

# 立法會 *Legislative Council*

LC Paper No. CB(1)56/2026(04)

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## **Panel on Financial Affairs Meeting on 2 February 2026**

### **Background brief on annual budgets of the Securities and Futures Commission**

#### **Purpose**

This paper sets out background information on the arrangements for funding the Securities and Futures Commission (“SFC”) and the scrutiny of SFC’s annual estimates. It also summarizes the major views and concerns expressed by Members.

#### **Background**

##### Establishment, regulatory objectives and organizational structure

2. SFC was established under the then Securities and Futures Commission Ordinance in 1989 as the statutory regulator of the securities and futures market in Hong Kong. In 2022, the Legislative Council (“LegCo”) enacted the Securities and Futures Ordinance (Cap. 571) (“SFO”), which consolidated and modernized 10 ordinances including the Securities and Futures Commission Ordinance regulating the securities and futures market. SFO came into operation on 1 April 2003.

3. The **regulatory objectives** of SFC as prescribed in section 4 of SFO are to:

- (a) maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;

- (b) promote understanding by the public of financial services including the operation and functioning of the securities and futures industry;
- (c) provide protection for members of the public investing in or holding financial products;
- (d) minimize crime and misconduct in the securities and futures industry;
- (e) reduce systemic risks in the securities and futures industry; and
- (f) assist the Financial Secretary (“FS”) in maintaining the financial stability of Hong Kong by taking appropriate steps in relation to the securities and futures industry.

4. Under SFO, the **Board of Directors** of SFC shall make up of no fewer than eight members and the majority of them must be non-executive directors.<sup>1</sup> All directors of the Board are appointed by the Chief Executive (“CE”) or FS with the delegated authority of CE. The Executive Committee performs administrative, financial and management functions as delegated by the Board of Directors. As at 31 March 2025, the actual **staff strength** of SFC was 954,<sup>2</sup> consisting of 762 professional staff and 192 support staff. The organizational structure of SFC as at January 2026 is shown in [Appendix 1](#).

#### Financial arrangements

5. Section 14 of SFO provides that the Government shall provide funding to SFC as appropriated by LegCo. In practice, SFC has been **self-funded** since 1993-1994 through collecting transaction levies from investors and fees and charges from market intermediaries, and thus has not requested for appropriation from LegCo since then.

6. Under section 13(2) of SFO, SFC is required to submit, not later than 31 December of each year, the estimates of its income and expenditure (i.e. budget) for the next financial year to CE for approval.<sup>3</sup> The approval authority was delegated to FS in 1995. Under section 13(3) of SFO, FS

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<sup>1</sup> Section 1 of Part 1 of Schedule 2 to SFO provides for the composition of the Board of Directors.

<sup>2</sup> The budgeted headcount in the 2025-2026 budget of SFC was 1 037.

<sup>3</sup> Section 13(1) of SFO specifies that the financial year of SFC commences on 1 April in each year.

shall cause the budget as approved pursuant to section 13(2) to be laid on the table of LegCo. In addition, under section 15(3) of SFO, SFC shall send a report on its activities conducted during the previous financial year (i.e. the annual report) to FS, who shall cause a copy to be laid on the table of LegCo. The **approved budget and annual report** of SFC are usually **tabled at a Council meeting in May and June** respectively **each year**.<sup>4</sup> It is a practice for SFC and the Administration to **brief FA Panel in February or March each year** on SFC's **proposed budget** and major initiatives proposed **for the next financial year**.

7. According to section 396 of SFO, if SFC's reserves, after deducting depreciation and all provisions, are more than twice its estimated operating expenses for a financial year and SFC has no outstanding borrowings, SFC may consult FS with a view to recommending to CE in Council that the rate of a levy be reduced under section 394 of SFO.<sup>5</sup>

### **Major views and concerns expressed by Members**

8. As mentioned in paragraph 6 above, the Panel on Financial Affairs ("FA Panel") usually discusses SFC's proposed budget for the next financial year at its regular meeting held in February each year.<sup>6</sup> The major views and concerns expressed by Members are summarized in the ensuing paragraphs.

