	–	–	–	82,092	82,092
Balance at 31 December 2024	994,718	108,923	5,470	617	1,609,196	2,718,924

The notes on pages 57 and 58 form part of these condensed financial statements.

Investor Compensation Fund

Condensed statement of cash flows

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2024 \$'000	31 Dec 2023 \$'000
Cash flows from operating activities			
Surplus for the period		82,092	78,740
Adjustments for:			
Interest income		(98,325)	(91,034)
Exchange loss		11,321	7,575
		(4,912)	(4,719)
Change in amount due from/to the Investor Compensation Company Limited		337	(1)
Increase in creditors and accrued charges		1	–
Net cash used in operating activities		(4,574)	(4,720)
Cash flows from investing activities			
Decrease/(increase) in fixed deposits other than cash and cash equivalents		876,370	(94,678)
Interest received		128,116	88,557
Net cash generated from/(used in) investing activities		1,004,486	(6,121)
Cash flows from financing activity			
Contributions from the Securities Dealers' Deposits Fund and the Commodities Dealers' Deposits Fund		–	6,087
Net cash generated from financing activity		–	6,087
Net increase/(decrease) in cash and cash equivalents		999,912	(4,754)
Cash and cash equivalents at the beginning of the nine-month period		702,082	164,980
Cash and cash equivalents at the end of the nine-month period	3	1,701,994	160,226

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2024 \$'000	At 31 Dec 2023 \$'000
Fixed deposits with banks	1,701,408	159,645
Cash at bank	586	581
	1,701,994	160,226

The notes on pages 57 and 58 form part of these condensed financial statements.

Investor Compensation Fund

Notes to the condensed financial statements

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

1. Basis of preparation

We have prepared the interim financial information in accordance with the Hong Kong Accounting Standard 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The interim financial information contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Investor Compensation Fund (the Fund) since the annual financial statements for the year ended 31 March 2024. The interim financial information does not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards.

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2024 included in this report as comparative information does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements.

We have applied the same accounting policies adopted in the financial statements for the year ended 31 March 2024 to the interim financial information.

There were no significant changes in the operations of the Fund for the nine months ended 31 December 2024.

2. Investor Compensation Company Limited expenses

The Securities and Futures Commission (SFC) formed the Investor Compensation Company Limited (ICC) in September 2002 to perform functions on behalf of the Fund in relation to the compensation of investors and other functions under Part III and Part XII of the Securities and Futures Ordinance (SFO). The Fund is responsible for funding the establishment and operation of the ICC. For the nine months ended 31 December 2024, the ICC incurred costs of \$4,755,000 for its operation (for the nine months ended 31 December 2023: \$4,566,000).

3. Cash and cash equivalents

	Unaudited At 31 Dec 2024 \$'000	Audited At 31 Mar 2024 \$'000
Cash at bank	586	648
Fixed deposits with banks	2,696,790	2,584,342
Amounts shown in the condensed statement of financial position	2,697,376	2,584,990
Less: amounts with an original maturity beyond three months	(995,382)	(1,882,908)
Cash and cash equivalents in the condensed statement of cash flows	1,701,994	702,082

Investor Compensation Fund

Notes to the condensed financial statements

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

4. Provision for compensation

Pursuant to Section 3 of the Securities and Futures (Investor Compensation-Compensation Limits) Rules, the maximum compensation limit is \$150,000 per claimant for each default case occurring on or before 31 December 2019 or \$500,000 per claimant for each default case occurring on or after 1 January 2020.

The provision of compensation as at 31 December 2024 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 (as at 31 March 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.

5. Contributions from dealers' deposits funds

Under Section 76 (11) of Schedule 10 of the SFO, the SFC shall pay into the Fund any remaining balance in the Securities Dealers' Deposits Fund (SDD) and the Commodities Dealers' Deposits Fund (CDD) after repaying the dealers' deposits and any money due to the registered dealers. Upon the winding-up of SDD and CDD in June 2023, the SFC had \$5,470,000 and \$617,000 remaining balances paid into the Fund from the SDD and the CDD respectively.

