



MEMORANDUM OF UNDERSTANDING

BETWEEN

SECURITIES AND FUTURES COMMISSION

AND

FINANCIAL REPORTING COUNCIL

24 February 2021

Memorandum of Understanding
between
The Securities and Futures Commission
and
The Financial Reporting Council

This Memorandum of Understanding (MOU) is entered into between the Securities and Futures Commission (SFC) of 54/F, One Island East, 18 Westlands Road, Quarry Bay, Hong

Schedule 1 to the SFO or a responsible person within the meaning of section 2 of the FRCO of a collective investment scheme authorized under section 104 of the SFO.

19. Pursuant to sections 42 and 43 of the FRCO or the Pre-amended FRCO:

- (a) If the FRC initiates an Enquiry into Relevant Non-compliances in relation to a Listed Entity which is a licensed person within the meaning of section 1 of Part 1 of Schedule 1 to the SFO or a collective investment scheme authorized under section 104 of the SFO, the FRC shall inform the SFC by written notice that the Enquiry is to be carried out; and
- (b) the enquirer shall not exercise powers against any person vested in it under section 43 of the FRCO or the Pre-amended FRCO for the purpose of the Enquiry without first consulting the SFC if the person is a licensed person within the meaning of section 1 of Part 1 of Schedule 1 to the SFO or a responsible person within the meaning of section 2 of the FRCO of a collective investment scheme authorized under section 104 of the SFO.

20. This MOU also sets out the arrangements for the notification and consultation processes.

III. GUIDANCE ON CO-OPERATION AND COLLABORATION BETWEEN THE SFC AND THE FRC

Cases of overlapping authority and matters of mutual interests

21. The Parties recognize that there are areas in relation to the observance of proper standards by PIE Auditors and the observance of relevant regulatory requirements by Listed Entities in which the Parties have overlapping remit in terms of their functions and powers or in which they have a mutual interest. The Parties will therefore endeavour to ensure that the Party with the more appropriate functions and powers will take enforcement action in such cases.

22. Cases of mutual interest will be reviewed by the Parties regularly to determine which Party should have the lead responsibility for taking any necessary enforcement action.
23. In cases of overlapping remit, the Parties will have regard to the principle that a PIE Auditor or Listed Entity should not be unnecessarily subject to concurrent enforcement actions from two authorities for the same issue, unless it is appropriate in the circumstances.
24. If one Party is considering taking enforcement action when it is aware of the fact that the other Party has already commenced an enforcement action in relation to the same issue, the Parties will, subject to applicable laws, liaise and discuss how best to proceed with their respective enforcement actions.

Conduct of concurrent enforcement actions

25. The Parties recognize that when both Parties undertake concurrent enforcement actions in relation to the same issue, steps undertaken by one Party may have an impact on the action of the other. Consequently, the Parties will, subject to applicable laws, liaise and discuss how best to proceed with their respective enforcement actions.

Complainor referral to the SFC

31. If it comes to the notice of the FRC, during the performance of its duties, that there is any matter which may fall within the regulatory remit of the SFC, the FRC will make a complaint or otherwise refer the matter to the SFC for consideration of follow-up actions. In making such complaint or referral, the FRC will, subject to applicable laws,

Notification and Consultation

Certain Investigations and Enquiries

36. When the FRC initiates an Investigation or Enquiry as mentioned in paragraphs 18 and 19 above, it shall give written notice to the SFC as soon as practicable. The written notice will identify the Listed Entity concerned, provide brief reasons for the initiation of the Investigation or Enquiry (as the case may be) and specify the powers that are exercisable by the investigator or enquirer (as the case may be).

37. If an investigator or enquirer intends to exercise the relevant powers mentioned in paragraphs 18 and 19 above, prior consultation with the SFC will be conducted as soon as practicable where circumstances require such consultations conducted.

202S of the FRCO the recognition of an overseas auditor as a PIE Auditor of a Listed Entity, the FRC will notify the SFC of the decision.

41. Either Party intending to publish any public document in relation to the recognition of overseas auditors of a Listed Overseas CIS will, to the extent practicable and where considered appropriate, inform the other Party and circulate the draft document to the other Party for comment before publication.

Other Issues

42. Each Party, as and when it considers appropriate and to the extent practicable and subject to applicable laws, will notify the other Party of any issue that the notifying Party believes may have a significant implication for the other Party. This may include the development and publication of policies and guidelines, for example:
 - (a) where any of the SFC's proposed policies or guidelines are likely to have significant impact on the FRC's regulatory functions; and
 - (b) where any of the FRC's proposed policies or guidance are likely to have significant impact on the SFC's regulatory functions.

Meetings

43. Representatives from both Parties will meet at least once a year to review the functioning of this MOU and any significant matters arising therefrom in the preceding 12 months.
44. Ad hoc meetings may also be held as necessary.

Capacity Building

45. The Parties intend to co-ordinate their training initiatives and organize joint training opportunities to improve the capacity and effectiveness of their staff in performing their respective functions.

IV. SHARING OF INFORMATION

46. The Parties will exchange information which is conducive to the objectives of this MOU and which may assist the other Party in discharging its functions.
47. Information will be provided by either

discharge of their functions or create any rights in third parties.

50. This MOU supersedes the Memorandum of Understanding entered into between the Parties on 12 November 2007 and will come into effect on 24 February 2021.
51. The Parties have agreed to keep this MOU under review and will consult each other when necessary with a view to improving the Parties' operations, collaboration and co-operation, resolving any matters arising from this MOU and making any necessary amendments.

Signed for and on behalf of
THE FINANCIAL REPORTING COUNCIL

Marek Grabowski
Chief Executive Officer
Dated: 24 February 2021

Signed for and on behalf of
THE SECURITIES AND FUTURES COMMISSION

Ashley Alder
Chief Executive Officer
Dated: 24 February 2021