#### Estimated income and expenditure

9. Members noted that in projecting **the estimated income for 2024-2025**, SFC had adopted the assumption that the average securities market turnover would be \$99 billion per day. Based on the prevailing market performance, it subsequently revised the income for the year, assuming that the average turnover of securities transactions was \$130 billion per day. Members enquired whether SFC would similarly encounter a situation where the actual turnover significantly exceeded the

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<sup>4</sup> In the past three years, SFC's approved budgets were tabled at the Council meetings on 24 May 2023, 29 May 2024 and 4 June 2025. SFC's annual reports were tabled at the Council meetings on 21 June 2023, 19 June 2024 and 25 June 2025.

<sup>5</sup> Under section 394(1) of SFO, a levy at the rate specified by CE in Council by order published in the Gazette shall be payable to SFC by the person so specified by CE in Council for the sale and purchase of securities or futures contracts. The order is subject to the negative vetting procedure of the Council.

<sup>6</sup> In the past three years, FA Panel discussed SFC's annual budgets at its meetings on 6 February 2023, 5 February 2024 and 3 February 2025.

estimated turnover when projecting the estimated income for 2025-2026. Members also enquired about the impact of **the series of new measures to deepen financial cooperation between Hong Kong and the Mainland** announced by the Central Government in April 2024 on Hong Kong's securities market turnover and the overall investment market. Members were also concerned about how SFC **managed its reserves**.

10. SFC advised that based on its statistical analysis model, the **average securities market turnover** for 2025-2026 would be **approximately \$135 billion per day**. SFC pointed out that the five mutual access measures beneficial to Hong Kong proposed by the Central Government in April 2024, together with a series of incremental policies, had **boosted investor confidence** in Hong Kong's investment market and **directly stimulated** the securities market **turnover**. Some passive funds had also increased their allocation to Hong Kong stocks.

11. SFC added that an Investment Committee had been established under its Board of Directors to advise on SFC's fund management policies, strategies and investment guidelines, and to appoint investment management companies and advisers to manage the investments of the reserves. The reserves were primarily invested in fixed income products and bank deposits, with **a long-term average investment return of approximately 4% per year**. SFC advised that a portion of the reserves would be earmarked for the acquisition of office premises.

#### Annual licensing fees and transaction levies

12. When discussing SFC's proposed budget for 2025-2026, Members noted that SFC would resume the collection of annual licensing fees, which had been waived for consecutive years, in the new financial year starting 1 April 2025. Members were concerned about **the impact of the resumption of annual licensing fees on the industry**, and whether SFC would consider collecting only part of the annual licensing fees to alleviate the burden on the industry. In addition, Members enquired whether SFC would **set a separate levy rate for digital asset ("DA")<sup>7</sup> transactions** in light of the development of the DA market.

13. SFC advised that, except for collecting 50% of the annual licensing fees from all licensees and intermediaries in 2019-2020, SFC had waived the annual fees for the past 12 years. After reviewing the fee levels and market conditions, SFC would **resume the collection of annual licensing fees** in

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<sup>7</sup> In June 2025, the Government issued the Policy Statement 2.0 on the Development of Digital Assets in Hong Kong, and has since used the term "digital assets" in lieu of "virtual assets" to better reflect the nature of this asset class.

2025-2026 based on **the “user pays” principle**, maintaining the fees at the level of \$4,700, which was believed to have a minimal impact on the industry.

14. In respect of transaction levies, SFC currently charges a transaction levy of 0.0027% per side of the consideration of securities trading transactions, while **there is no transaction levy on DA transactions**. Trading of DA through licensed VA trading platforms is still relatively novel and in the early stages of development. Regarding FA Panel’s suggestion on imposing a transaction levy on DA trading, SFC would **continue to monitor the trading situation of DA** to collect more data and consider **FA Panel’s suggestion**, whilst taking into account the development of DA market in Hong Kong and the potential implications of imposing a new transaction levy.

