Welcoming remarks at the 2017 Pan Asian Regulatory Summit by Sanjeev Chatrath, Managing Director, Region Head, Asia, Financial & Risk, Thomson Reuters

The Pan Asian Regulatory Summit 2017

Regulatory Intelligence Post-Event Report

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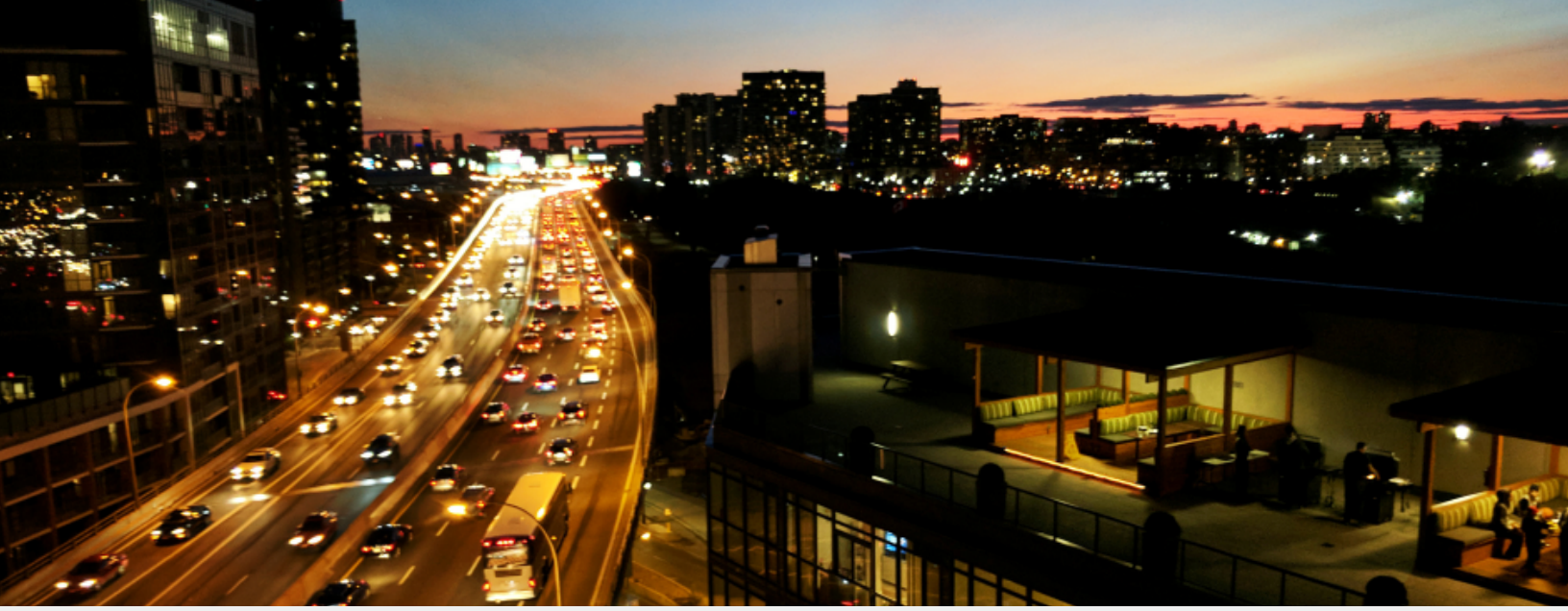

REUTERS/Hyungwon Kang

2017 has been a year shaped by regulatory instability worldwide and mounting pressure on financial institutions to put robust systems and processes in place to adapt to the evolving regulatory environment and manage compliance risks.

The Pan Asian Regulatory Summit 2017, which took place on 10 and 11 October in Hong Kong, offered expert insight into the latest regulatory trends and developments impacting the financial sector in Asia. With over 700 senior compliance and risk professionals in attendance, the Summit enabled the sharing of industry best practices and innovative solutions to address complex compliance challenges faced by financial institutions in the region.

This report presents the key themes from the Summit through a series of articles published on Reuters News and the Thomson Reuters Regulatory Intelligence platform.

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Enhanced cooperation is key to regulatory evolution, Hong Kong summit hears

