Research on Futures Investor Protection System - Case Analysis of Investor Compensation by Hong Kong Securities Exchange

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Abstract: Hong Kong is the world's third-largest financial center, with a population of around 7 million, and the Hong Kong Stock Exchange has a market capitalization of $5.78 trillion, nearly 40 trillion RMB. In terms of financial regulation and investor protection, the Hong Kong government and the Securities and Futures Commission have repeatedly issued relevant laws and regulations regarding securities and futures. For instance, earlier, the Government Gazette published the '2019 Securities and Futures (Investor Compensation - Levy) (Amendment) Rules', the '2019 Securities and Futures (Investor Compensation - Compensation Limit) (Amendment) Rules', and the '2019 Securities and Futures (Investor Compensation - Claims) (Amendment) Rules'. The introduction of these laws and regulations aims to better protect the legitimate rights and interests of futures investors and maintain the orderly development of Hong Kong's capital market.

The laws and regulations promulgated in 2019 emphasize optimizing the investor compensation system in Hong Kong, which includes adjusting the compensation cap for each investor from 150,000 HKD to 500,000 HKD, effective from January 1, 2020. This article analyzes cases regarding investor compensation from the Hong Kong Securities Exchange, discussing the reasons for the increase in investor compensation, an introduction to the current investor protection system mechanisms of the Hong Kong Securities Exchange, the risks that futures investors may encounter, and provides effective suggestions.

Keywords: *Securities and Futures Industry, Capital Market, Investor Protection, Financial Regulation*

I. LITERATURE REVIEW

On October 25, 2024, the China Securities Association issued the 'Administrative Measures for the Issuance of Income Certificates by Securities Companies,' deciding to regulate income certificate business from six aspects. Cheng Dan (2024) [1] summarized it as clarifying business positioning, strengthening risk control, enhancing investor suitability management, standardizing issuance and sales behavior, strengthening compliance and risk management, and enhancing monitoring and regulation. Yan Lingyun (2017) [2] believes that to address the urgent issues of current financial investor protection, it is necessary to start from the research on differentiated protection for financial investors, which is more operational. Only in this way can it meet the urgent demand for financial investor protection arising from the rapid development of finance in our country. Dou Pengjuan (2014) [3] analyzes the investor protection dilemmas brought about by the prevalence of financial derivatives in the context of a financial innovation-induced investor crisis, aiming to break through the limitations of traditional investor protection theories and explore a legal system for investor protection that truly aligns with financial derivatives.

II. REASONS FOR THE HONG KONG SECURITIES EXCHANGE TO ENHANCE INVESTOR COMPENSATION

(1) Maintaining the Sustainable Development of theCapital Market.Whether a country can achieve sustainable development of its capital market depends on many factors, one of which is the investor protection policy. Investors and the capital market have a symbiotic relationship, complementing and promoting each other. If the capital market is underdeveloped and imperfect, it cannot accurately and effectively reflect the information of the capital market, and thus cannot properly reflect and regulate the economy. Only when our country's capital market is sufficiently developed can investors have the space to exercise their self-judgment and forecasting abilities, which will lead to the establishment of sufficient trust in the capital market and a willingness to invest in it. Moreover, only the investments of investors can serve as the driving force behind the rise of our stock market, allowing the capital market to fulfill its intended functions. Therefore, investors are a crucial component for the sustainable and long-term development of the capital market. Setting aside the economic significance that protecting investors brings to the capital market, our country advocates for a development philosophy centered on the people, which also includes the protection of investors' interests.

(2)Investors' rights have not received the attention they deserve. Since the development of our country's capital market, the protective measures for investors have not been adequately emphasized, and no relatively comprehensive laws regarding investor protection have been enacted. The capital market and the financial industry play a very important role in the operation of our country's economy. As a leveraged industry, the financial sector carries certain risk factors; the state allows a certain level of risk to exist. Moreover, due to the presence of financial innovation, financial disputes are generally quite complex, which is why investors' interests have not been sufficiently prioritized.

Secondly, since investment behavior and speculative behavior are two distinctly different market behaviors, the investor protection system should differentiate between them. However, due to the lack of a clear distinction between investment and speculation, it is often difficult for the government to determine whether an investor is engaging in investment behavior or speculative behavior. As a result, a general classification is applied to investors, leading to a long-term neglect of investor protection.