#### Staff costs and establishment

15. Regarding SFC’s proposed budget for 2025-2026, given that the Government had required all departments to cut recurrent expenditure by 1% per year and maintained the target of zero growth in the overall civil service establishment, Members requested SFC to re-examine the need for the creation of 15 new headcount and an increase in staff cost of about \$130 million in 2025-2026. Members also enquired whether SFC’s staff costs and establishment would be reduced following increased expenses on artificial intelligence (“AI”) applications and information and systems services, and whether SFC would **explore various cost-cutting measures** to further reduce the expenses or curb the increase in the expenses.

16. SFC advised that it had been adhering to the principle of prudent financial management and would regularly review its revenue-generating and cost-cutting measures and their effectiveness. SFC launched a regulatory sandbox in 2024 to support AI applications, and would continue to **enhance efficiency and reduce staffing requirements** through increased application of machine learning, AI and information technology, so as to achieve cost savings. SFC subsequently revised its budget to reflect **a pay freeze for its staff in 2025-2026**.

17. Members enquired about the number of SFC staff **responsible for DA regulatory regime-related work**, and whether SFC would consider assuming the role of regulatory authority for DA over-the-counter (“OTC”) trading and custodian services to implement more direct and comprehensive regulation of DAs. Members also enquired about **the number of contract staff** currently employed by SFC and their main areas of work.

18. SFC replied that 8 of the 15 **new** headcount proposed for **creation** in 2025-2026 would be for enhancing the staffing support for DA regulatory regimes, market surveillance and enforcement investigations. Currently, about **a dozen staff members were responsible for work related to fintech (including DAs)** covering policy formulation and licensing, and about 30 to 40 staff members were responsible for market surveillance and enforcement work. Regarding the regulatory regime for DA OTC trading, the Administration advised that it was collecting views from various parties and planned to conduct the second public consultation in June 2025.

19. On the employment of contract staff, SFC advised that given its need to conduct research projects on various topics from time to time, it was required to engage relevant external professionals to handle such projects. SFC generally engaged such professionals on a two-year contract. **The number of contract staff would vary with the number of research projects and work progress.** Furthermore, subject to actual operational needs, and having critically reviewed SFC's manpower needs and the feasibility of redeploying existing staff, SFC would also consider increasing its manpower. The 15 new positions proposed for creation in 2025-2026 were primarily senior positions.

#### Regulatory and enforcement work

##### *Market regulation*

20. Members enquired about SFC's plans to enhance market regulation and assist in advancing corporate governance, including whether it would conduct a comprehensive, open and in-depth consultancy study with relevant policy bureaux on **deepening reforms in the local capital market.**

