

## Press Release

25 February 2021

### **SFC and FRC to enhance collaboration**

The Securities and Futures Commission (SFC) and the Financial Reporting Council (FRC) have concluded a new [Memorandum of Understanding \(MoU\)](#) to strengthen the regulation of the capital markets through enhanced collaboration between the two regulators (Note1).

Under the new MoU, which took effect yesterday, the SFC and the FRC agreed to foster closer cooperation in the regulation of the securities and futures market, particularly in relation to the regulation under their respective supervisory regimes of listed entity auditors and compliance by listed entities with financial reporting requirements.

The enhanced collaboration between the SFC and the FRC under the new MoU, which includes case referrals, joint investigations, mutual assistance, capacity building and the exchange and use of information, will increase the overall effectiveness of both regulators in ensuring the quality of financial reporting by listed entities and the audit quality of listed entity auditors. It will also help maintain the integrity of Hong Kong's capital market and its reputation as an international financial centre.

To ensure that their regulatory efforts are well coordinated, the two regulators agreed to notify one another when preparing and issuing policies or guidelines which may have a significant impact on their respective regulatory functions.

Dr Kelvin Wong, Chairman of the FRC, said, "The signing of a new MoU between the SFC and the FRC underpins our collective resolve, as independent regulators, to collaborate effectively with each other and with other local, Mainland and overseas regulators, to protect the interests of the investing public and the wider public interest in Hong Kong's capital markets and in the success of Hong Kong's international financial centre."

"Closer collaboration between the SFC and the FRC will be key to combat persistent problems with false or misleading financial statements and other corporate misconduct," said Mr Tim Lui, Chairman of the SFC. "By working closely with the FRC to maintain the integrity of our capital market and promote good corporate governance, we can expect to see improvements in the audit quality of listed companies in the years to come."

Note 1: The new MoU supersedes the MoU between the SFC and the FRC signed in 2007.

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The SFC and the FRC have concluded a new Memorandum of Understanding (MoU) to strengthen the regulation of the capital markets through enhanced collaboration between the two regulators. Dr Kelvin Wong, Chairman of the FRC (right), Mr Tim Lui, Chairman of the SFC (Left), Mr Marek Grabowski, CEO of the FRC (second right) and Mr Ashley Alder, CEO of the SFC (second left).

## **About the Financial Reporting Council**

The FRC is the full-fledged independent listed entity auditor regulator for Hong Kong committed to upholding the quality of financial reporting of listed entities of Hong Kong so as to enhance investor protection and strengthen investor confidence in corporate reporting.

For more information about the statutory functions of the FRC, please visit [www.frc.org.hk](http://www.frc.org.hk).

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