6. Related party transactions

The Fund has related party relationships with the SFC, the ICC, the Unified Exchange Compensation Fund, the SDD and the CDD. The SDD and the CDD were wound up in June 2023. There were no related party transactions other than those disclosed in the interim financial information of the Fund for the nine months ended 31 December 2024 and 2023.

7. Contingent liabilities

In addition to the provision for compensation made as described in note 4, there were 12 outstanding claims as at 31 December 2024 (12 outstanding claims as at 31 March 2024). The maximum liability in respect of these claims in aggregate was \$2,199,000 (as at 31 March 2024: \$2,199,000). This is determined based on the lower of the maximum compensation limit per claimant (as detailed in note 4) or the amount claimed.

8. Exchange risk

The Fund's policy only allows investments in assets denominated in Hong Kong dollars (HKD), US dollars (USD) and renminbi. All financial assets are denominated in either USD or HKD which are pegged within the Convertibility Zone. For the nine months ended 31 December 2024 and 2023, the Fund's exchange gain/loss was mainly driven by the revaluation of USD denominated financial assets.

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 unaudited condensed financial statements for the nine months ended 31 December 2024.

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 December 2024, 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 period ended 31 December 2024 and the financial position of the Fund as at that date are set out in the unaudited condensed financial statements on pages 60 to 65.

Members of the Committee

The members of the Committee during the period 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 1 August 2024)

Mr Wan Chi Yiu, Andrew

Mr Yih, Dieter, 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 reporting period or at any time during the reporting period.

On behalf of the Committee

Rico Leung

Chairman

27 January 2025

Unified Exchange Compensation Fund

Condensed statement of profit or loss and other comprehensive income

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Unaudited Nine months ended		Unaudited Three months ended	
	31 Dec 2024 \$'000	31 Dec 2023 \$'000	31 Dec 2024 \$'000	31 Dec 2023 \$'000
Income				
Interest income	3,192	3,299	1,011	1,247
Expense				
Auditor's remuneration	73	71	17	17
Surplus and total comprehensive income for the period	3,119	3,228	994	1,230

The notes on pages 64 and 65 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of financial position

As at 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited At 31 Dec 2024 \$'000	Audited At 31 Mar 2024 \$'000
Current assets			
Interest receivable		489	612
Fixed deposits with banks	3	99,725	99,009
Cash at bank	3	287	353
		100,501	99,974
Current liabilities			
Creditors and accrued charges		10,234	10,226
Relinquished trading rights payable to SEHK	4	1,100	1,650
		11,334	11,876
Net current assets		89,167	88,098
Net assets		89,167	88,098
Representing:			
Compensation fund		89,167	88,098

The notes on pages 64 and 65 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of changes in equity

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Unaudited						
	Trading rights deposits from SEHK (note 4) \$'000	Excess transaction levy from SEHK \$'000	Additional contributions from SEHK and the SFC \$'000	Other contributions \$'000	Accumulated surplus \$'000	Contributions to the ICF \$'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	(1,700)	–	–	–	–	–	(1,700)
Surplus and total comprehensive income for the period	–	–	–	–	3,228	–	3,228
Balance at 31 December 2023	50,450	353,787	630,000	6,502	41,346	(994,718)	87,367
Balance at 1 April 2024	50,050	353,787	630,000	6,502	42,477	(994,718)	88,098
Net contributions to SEHK	(2,050)	–	–	–	–	–	(2,050)
Surplus and total comprehensive income for the period	–	–	–	–	3,119	–	3,119
Balance at 31 December 2024	48,000	353,787	630,000	6,502	45,596	(994,718)	89,167

The notes on pages 64 and 65 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Condensed statement of cash flows