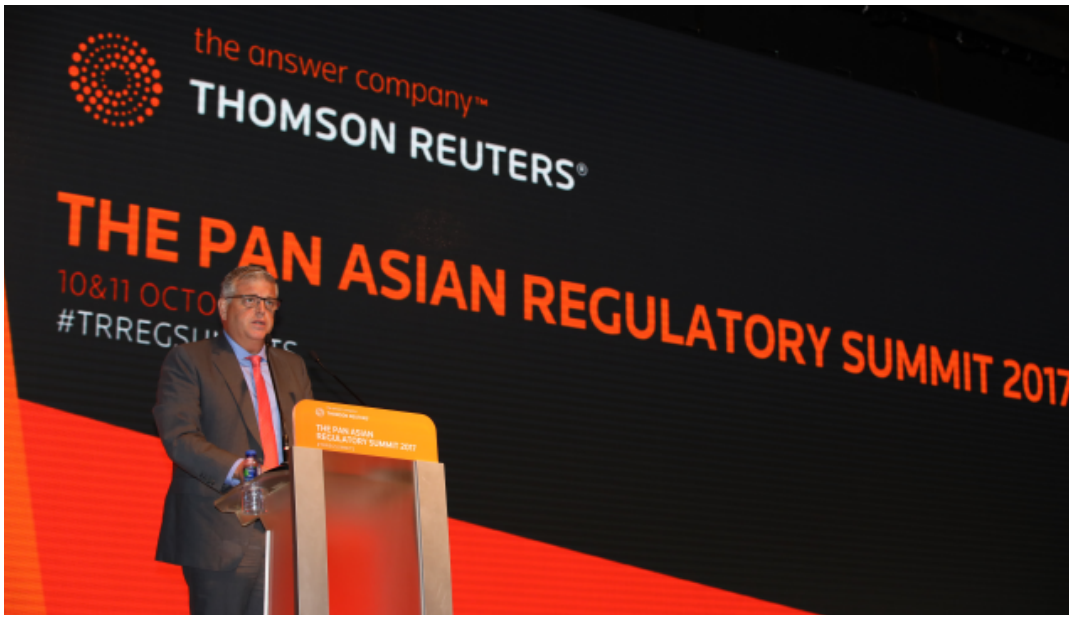
Nathan Lynch, Regional Bureau Chief, APAC, Financial Crime & Risk, Thomson Reuters Regulatory Intelligence

Regulators in Hong Kong have unveiled new and more effective ways to cooperate as part of an unprecedented collaboration between the public and private sectors and between the various local agencies and further afield. The moves mark a new determination to resolve enforcement actions, delegates at this year's Pan-Asian Regulatory Summit in Hong Kong, hosted by Thomson Reuters, heard.

The Securities and Futures Commission (SFC) said it was putting the finishing touches to a guidance paper to give firms greater clarity about the types of discounts that they can expect in return for settling enforcement matters quickly and cooperatively.

Tom Atkinson, head of enforcement at the SFC, said the cooperation policy was a key pillar in his agency's attempts to reduce its caseload. There were more than 1,000 live enforcement cases when Atkinson joined the agency last year. In the past 12 months he has managed to whittle that down by closing around 400 cases, including a raft of the least serious matters. In future, the SFC will target its enforcement activity at areas where it sees the most investor harm or damage to market confidence.

A goal of the SFC's cooperation policy will be to deter specific misconduct and convince people not to attempt similar behaviour in the future. When the regulator takes enforcement decisions it focuses on these two over-arching goals: specific and general deterrence. When it comes to general deterrence, firms are likely to find the SFC has less appetite for reducing penalties.



Updates on the SFC's enforcement strategy by Tom Atkinson, Executive Director - Enforcement, Hong Kong Securities & Futures Commission

"In order to properly achieve general deterrence we need to ensure that the totality of the sanction we impose will deter future misbehaviour in the market. So no matter what your level of cooperation is, we will always try to impose a sanction that achieves that goal," Atkinson said.

"Where we may have some influence is area of specific deterrence. We need to ensure that you yourself, or your company, will not repeat the behaviour and the penalty has to fit that proposition."

The guidance is expected to set out six factors that the regulator will take into account when making decisions on the level of leniency it will grant for cooperation:

- Did the entity promptly and fully self-report the problem to the SFC?
- Was the entity cooperative from the beginning of the investigation?
- Did the entity go beyond its statutory or regulatory obligations to cooperate?
- Did senior management acknowledge the problem and provide the SFC with plans and undertakings to prevent a recurrence of the problem?
- Has the harm to investors or clients been remediated?
- Has the firm engaged an independent reviewer to look at the problem and share the results with regulators?

"When dealing with enforcement you're faced with a range of choices but you can influence some aspects of the enforcement outcome by demonstrating responsible corporate citizenship," Atkinson said.

"I always tell people who are facing enforcement actions that they need to consider a number of choices and some of those can be very unpleasant."

Welcome clarification on SFC's cooperation policy

Simon Clarke, partner at Allen & Overy, said there was a significant amount of confusion in the market regarding the regulator's enforcement cooperation policy. The SFC's clarification would help regulated entities decide on the best course of action when dealing with an enforcement matter.

"Cooperation credit is not something that has been clearly understood by the market. So that is very welcome to hear that there will be some specific guidance and a roadmap for how institutions that are involved in an investigation can resolve those matters," Clarke said.

"We have certainly seen in the SFC's investigations over the course of the last 12 months a significant change in the modus operandi of how the SFC is approaching things. It's a robust statement and a strong enforcement message that Tom's sending out."