In our country, due to the underdeveloped capital market, the proportion of investors with comprehensive financial and legal

knowledge is relatively low. Most investors are non-professionals with limited economic strength and weak risk-bearing capacity, which means that after financial incidents occur, they often accept their losses or believe they were simply unlucky. They find it difficult to realize that their legal rights and interests have been infringed upon. This is also a reason why investors in our country have not received the attention they deserve.

(3) Insider trading and market manipulation are serious, resulting in significant losses for investors.Due to the underdeveloped nature of China's capital market, cases of illegal and irregular activities by publicly listed companies in the securities and futures markets are rampant. Companies such as Yian Technology, Dongfang Electronics, Yingguangsha, Kelong, and Southern Securities have all been involved in illegal activities. These illegal and irregular activities include false capital contributions, fictitious profits, the creation of false financial statements, insider trading, and market manipulation. Among these, insider trading accounts for approximately 30%-40%. The occurrence of insider trading is related to the approval system; under this system, the high threshold for listing and the rarity of delisting lead to companies resorting to backdoor listings to raise funds in the capital market, resulting in a significant value of insider information.

Illegal and irregular activities and market manipulation behaviors can still be traced; however, if insider trading occurs, most investors are unaware, making regulation very challenging. Currently, the regulatory focus is primarily on information disclosure. The 'Securities Daily' conducted a survey on the returns of Chinese retail investors since 2010, and the results showed that over 70% of individual investors had negative returns. Among those with negative returns, about 10% experienced losses exceeding 40%. Additionally, investors who suffered losses in the capital market had loss ranges between 20% and 40%. The majority of investors had negative returns, which can erode the confidence of capital market investors and reduce their numbers. Especially in today's world, where internet technology is so advanced, the emergence of negative information about the capital market is detrimental to its development.

(4) The information disclosure system, regulatory system, and relevant laws are not yet perfect.The effectiveness of information disclosure is a very important indicator for determining whether a market is well-developed, and it serves as a crucial reference for investors. Only when the information disclosure in the capital market is sufficientlycomprehensive can investors have the space to exercise their self-judgment and forecasting abilities, which will establish their full trust in the capital market. This helps to reduce both market risk and non-systematic risk in the capital market, enhances the transparency of the securities and futures markets, and lowers the difficulty of regulation. A well-developed capital market is characterized by reduced information asymmetry and the realization of optimal resource allocation. Therefore, for the capital market to develop, information disclosure needs to have a complete paradigm. If the standards for information disclosure are not uniform, different companies will have varying disclosure quality, and the market will not be able to convey real and useful information. Without the ability to convey real and useful information, the market rules cannot effectively filter out truly worthy investment enterprises, which will affect investors' decision-making. Hong Kong is precisely because there was previously no unified and clear standard, thus planning to make adjustments in 2019.

(5) The need to establish a new type of non-litigation dispute resolution method. In the past, when investors and investment companies had financial disputes, they generally resolved them through criminal litigation, which not only caused a waste of human and material resources but also did not effectively solve the problems, wasting both parties' time. Before the increase in investor compensation, each investor's compensation was 15,000 yuan, which is not much when converted to Renminbi, making it difficult to resolve financial disputes through non-litigation means. After raising the investor compensation to 500,000, not only were many financial disputes effectively resolved, but the rights and interests of investors were also well protected.

There are many ways to establish a new type of non-litigation dispute resolution method, including the establishment of financial dispute mediation centers and the creation of complaint channels for capital market investors. Ultimately, the focus should be on the actual investment experience of investors, maintaining their investment confidence and safeguarding their legal rights and interests.

(6)Enhancing investor confidence and investment enthusiasm. The increase in investor compensation will boost investor confidence and investment enthusiasm, as it signifies a reduction in investment risk. Investors are eager to participate, leading to more liquidity flowing into the capital market. This liquidity can be directed to social components that are in greater need, addressing issues such as the break in the funding chain for some enterprises. Consequently, social resources achieve optimal allocation. Therefore, an active capital market can promote its development, and a more efficient capital market can better identify companies and investment targets with greater potential. This also allows investors and society to enjoy the dividends brought by financial leverage.

