



Exchange's own consultati



These arrangements will be essential to give each of us sufficient confidence to pursue the type of market access and other goals on which Hong Kong's development as an international financial centre will rest.

So I want to make clear that work on developing and operationalising these arrangements is now a key part of the SFC's job.

Stock Connect was a good start because it was underpinned by new, bespoke Memoranda of Understanding between the CSRC and SFC.

Our task is to build on this beginning to realise a far more ambitious goal. This is to guarantee Hong Kong's long term pre-eminence as the international financial centre



And the reverse is also true – the SFC’s relationship with the CSRC is crucial to enable us to regulate Mainland companies listing in Hong Kong, Mainland investors trading in Hong Kong and Mainland firms operating in Hong Kong.

Now I want to highlight what all this means in practice.

Regulating two-way flows

It goes without saying that for many years a core part of Hong Kong’s value proposition has been to do with its role as a bridge for capital flows between the Mainland and the rest of the



entirely closed to foreign investors, and even the small measure of overseas participation was tightly controlled via quotas allocated to each institutional investor.

On top of this, the Mainland's "see through" market surveillance system relied on a distinctive form of domestic investor registration, giving regulators a direct line of sight into each investor's trading activity. This is particularly effective in a retail-dominated market.



Even if Mainland futures markets become accessible to overseas investors, they are likely only to meet some of the demand.

But as I have pointed out, Hong Kong can only realistically develop this offering if it is fully alive to possible concerns that untoward trading in these types of products could affect a systemically important underlying Mainland asset class. I'll give you a recent example.

In August, HKEX decided that trading in a new China Ministry of Finance Treasury Bonds Futures contract would be discontinued. In its announcement, it referred to the need for clearer regulatory requirements and cooperation between Hong Kong and the Mainland to support the further development of offshore derivatives of this type.

And this is exactly what the SFC and CSRC have been working on. We hope to establish a comprehensive framework for information exchange and cooperation for new Hong Kong