The Hong Kong Monetary Authority (HKMA) is also committed to a policy that encourages faster and more effective enforcement outcomes. The authority has specific powers concerning anti-money laundering and counter financing of terrorism (AML/CFT) and specific internal control issues under the Anti-Money Laundering Ordinance (AMLO). The HKMA's enforcement powers include fines, remediation orders and public reprimands, among other things.

The HKMA has closed two enforcement cases in the past year and is understood to be in the final stages of closing another eight cases. The scheduled Financial Action Task Force (FATF) mutual evaluation has created a motivation to wrap up those outstanding cases prior to the delegation's on-site visits next year.

Meena Datwani, head of enforcement and AML at the HKMA, said the regulator had taken cooperation into account in its enforcement actions involving Coutts & Co and the State Bank of India.

"This was not just at the investigation stage but also if the firm accepts our findings; that will also be taken into account. Basically we take all relevant circumstances into account and their cooperation is more of a mitigating factor," Datwani said.

Both the SFC and the HKMA said their cooperation policies would not reflect the amount of money that firms had spent on conducting internal reviews or remedial action.

"The level of remediation is of course an issue but the amount spent is irrelevant in a sense. Otherwise there would be a race to go for the most expensive auditors and that would push up prices, which I don't think you would want to see here as a client. Also if you have to spend more then it shows that there may be more issues, so that would be self-defeating," she said.

The regulators are being careful to ensure their cooperation frameworks avoid a sense that the regulator is willing to engage in "deal-making" exercises. Unlike the United States, in Hong Kong there is no "plea bargain" or "deferred prosecution" framework, so any credit for cooperation needs to follow a strict and transparent process.

"It's certainly not a deal-making exercise. We're not playing poker. I really want to see their behaviour change and I'm really trying to judge whether we are we going to specifically deter them. The only way I can tell that is by the way they act. So when we think about imposing a penalty ... the remediation is very important to me. Giving money back to investors who have lost money is very important to me," Atkinson said.

Regulatory handshakes

The growth of cooperation between regulatory agencies and jurisdictions was also a major theme and was particularly important for financial crime, where wrongdoers are adept at exploiting any difficulties in sharing information across borders, Datwani said.

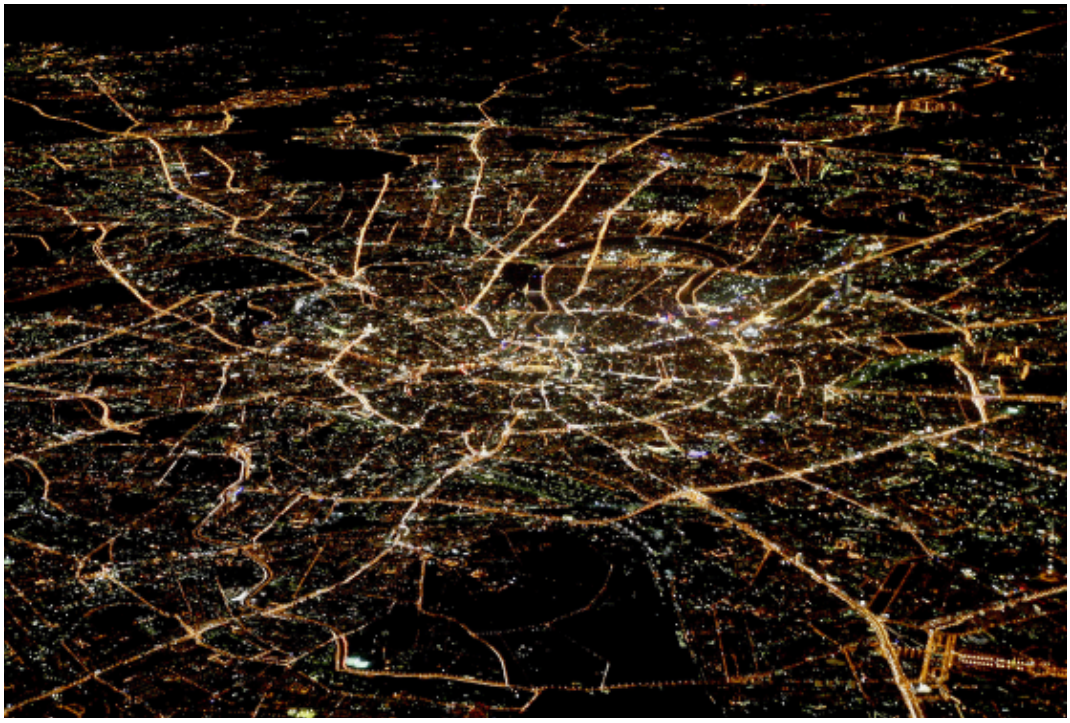
"In an increasingly interconnected world regulators can no longer be expected to do their jobs alone. We have therefore made special efforts to reach out to other regulators, both inside and outside Hong Kong," she said.