Additionally, some investors may increase their risk tolerance due to the enhancement of investor compensation, thereby investing in higher-risk assets, including companies in emerging industries, high-tech enterprises, and those with a high degree of innovation. This restoration of the funding chain for potential enterprises that originally had no opportunity to secure funding is particularly important for their development.

III. INTRODUCTION TO THE CURRENT INVESTOR PROTECTION MECHANISM OF THE HONG KONG SECURITIES EXCHANGE

(1) Investor Compensation Fund. The original intention of establishing the Investor Compensation Fund (ICF) is to better resolve financial disputes, and its ultimate goal is also to protect the investors of the Hong Kong Securities Exchange. The Investor Compensation Fund sets a compensation requirement of 500,000 Hong Kong dollars for each investor, and may provide partial compensation to investors who have suffered significant losses in financial transactions if necessary. It is important to note that the Investor Compensation Fund only serves individual retail investors in Hong Kong, and institutional investors are not included. In addition to specifying the operational framework of the fund in the Securities and Futures Ordinance, the Hong Kong government has also established four subsidiary legal regulations to detail issues related to investor fees, claims, compensation limits, and other matters. The Investor Compensation Fund has certain policy advantages compared to other financial products, as it does not require the payment of interest or profit income tax.

(2) Joint Regulation by the Hong Kong Securities and Futures Commission and the Hong Kong Stock Exchange. The Hong

Kong Securities and Futures Commission (SFC) is an independent statutory regulatory body established under the Securities and Futures Commission Ordinance, responsible for regulating the Hong Kong Stock Exchange and its subsidiaries, publicly listed companies, sponsors, financial intermediaries such as licensed brokers, investor compensation companies, fund managers, investors, and investment products offered to the public. The Hong Kong Stock Exchange is the recognized controller referred to in the Securities and Futures Ordinance, owning and operating the only stock exchange and futures exchange in Hong Kong, as well as related clearing houses. It can be said that the Hong Kong Securities and Futures Commission is the regulatory agency, while the Hong Kong Stock Exchange is the policy implementation agency.

Although the responsibilities of the Hong Kong Securities and Futures Commission and the Hong Kong Stock Exchange differ, their ultimate goal is to maintain the stability and long-term healthy development of Hong Kong's capital market.

(3) Information disclosure mechanism. Before the adjustment of the Securities and Futures Ordinance, the disclosure mechanism of the Hong Kong Securities Exchange was relatively lenient, with equity disclosure regulations requiring any person holding 10% or more of a publicly listed company's shares to disclose within 5 days of acquiring or disposing of the relevant equity. As for the directors and senior executives of publicly listed companies, regardless of their shareholding, they must disclose their transactions each time they buy or sell.

After adjustments to the Securities and Futures Ordinance, the reporting deadline for disclosing interests has been shortened from the original 5 days to 3 days, and the disclosure threshold has been reduced from 10% to 5%. Anyone holding more than 5% of a company's shares is required to disclose their holdings, including the shares held by their children under 18 and spouses, which must also be counted, and any changes in their shareholdings must be disclosed, making the disclosure rules more comprehensive than before.

(4) Investor Suitability Management. Investor Suitability Management is an effective management measure that can significantly reduce risks in the securities and futures industry. It matches financial products with different risk coefficients to the corresponding investors, thereby protecting some non-professional investors' funds from incurring losses under market risk.

The Hong Kong Securities Exchange categorizes investors into two types according to the code of conduct: ordinary investors and professional investors. The classification criteria include the investor's financial status, professional level, years of experience, and activity level. Professional investors are further divided into two main categories: professional institutions and high-net-worth investors. In addition, the Hong Kong Securities and Futures Commission requires registrants to constantly monitor the investment situation of investors, emphasizing the need to conduct Investor Suitability Management based on the actual circumstances of investors, and to establish follow-up assessment clauses. If an investor has not made any transactions for a long time or if their situation changes, a redefinition of professional investors will be conducted.

