

I am pleased to present my report on The Hong Kong Association of Online Brokers Limited (“HKAOB”) for the period of 2017 to 2018. During the period, I represented BOCI Securities Limited and served as Chairman of HKAOB.

Trading on the Hong Kong Stock Market had kicked off the year of 2018 strongly with average daily turnover of \$135 Million during the first four months. However the optimism was short lived as Trade War between China and US, plus the prospect of rising interest rates had dampened investors’ sentiment on the market. As a result, Hang Seng Index had dropped over 20% since the beginning of the year while average daily turnover had dropped below \$90 Million.

On a positive note, as a result of amendments to the Main Board Listing Rules, HKEX has attracted several major Emerging and Innovative companies, most notably Xiaomi and Meituan. However, HKEX continues to face stiff competition from Overseas and Mainland Exchanges to attract the New Economy Companies for IPO.

The Retail Brokerage industry remains challenging as market share of Category C Brokers has declined to 7.97% by August from 10.63% at the beginning of the year while Category B Brokers dropped to 35.31% from 36.31%. Our industry is still facing the persisting issues on KYC, Investment Suitability and AML which we expect Regulator to further tighten.

One of the bright spots during the term is the eID initiative for Non Face to Face Account Opening that was started in early 2016 has cleared all regulatory hurdles and received blessing from SFC. This major breakthrough is achieved with the support of Hong Kong Government Office of the Government Chief Information Officer as it has updated on September 30th the Mutual Recognition Certificate Policy in Guangdong and Hong Kong to support remote non-face-to-face identity verification and enhance the technical standards of the mutual recognition certificates to meet the development of cross-boundary business in the industry.

With this development, HKAOB will continue working with the Regulators to incorporate other new technologies and processes into our business and to improve efficiencies to our workflow.

During the period 2017/2018, HKAOB has continued to participate in benevolent events organized and supported by other securities and precious metals associations. HKAOB conducted the following activities to fulfill the objectives of the Association:

1. Meeting with SFC Senior Management, to express views on Margin Financing, Robo Advisory, Product Due Diligence and AML.
2. Meeting with Chris Cheung, Hong Kong Legislative Council Member (Financial Services Sector) to express views on the introduction of Faster Payment Services (FPS) by HKMA.
3. Meeting with Joseph Chan, Under Secretary for Financial Services and the Treasury, to express views eID and Non Face to Face account opening.
4. Responded to various market consultations and discussions issued by HKEx, SFC, Financial Services and the Treasury Bureau

Moving forward, HKAOB will continue to take up initiatives that will improve our industry's competitiveness and to level the playing field with the Banks. During the 12 months, we have added 2 new members which bring our membership to 35 members.

In closing, I would like to express my deepest gratitude to all the members for their unwavering support and guidance in contributing to the success of HKAOB.