The HKMA and SFC have been collaborating on a number of mis-selling cases. This is designed to ensure they are applying a consistent approach across similar enforcement issues, which in turns creates greater certainty for market participants.

The central bank has also signed a memorandum of understanding with Hong Kong Police to cover operation cooperation. This is expected to be extended to include policymaking and training issues.

International regulatory cooperation would also be critical in the quest to tackle de-risking, Datwani said. The HKMA has been working to address these challenges with regulators such as the UK Financial Conduct Authority (FCA) and the U.S. Federal Reserve Board as well as the Federal Reserve Bank of Chicago.

"We've had meetings with them and many discussions on this issue. We're trying to help banks to manage their financial crime risks but, at the same time, not to de-risk so that legitimate businesses are deprived of basic banking services. This is has become a real social issue," Datwani said.



REUTERS/Alexander Demianchuk

Public and private partnerships

Regulators and law enforcement agencies are also pushing for greater cooperation with private sector entities. The Fraud and Money Laundering Intelligence Taskforce (FMLIT) is the most recent example of this, bringing together the Hong Kong Police, HKMA, the Hong Kong Association of Banks and a number of financial institutions. The taskforce is a third of the way through a 12-month pilot project, which is aiming to improve the detection, prevention and disruption of serious financial crime threats.

The heart of FMLIT is its operations group, which allows government and industry intelligence professionals to work side-by-side on serious financial crime and anti-money laundering projects. This aspect of the program is similar to the Australian Fintel Alliance. At the moment the participants are working on projects on fraud and trade-based money laundering.

Glenn O'Neill, senior superintendent in the Commercial Crime Bureau at Hong Kong Police, said this promised to accelerate the investigation process and lead to innovative approaches to gathering financial intelligence. In the modern age criminals were not bound by physical borders and had access to the best technology and resources. Law enforcement agencies needed to adapt and public-private partnerships would be one of the keys to keeping pace with changes in criminal activities, he said.

"The operations level is the juicy bit for law enforcement. This is where we get the opportunity to sit down with banks and present cases to them. Traditionally, the investigation of financial crime and money laundering is long and tortuous. It takes years to get cases to court because we rely on a traditional warrant-based approach. With this new approach I can stand in front of the operations group and I can present them a specific case which may be complex, may be transnational in nature," O'Neill said.

This model would allow the police to form a quick and deep picture of an individual or a criminal syndicate.

"At that stage law enforcement can serve the warrants and get the information they need for a prosecution," O'Neill said.

John Kenyon, head of financial crime threat mitigation at HSBC, said this cooperative model would also offer significant benefits for participant financial institutions and was part of building stronger relationships and trust with revelatory bodies.

"The value and potential impact are really significant. We are involved in six initiatives for public and private information sharing globally. We want to provide banking services to the community. So the system has to be safe and secure and we need to keep bad actors out of it. The challenge we have is in the information sharing," Kenyon said.

"When you have got that sharing of information you become a lot more effective at being able to identify and detect financial crime."

This is an edited version of an article originally published on the Thomson Reuters Regulatory Intelligence platform.

Top regulator outlines fixes as Hong Kong's connect schemes mature

Trond Vagen, Asia Editor, Thomson Reuters Regulatory Intelligence

Hong Kong's stock connect schemes with Shanghai and Shenzhen are a vital part of the territory's future as an international financial centre but have also highlighted the need to address surveillance, a senior regulator said.

The lack of a unique identifier for investors trading through the system was problematic, Ashley Alder, chief executive of the Securities and Futures Commission (SFC) told the Pan-Asian Regulatory Summit in Hong Kong on October 10. The SFC has had to rely on asking brokers to identify individual investors and their trades which has placed a strain on both the regulator's resources and those of the industry.

The SFC and the China Securities Regulatory Commission (CSRC) were working on a new system that would give both regulators "direct, real-time line of sight into cross-market trades at the client level", he said.

The system would begin operation around the middle of next year for trades made out of Hong Kong into China, he said. The SFC expected the CSRC to provide an equivalent level of transparency for the SFC to cover all trading going into Hong Kong from China. The new system would also be compliant with Hong Kong data protection laws, he said.

While the CSRC was able to monitor trades in real-time in its domestic market, due to all mainland Chinese investors having a unique identifier code, this was not the case for trades over the stock connect schemes, Alder said. Neither the SFC nor CSRC had any meaningful data for surveillance purposes as a result.

"The SFC is unable to ask local brokers to identify trades made through stock connect by anyone from the mainland for the simple reason that all of these trades are routed only through mainland brokers," he said.

