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## Policy Statement by the Securities and Futures Commission

19 July 2020

This Statement is being issued as a result of conversations the Securities and Futures Commission (SFC) has been having with globally active financial institutions ("firms") operating in our markets. These conversations have centred on concerns expressed by firms about the potential ambit and effect of the new National Security Law (NSL) on the way they currently do business in Hong Kong. The SFC has communicated firms' observations to the Hong Kong SAR Government, and welcomes the views of the Financial Secretary as set out in his Blog today. The SFC is the independent statutory regulator of Hong Kong's capital markets, and in that capacity would like to give its own perspective as set out below.

A fundamental attribute of Hong Kong's status as a leading international financial centre is the provision of, access to and free flow of all the multiple categories of information that are essential to preserving market integrity and fairness, ensuring the robustness of the price formation process and maintaining the reliability of fund flows.

For example, the Securities and Futures Ordinance and other legislation administered by the SFC set out clear standards for information disclosure by, as well as the level of diligence expected of, a range of market participants. These standards include the financial statements and other disclosure required to be made by listed companies, the due diligence expected of IPO sponsors and the quality of investment research to be published by analysts.

The SFC would like to clarify that it is not aware of any aspect of the NSL which would affect or alter the existing ways in which firms and listed companies originate, access, disseminate and transmit financial market and related business information under the regulatory regime it administers. For example, the principles applicable to, and methodologies used by, analysts in terms of the sources of information and data they use and the manner in which their views and opinions are expressed in their reports should remain unaltered.

Equally, the rules and accepted practices governing market trading activities, including in exchange traded and over-the-counter derivative markets, the use of hedging strategies and activities under Hong Kong's short selling regime, also remain unaltered; all related regulations will be administered by the SFC in the same manner as before the advent of the NSL.

Since the enactment of the NSL, the stock and derivatives markets in Hong Kong have operated in an orderly manner, and trading in the Hong Kong stock market has been very active. In the first half of July average daily trading increased substantially, with the participation of a range of local and international investors, as well as Mainland investors through Stock Connect. Northbound trading through Stock Connect by international investors doubled, confirming Hong Kong's role as the principal conduit for global savings to access Mainland China's capital markets.

The SFC will continue to regulate Hong Kong's markets as it has done so before the NSL was enacted and in line with this Statement.

Ashley Alder  
Chief Executive Officer

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