

Speech by FS at the SFC 35th Anniversary Cocktail

Following is the speech by the Financial Secretary, Mr Paul Chan, at the Securities and Futures Commission (SFC) 35th Anniversary Cocktail (October 3):

The Chief Executive (The Chief Executive of the Hong Kong Special Administrative Region, Mr John Lee), Deputy Director Yin Zonghua (Deputy Director of the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region), Deputy Commissioner Li Yongsheng (Deputy Commissioner of the Office of the Commissioner of the Ministry of Foreign Affairs of the People's Republic of China), Tim (Chairman of the SFC, Mr Tim Lui), Julia (Chief Executive Officer of the SFC), colleagues, distinguished guests, ladies and gentlemen,

Good evening. It is my great pleasure to join you all at the 35th anniversary celebration of the Securities and Futures Commission.

2. This is a truly remarkable occasion to celebrate the achievements we have made, and to look to a future of opportunities with cautious optimism.
3. Over the past 35 years, the SFC has been an active contributor to Hong Kong's extraordinary rise as an international financial centre.
4. Over these years, we have greatly benefited from our country's rapid economic development, and the gradual opening of her financial markets. With the staunch support from the Central Authorities, Hong Kong has served as a two-way bridge that connects the capital markets and investors of China and the world.
5. Since the first H-share was listed in Hong Kong in 1993, we have become the premier listing platform for Mainland companies going global and seeking access to international capital. Today, more than 1,460 Mainland companies call our stock market home, representing nearly 80% of our market capitalisation.
6. On the other hand, thanks to the continuous expansion of the Connect Schemes, Hong Kong has emerged as the preferred conduit for

international investors seeking to access the Mainland's capital market. For instance, over 70% of the A-share holdings and more than 60% of Mainland bond transactions by foreign investors have been done through the Connect Schemes.

7. But our rise has not been all smooth sail. Throughout these years, Hong Kong's financial market had faced trials and tribulations, such as the Asian Financial Crisis in 1998, the Global Financial Crisis in 2008, and the challenges of the COVID pandemic. Yet, each time we weathered a crisis, we emerged more resilient, with a better risks detection and monitoring system and stronger buffers. The SFC has always been instrumental in this effort, working closely with the Government and other financial regulators to defend the integrity and stability of the financial system.

Looking ahead

8. Ladies and gentlemen, we take pride in the SFC's success as a world-class regulator. We are also proud of its significant strides in promoting financial market development, enhancing the global competitiveness of our market. As we look to the future, there are a few points I wish to highlight.

9. First, the dual mandate of the SFC, as both a regulator and a market enabler, is vital to the continuous development of our financial markets.

10. As we navigate an era marked by geo-economic fragmentation, rapid technological advancement and keen competition, our regulatory framework must be agile and forward-looking. In simple terms, we need robust regulation that ensures market integrity, stability and adequate investor protection, while facilitating market development in the fast-changing world of finance.

11. I'm glad that the SFC has been exercising this mandate with prudence and audacity. For instance, over the past few years, the Government, the SFC and the Hong Kong Stock Exchange have worked together to enhance our listing regime. That includes, back in 2018, allowing pre-profit or pre-revenue biotech companies, and new economy companies with weighted voting rights structures, to list on our stock exchange. Last year, we introduced Chapter 18C to facilitate the listing of

specialist technology companies. These reforms have not only broadened our market's appeal but also put Hong Kong as a leading listing hub for innovative enterprises.

12. Second, we must embrace technological innovation, address emerging challenges, and seize new opportunities. The emergence of blockchain technology unlocks new financial innovations such as virtual assets, but also raises concerns about investor protection and financial stability. Recent scams related to virtual asset exchanges, both locally and abroad, serve as vivid reminders that we must chart our course with care and vigilance. Similarly, innovations like generative AI present many possibilities in the financial markets, yet they also introduce issues such as data governance and cybersecurity.

13. Our guiding principle is to establish a balanced regulatory framework that serves this dual mandate. The regulation of virtual assets is a good example of this approach.

14. Third, we must continue to strengthen cross-boundary regulatory collaboration. In the world of finance, capital moves across borders at high speed and volume. Such international capital flows bring enormous benefits, but they also expose economies to shocks and vulnerabilities. This is why cross boundary regulatory collaboration is essential to address risk spillover and prevent regulatory arbitrage. Joint efforts among different regulators are also needed for issues of global concern such as green standards and carbon emissions.

15. I compliment the SFC for its strong collaboration with both the Mainland and international regulators, and encourage you to continue to help promote regulatory alignment, knowledge sharing, and capacity building.

Closing

16. Ladies and gentlemen, over the past 35 years, the SFC has played a crucial role in maintaining and promoting a fair, efficient, competitive, and transparent securities and futures market, and in safeguarding Hong Kong's financial stability and protecting the investing public. For all this

good work, please join me in congratulating the team for its remarkable achievements.

17. Please enjoy the rest of the evening, and I wish you all the best of business and health in the years to come.