Keynote address by Ashley Alder, CEO, Hong Kong Securities & Futures Commission & Chairman, IOSCO

Closer links

In the first eight months of this year, trading from Shanghai and Shenzhen into Hong Kong had resulted in a total net investment of RMB520 billion ($79 billion), of which more than half was invested in Hong Kong A-shares, he said.

The percentage of Hong Kong market turnover attributable to investment from China through stock connect was an "eye-catching" 6 percent so far this year.

"This will grow even more, as will trading volumes heading into the mainland," Alder said.

He cautioned against thinking this was part of a trend of moving towards merging the markets, or a "mainlandisation" of Hong Kong's markets. Growing cooperation with Chinese authorities instead was a "realistic ambition" at the core of the regulator's strategy to ensure the territory's competitiveness, he said.

"It has to do with expanding Hong Kong's role as a place where mainland markets can open up to overseas investors and which can enable mainland investors, which represent an enormous pool of liquidity, to have more choices to invest outside the mainland," Alder said.

"The reality is that only Hong Kong, and no other overseas financial centre, can deliver the type of regulation able to give investors and, crucially, the mainland regulators, the level of assurance necessary to enable our markets to play a leading part in China's opening up."

Derivatives

In recent years, Hong Kong has seen an influx of mainland Chinese financial services firms setting up alongside the local and international firms already present in the territory.

The increasing interaction between the two jurisdictions presented an opportunity to use Hong Kong markets to manage cross-border trading risks through the use of financial products such as equity indices and futures, Alder said.

International access to mainland futures and options could potentially be enabled, as well as allowing mainland investors access to derivative contracts traded in Hong Kong, he said. The Bond Connect scheme, launched earlier this year, should lead to the development of mainland-related currencies and fixed-income derivatives in Hong Kong.

"In my view, the market potential for the trading of risk management products in Hong Kong is enormous," Alder said. "This is because larger, more diverse capital flows will demand better all-round risk management tools subject to a world-class regulatory environment."

The SFC and CSRC were aiming to establish a comprehensive framework for information exchange and cooperation for new Hong Kong futures, options and other derivatives which reference mainland asset classes.

"The aim is to use this framework to properly manage the complex interaction between the onshore and offshore markets," he said.

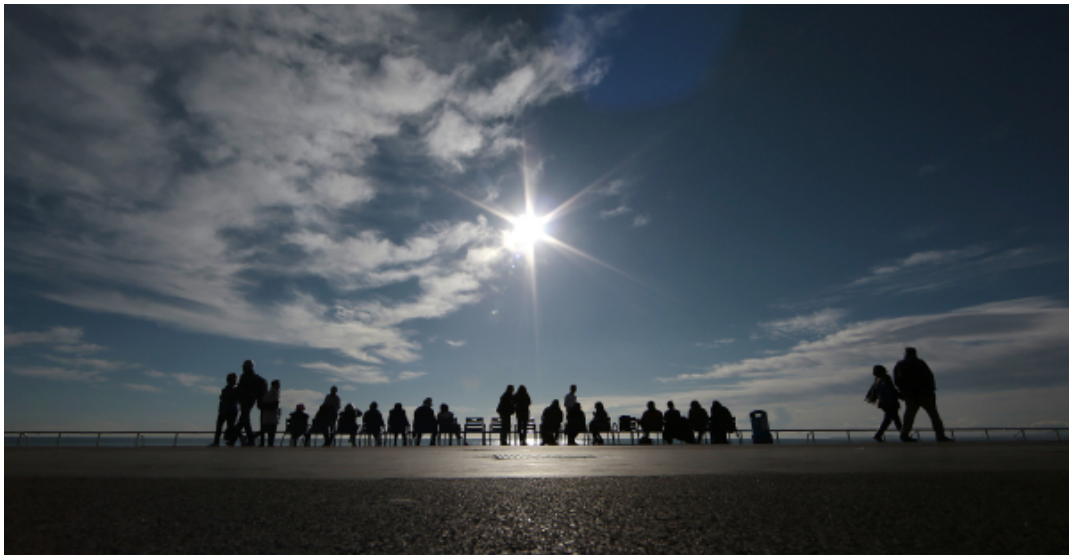
This is an edited version of an article originally published on the Thomson Reuters Regulatory Intelligence platform.

Private-public sector's secret weapon to fight financial crime in Asia

Niall Coburn, Senior Regulatory Intelligence Expert, Thomson Reuters Regulatory Intelligence

At the recent Pan Asian Regulatory Summit in Hong Kong, hosted by Thomson Reuters, the audience was told that public-private sector collaboration on information-sharing was crucial to the fight against financial crime, both now and in the future.