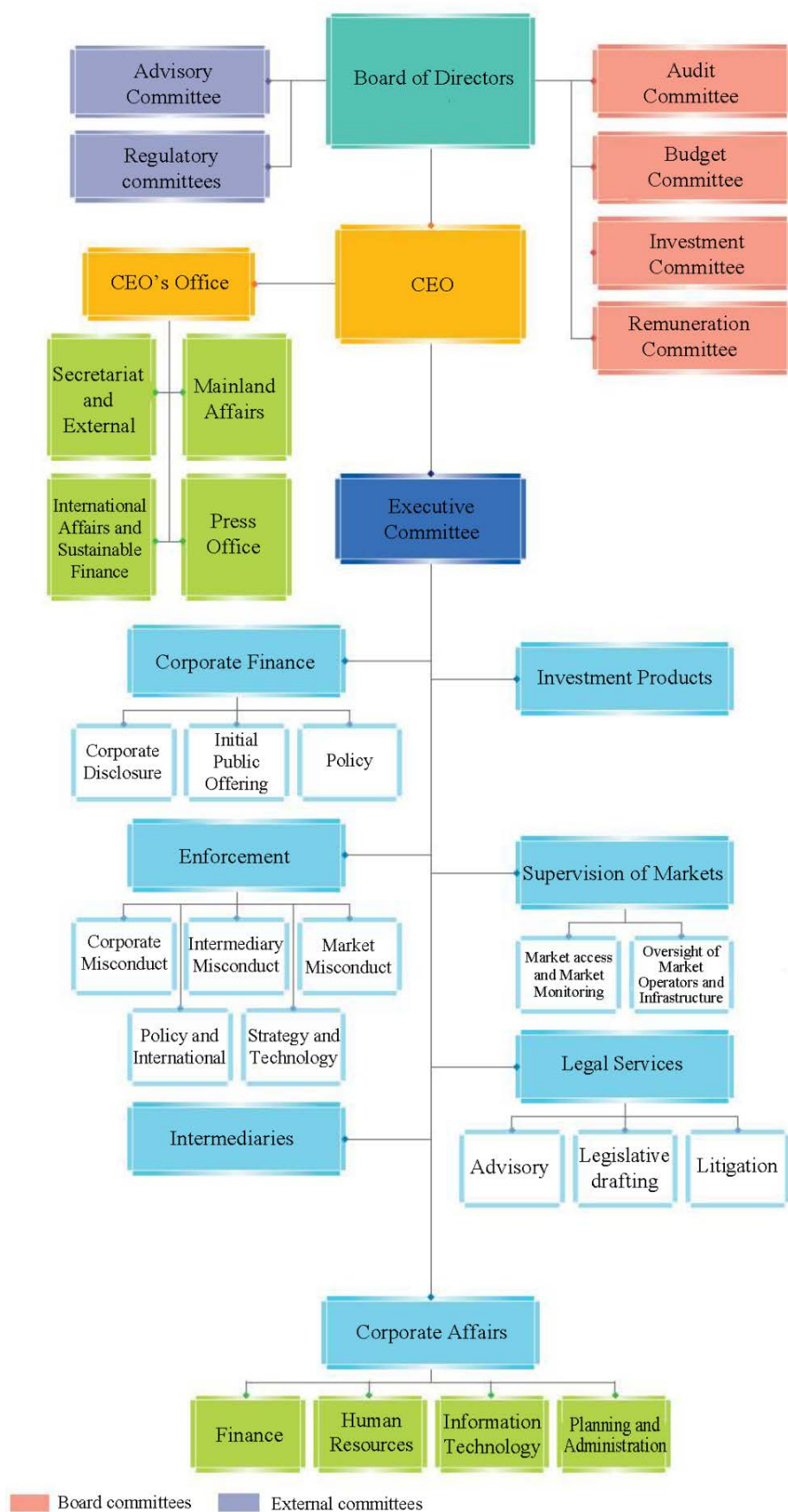
21. SFC advised that it had always attached importance to and actively pressed ahead with the work related to enhancing market liquidity and expanding the depth and breadth of the market, particularly expanding the range of Renminbi ("RMB") products. SFC had established a working group with the Hong Kong Monetary Authority to explore ways to **increase the issuance, circulation and trading of RMB bonds or bonds denominated in various currencies.** SFC also worked closely with Hong Kong Exchanges and Clearing Limited to enhance the liquidity of the local capital market (including DAs) and reduce related transaction costs. Furthermore, SFC would explore ways to **further improve the governance standards of listed companies,** so as to boost investor confidence in Hong Kong's capital market.

## **Relevant papers**

22. A list of relevant papers on the LegCo website is set out in [Appendix 2](#).

Council Business Divisions  
Legislative Council Secretariat  
29 January 2026

## Organization structure of the Securities and Futures Commission





**Annual budgets of the Securities and Futures Commission**  
**List of relevant papers**

Committee	Date of meeting	Paper
Panel on Financial Affairs	6 February 2023	<a href="#">Agenda</a> Item IV: Budget of Securities and Futures Commission for the financial year 2023-2024  <a href="#">Minutes of meeting</a>
	5 February 2024	<a href="#">Agenda</a> Item IV: Budget of the Securities and Futures Commission for the financial year of 2024-2025  <a href="#">Minutes of meeting</a>
	3 February 2025	<a href="#">Agenda</a> Item IV: Budget of the Securities and Futures Commission for the financial year of 2025-2026  <a href="#">Minutes of meeting</a>  <a href="#">Follow-up paper</a>