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

	Note	Unaudited Nine months ended	
		31 Dec 2024 \$'000	31 Dec 2023 \$'000
Cash flows from operating activities			
Surplus for the period		3,119	3,228
Adjustment for:			
Interest income		(3,192)	(3,299)
		(73)	(71)
Increase in creditors and accrued charges		8	11
Decrease in relinquished trading rights payable to SEHK		(550)	(400)
Net cash used in operating activities		(615)	(460)
Cash flows from investing activities			
Decrease/(increase) in fixed deposits other than cash and cash equivalents		32,972	(33,492)
Interest received		3,315	3,043
Net cash generated from/(used in) investing activities		36,287	(30,449)
Cash flows from financing activity			
Net trading rights deposits refunded to SEHK		(2,050)	(1,700)
Net cash used in financing activity		(2,050)	(1,700)
Net increase/(decrease) in cash and cash equivalents		33,622	(32,609)
Cash and cash equivalents at the beginning of the nine-month period		62,362	69,384
Cash and cash equivalents at the end of the nine-month period	3	95,984	36,775

Analysis of the balance of cash and cash equivalents

	Unaudited	
	At 31 Dec 2024 \$'000	At 31 Dec 2023 \$'000
Fixed deposits with banks	95,697	36,248
Cash at bank	287	527
	95,984	36,775

The notes on pages 64 and 65 form part of these condensed financial statements.

Unified Exchange Compensation Fund

Notes to the condensed financial statements

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

1. Basis of preparation

We have prepared the interim financial information in accordance with the Hong Kong Accounting Standard 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants. As the Unified Exchange Compensation Fund (the Fund) will eventually cease operation as a result of the Securities and Futures Ordinance which came into effect from 1 April 2003, we have prepared the interim financial information 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.

The interim financial information contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Fund since the annual financial statements for the year ended 31 March 2024. The interim financial information does not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards.

The interim financial information is unaudited and the financial information relating to the financial year ended 31 March 2024 included in this report as comparative information does not constitute the Fund's statutory annual financial statements for that financial year but is derived from those financial statements.

We have applied the same accounting policies adopted in the financial statements for the year ended 31 March 2024 to the interim financial information.

There were no significant changes in the operations of the Fund for the nine months ended 31 December 2024.

2. Equity securities received under subrogation

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". Dividend income, if any, is also included in "Recoveries".

As at 31 December 2024, the equity securities received under subrogation amounted to \$15 (as at 31 March 2024: \$15). The balances as at 31 December 2024 and 31 March 2024 are too small to present on the condensed statement of financial position which is expressed in thousands of dollars.

Unified Exchange Compensation Fund

Notes to the condensed financial statements

For the nine months ended 31 December 2024 (Expressed in Hong Kong dollars)

3. Cash and cash equivalents

	Unaudited At 31 Dec 2024 \$'000	Audited At 31 Mar 2024 \$'000
Cash at bank	287	353
Fixed deposits with banks	99,725	99,009
Amounts shown in the condensed statement of financial position	100,012	99,362
Less: amounts with an original maturity beyond three months	(4,028)	(37,000)
Cash and cash equivalents in the condensed statement of cash flows	95,984	62,362

4. Trading rights deposits from SEHK/Relinquished trading rights payable to SEHK

According to Section 104 of the repealed Securities Ordinance, the Stock Exchange of Hong Kong Limited (SEHK) contributes to the Securities and Futures Commission (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 nine months ended 31 December 2024, deposits of \$2,600,000 in respect of 52 relinquished trading rights were refunded to SEHK. As at 31 December 2024, 22 trading rights totalling \$1,100,000 were relinquished but not yet refunded (as at 31 March 2024: 33 trading rights totalling \$1,650,000 were relinquished but not yet refunded).

The movement of trading rights deposits from SEHK during the period was as follows:

	Unaudited Nine months ended	
	31 Dec 2024 \$'000	31 Dec 2023 \$'000
Balance at the beginning of the nine-month period	50,050	52,150
Add: new trading rights issued	–	200
Less: relinquished trading rights refunded	(2,600)	(2,300)
Adjustment for: net decrease in relinquished trading rights payable to SEHK	550	400
Balance at the end of the nine-month period	48,000	50,450

5. Related party transactions

The Fund has related party relationships with the Investor Compensation Fund (ICF) and the SFC. There were no related party transactions during the nine months ended 31 December 2024 and 2023.

Securities and Futures Commission

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