In Hong Kong, financial institutions are working with the Hong Kong Police Force as part of a joint initiative called the Fraud and Money Laundering Intelligence Taskforce (FMLIT). The taskforce is the local implementation of the global Future of Financial Intelligence Sharing (FFIS) strategy, which is a public-private partnership led by the UK-based RUSI think tank. The programme encourages private sector institutions to work hand-in-hand with law enforcement agencies and financial intelligence units (FIUs) to solve criminal investigations, and to provide and share data under guidelines.



REUTERS/Eric Gaillard

While similar operations exist in Europe, America and South America, where approximately 92 jurisdictions have some formal structure whereby the private and public sectors share financial information with enforcement agencies, the difference with the FFIS initiative is that bank staff and the police work together on cases to solve financial crime. This new approach seeks to bring together domestic law enforcement, policy and regulatory stakeholders with experts from banking, professional services, business intelligence, academia and non-government organisations with the shared purpose of exchanging information, typologies and data to catch corporate criminals.

At this stage, the FFIS strategy is being piloted in Mexico, Singapore and the United Arab Emirates, in addition to Hong Kong. The pilot programmes bring together law enforcement agencies, policy teams and regulatory stakeholders with experts from the banking, professional services, business intelligence, academic institutions and non-government organisations (NGOs). It aims to provide decision-makers access with the latest research and thinking on public-private partnerships for financial intelligence sharing.

Around the world 92 jurisdictions have some formal structure whereby the private and public sectors share financial information with enforcement agencies. The difference with the FFIS initiative, however, is that bank staff and the police work together on cases to solve financial crime. This new approach seeks to bring together domestic law enforcement, policy and regulatory stakeholders with experts from banking, professional services, business intelligence, academia and non-government organisations with the shared purpose of exchanging information, typologies and data to catch corporate criminals.

A new approach needed

It has long been clear that more effective strategies are needed to fight rising cross-border crime and cyber issues. Although enforcement agencies have had a certain amount of success in securing convictions, only approximately 1 percent of money laundered is actually seized, and there are very few convictions internationally, despite the thousands of investigations that take place. Moreover, these investigations are complex and resource-intensive.

The FFIS approach enables law enforcement agencies to work closely with banks on live cases. It can also speed up the process for obtaining warrants and escalating investigations. Subject to data privacy issues, banks can use their expertise to alert law enforcement agencies to cross-border, transnational concerns which can often be difficult to pinpoint without historical information.

In a recent speech, Thomas Atkinson, executive director of enforcement at the Securities and Futures Commission (SFC), said: "By the time we commence traditional enforcement actions, it is typically too late to prevent or contain the harm to investors. By moving quickly to suspend trading, we can protect new investors from harm while we complete our investigations." Regulators internationally must start thinking outside the box.

Enforcement agencies to provide more information

In the past, there has perhaps been something of a disconnect between financial institutions and law enforcement agencies.

"Building trust between private and government sectors in this area is fundamental for the FFIS Programme to work and this will only be built over time," said Phil Rodd, EY Asia-Pacific financial crimes solutions leader.

Indeed, at a survey taken at the summit, participants were asked if they were satisfied with the information they received from public agencies. Thirty-one percent of the audience said they were dissatisfied with the information received, 42 percent were neutral and only 13 percent were satisfied. There is clearly considerable room for improvement in the way enforcement agencies communicate with the private sector. Banks have said for some time that although they are often asked to provide hundreds of documents and commit countless staff hours to assist in gathering information or answering a request for evidence, they rarely receive much feedback from enforcement agencies.

"The collaboration between the public and private sectors is incredibly important to counter money laundering, trade-based money laundering and terrorist financing and that mutual trust is crucial to make information-sharing a success," said Nick Maxwell, programme manager for the FFIS.

International collaboration

Serious issues such as cyber crime, trade-based money laundering and digital currencies look set to bring still further challenges for enforcement agencies in all jurisdictions. The innovative sharing of information should help enforcement agencies throughout the world to collaborate, in real time, to catch corporate criminals, and may also lead to policy developments in countering money laundering, financial crime and operational risk mitigation.

The sharing of research, typologies and data information from different financial intelligence systems and public-private partnership developments internationally may well emerge as one of the most important developments in identifying illegal fund flows and seizing accounts of transnational criminals who appear to have the upper hand at the moment.

This is an edited version of an article originally published on the Thomson Reuters Regulatory Intelligence platform.

REUTERS/Carlos Barria

Compliance has changed in two decades and will continue to evolve, Hong Kong conference hears

Ajay Shamdasani, Senior Regulation Correspondent, Asia, Thomson Reuters Regulatory Intelligence

The compliance profession has changed considerably in the past two decades and this has been an evolution for the better which looks set to continue, according to a panel of industry officials at the Thomson Reuters Pan Asian Regulatory Summit earlier this week.

"The compliance profession has changed in the past 20 years. Back then, it was 'here is the rulebook; make sure you comply with the rules'. It has evolved over time to almost a behavioural science," said panelist Sean McHugh, Goldman Sachs' managing director and head of compliance for the Asia-Pacific (APAC) region in Hong Kong.

McHugh said the Libor scandal of recent years had spurred the evolution of the compliance function.

"What has really happened to compliance officers, is that the expectations, the mission, the pressure — that has all gone up," he said.

"Compliance has a key to all the doors [at a financial institution]," said Tim Tesluk, a co-panelist, and State Street's APAC managing director and head of compliance for global markets in Hong Kong. "There is a lot more stress now because the stakes are higher, because the costs of getting it wrong are enormous. So I think we will continue to evolve," he said.

Challenge function

McHugh said, however, that there were also positives: "On the more inspiring side of the ledger, the professionalism, the independence and the technology has also been enhanced as well."

He said the tools available to compliance staff had changed as their missions had evolved and that this would only continue as new challenges assailed financial institutions. He stressed that compliance should no longer be seen as a less desirable adjunct to a banking or financial institution's legal team.

Given that institutions now have access to a much wider range of tools, it would be incumbent on the profession to keep up and learn new skills, McHugh said.

"Compliance has become a behavioural science, not a box-checking backwater of the legal department," he said.

"The regulatory focus, the focus on boards [of directors] is to make sure you are not just a concierge to the business; that you are an independent control function. At Goldman, we use the term 'challenge function'," he said.

Ultimately, the types of questions compliance officers needed to ask themselves, he said, were: "Are we there? Are we pushing back? How do we get the right kind of business done?"

"Sometimes, the most commercial decision we can make is to say no to a transaction," McHugh said.

REUTERS/Jason Lee

Strategic partners

"As compliance officers, we have to get down into the analytical weeds and understand what the business is doing. That is a very exciting part of the role, but it is not for people who do not like change. You have all sorts of things that are changing and we need to keep ahead of those risks, so we need people who think differently," Tesluk said.

He said compliance professionals had gone from being rules-based practitioners to trusted advisors, and were now on the verge of becoming strategic partners.

"So, we go from advising on the rules to building relationships with the business. Becoming trusted has been an evolution and it has had to evolve because regulations have evolved. It used to be rules, but now we are moving into a principles-based world and we have had to change the way we approach our practice and how we support the execution of the strategy along the way," he said.

Fintech and regtech

Compliance officers needed to be partners with their business-side colleagues, said co-panelist Angelina Kwan, managing director and head of regulatory compliance at Hong Kong Exchanges and Clearing (HKEx), the parent company of Stock Exchange of Hong Kong (SEHK). "They really need to understand the business and embrace the new things. We are about to start on a new technology rebuild at the exchange," she said.

Among issues the local bourse will consider in the coming months and years are how to deal with blockchain or distributed ledger technology, as well as financial technology (fintech) and regulatory technology (regtech) more generally.

While much has been made of technological disruption in financial services, McHugh said that, in his 21-year career, the biggest had been electron trading, and not just algorithmic trading. He said that such developments had implications for the types of candidates institutions hired. "It ends up driving some of the skillsets needed for compliance teams in 21st century. Algo traders speak a different language and we need to bridge that gap."

Tesluk too stressed the need to hire compliance officers with technology backgrounds. "Training definitely helps, but we need people in the compliance function who are experts in technology."

Surprisingly, over at the exchange, changes to the profession were also being felt.

"At the exchange, it is both different and similar. It is different in that ... most of you set up compliance functions for the last 15 to 20 years. The exchange just started its compliance function three years ago and that was at the express request of the Securities and Futures Commission (SFC). So, it is building a new function and establishing that we, the exchange, are regulated and we are a regulator," Kwan said.

HKEX is a frontline regulator of listed companies on its exchange, but its position is different from that of most stock exchanges in the world in that, it, too, is a listed company on its own exchange.

This is an edited version of an article originally published on the Thomson Reuters Regulatory Intelligence platform.

SFC's reorganized enforcement division producing results, says regulator

Trond Vagen, Asia Editor, Thomson Reuters Regulatory Intelligence

Hong Kong's securities regulator has completed a reorganisation of its enforcement division as part of a drive to improve efficiency, and is also trying to work more closely with other regulators, its head of enforcement said.

Speaking at the Thomson Reuters Pan-Asian Regulatory Summit in Hong Kong earlier this week, Tom Atkinson, executive director of enforcement at the Securities and Futures Commission (SFC), said the restructuring would yield faster investigation outcomes and allow the regulator to focus on certain types of misconduct.

The SFC has set up specialised teams to focus on important risks facing the market as part of the restructuring, and has also begun to categorise serious cases in groups, to assign them to teams. The grouping of cases would give the SFC a great "line-of-sight" advantage, Atkinson said, allowing it to prioritise and reduce the case load by filtering out low-priority cases that did not meet its new standards. So far, the case load had been reduced by a third, he said.

In particular, the regulator was "laser-focused" on stamping out cases of corporate fraud, some of which have been reported on in the press. The SFC currently had 136 active corporate fraud and misfeasance investigations, of which 28 were "particularly serious", he said. Several of the serious cases involved gross overstatement of revenue and circular financing, he said, with many facilitated by related parties and false customers.

REUTERS/Issei Kato

Poor work by investment banks assigned as sponsors under the territory's initial public offering (IPO) sponsorship regime had been the cause of many of the problems, he said, with some of the cases reviewed leaning toward "reckless behaviour".

"I am talking about very basic concepts like verifying material customers and failing to react appropriately to large red flags," he said. "We are currently investigating 15 sponsor firms, which we believe may have undertaken sub-standard work which has resulted in billions of dollars in investment losses."

The SFC was particularly concerned that sponsors had failed to verify critical business data such as material customers and revenue information at the firms they help list. Atkinson also said any notion that the SFC was tightening standards on sponsors retroactively was misconceived and "just plain wrong".

"Sponsors have always been under a duty to make reasonable inquiries to satisfy themselves about the disclosures made by listing applicants," he said. "We will make every effort to hold sponsors accountable if they fail to discharge their regulatory duties."

Cross-border outreach

In many cases, corporate fraud in Hong Kong is committed by persons who operate out of mainland China, and the cross-border nature of any evidence-gathering in relation to such cases was complicated, he said. As a result, the SFC was looking at a new regulatory response that would "partially address" the problem, he said.

The SFC had also expanded its cooperation with the China Securities Regulatory Commission (CSRC), Atkinson said. This had included holding regular high-level meetings between senior members of the regulators' enforcement teams, and joint training exercises. There is also a secondment programme in place, to build better cultural and business understanding on both sides of the border.

The SFC's enforcement division had also been building relationships with "key international regulatory partners", both through the International Organisation of Securities Commissions (IOSCO) and via regular requests for information, he said.

Within Hong Kong, the SFC has recently been working closely with the Hong Kong Monetary Authority (HKMA) on certain mis-selling cases, and with the Hong Kong Police on financial crime, he said.

The regulator had also worked on improving collaboration in-house, at the operational level, by setting up the so-called ICE team comprising officers from its Intermediaries, Corporate Finance and Enforcement teams that looks into specific issues relating to listed companies, especially in the Growth Enterprise Market (GEM), he said.

"The combination of expertise and resources has allowed us to undertake larger and more focused actions in response to a wider range of threats," Atkinson said. "We are an operational group that has been tasked with identifying the difficult problems in the markets and tackling them with regulatory strategies using the SFC's full assortment of tools."

The new ICE team had been put to good use in investigating some of the "nefarious groups" of inter-connected companies attempting to scam investors by exploiting regulatory blind-spots, he said.

"They may be engaged in everything from market manipulation to financing transactions designed to defraud minority shareholders," he said. "ICE is now executing a complex regulatory strategy to identify and eliminate these groups, and to stop those responsible from engaging in this behaviour."

In relation to one of these groups, the ICE team recently authorised the largest-ever search operation in the history of the SFC, he said, with some 136 officers from three SFC divisions searching multiple premises.

"This type of operation would have been very difficult to undertake without close collaboration between divisions," Atkinson said. "Anyone who has been exploiting investors through this type of scheme should not underestimate our resolve to stop them."

This is an edited version of an article originally published on the Thomson Reuters Regulatory Intelligence platform.

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Niall Coburn is the regulatory intelligence expert for the Asia Pacific region. He joined Thomson Reuters in 2013 from FTI Consulting where he was a Managing Director for regulatory investigations in Australia. Prior to that position, Niall was a Senior Specialist Adviser to the Australian Securities & Investments Commission (ASIC) and Director of Enforcement for the Dubai Financial Services Authority (DFSA). He was part of an international team that wrote the regulatory and financial market laws and rules for the Dubai International Financial Centre. Niall is a Barrister of the High Court of Australia and holds a Bachelor of Arts (Economics) and Law degrees from University of Tasmania, a Masters of Law degree from Melbourne University and a Diploma of Business Administration from Mt Eliza Business School. Niall has over twenty years experience in financial markets and international regulation. In 2002, he was awarded an ASIC Australia Day Honour Medal for his work in corporate investigations. Niall began his career as a legal aid lawyer and also worked with Aboriginal legal aid. Upon entering the Victorian Bar in 1987, he specialised in corporate law. He joined ASIC as a Principal lawyer and was involved in a number of high profile corporate investigations in Australia and internationally resulting in convictions. He has worked in the Middle East and Asia liaising with other international regulatory bodies and government agencies. Niall has published extensively on compliance and financial regulation internationally. He has written a book on corporate investigations and insolvent trading published by Thomson Reuters, and has been a commentator in the Australian Financial Review on financial regulation and compliance.

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