(5) Financial Dispute Mediation Center. The establishment of the Hong Kong Financial Dispute Mediation Center (FDRC) was originally intended to better handle financial dispute issues in conjunction with investor protection funds. In the past, when financial disputes occurred, investors often complained to regulatory agencies, which would send personnel to investigate the financial institutions. If the problem lay with the financial institution, court intervention was necessary, as regulatory agencies lacked the authority to determine losses. In Hong Kong, loss determination is the responsibility of the courts. Once the court intervenes, it will handle the responsibilities of both parties in the dispute, which is a lengthy process. Clearly, the establishment of the Financial Dispute Mediation Center can enhance the efficiency of resolving financial disputes.

The Financial Dispute Mediation Center is currently not well developed, and can basically only handle small cases with dispute funds under 500,000 Hong Kong dollars. Its establishment is essentially aimed at better protecting the rights and interests of investors in the securities and futures industry, as retail investors are a vulnerable group in the capital market, and retail investors dominate the Hong Kong securities and futures industry. Therefore, the establishment of the Financial Mediation Center is very important.

(6) Market Misconduct Tribunal, The Market Misconduct Tribunal (MMT) is an adjudicative body composed of court judges and professionals from the securities market. Its predecessor was the 'Insider Trading Tribunal,' and its purpose is to adjudicate financial institutions involved in improper behaviors such as insider trading, ensuring a fair, just, and professional hearing of securities and futures cases. The Market Misconduct Tribunal aims for efficiency and convenience, but its ultimate purpose is still to protect the legal rights and interests of investors. To prevent the Market Misconduct Tribunal from gradually growing and forming a monopoly, if a party is dissatisfied with the tribunal's decision, they can also file a lawsuit in court after the decision is issued.

(7) Investor Education Center. The Investor Education Center (IEC) affiliated with the China Securities Regulatory Commission, was established on January 1, 2012, with the purpose of guiding investors in the securities and futures industry to enhance their self-protection awareness, rational investment awareness, and to cultivate high-level financial investors.

Currently, the Investor Education Center mainly engages in imparting basic knowledge of securities investment. Investors can learn about scientific investment concepts and financial management ideas through various promotional channels of the Investor Education Center. Professional investors can also share investment skills through the Investor Education Center. The Investor Education Center will categorize investors based on age, occupation, and other factors, designing different educational content for different investors.

The long-term development of the capital market is driven by investors, so educating investors is particularly crucial. From a management perspective, in addition to enhancing the matching degree between investors and suitable investment products, guiding investors towards rational investment is even more important. The establishment of the Hong Kong Investor Education Center helps to reduce the loss rate of investor funds, contributes to the effective utilization of funds, and plays an important role in the long-term healthy development of the Hong Kong capital market.

IV. RISKS THAT FUTURES INVESTORS MAY ENCOUNTER

(1) Market Risk. Market risk refers to the risk of price changes in derivative instruments caused by fluctuations in the market prices of underlying assets. Changes in the market prices of underlying assets include fluctuations in market interest rates,

exchange rates, and the prices of stocks and bonds. The market risk of a portfolio of investments is typically measured using metrics such as variance and Value at Risk (VaR).

Currently, China's securities and futures market is dominated by speculators who seek to obtain returns greater than risk-free returns through market price fluctuations, but this means they must bear the risk of price changes. Generally speaking, the greater the yield of a set of assets, the greater the risk; the long-term yield of a set of assets will be greater than the short-term yield, precisely because long-term investments face greater uncertainty, which equates to greater risk.

From the investor's perspective, some professional investors may use asset portfolios, hedging, and other means to mitigate a portion of non-systematic risk, but the uncertainty of market risk cannot be completely avoided, only minimized as much as possible. From the perspective of managers, it is not possible to impose requirements on market risk itself; instead, it is essential to enhance investors' awareness of risk management and cultivate sound investment philosophies to avoid it. This falls under investor education and is also a crucial aspect of investor protection.

Broadly speaking, market risk encompasses not only the uncertainties and asymmetric information of the futures market but also includes fluctuations in consumer demand, competitor behavior, and changes in policies and regulations. Sometimes, when investors make investment decisions solely based on their predictions of the market, it can lead to an imbalance of power between the long and short sides, resulting in severe fluctuations in futures prices over a short period. This also falls within the scope of market risk, and the outcome can lead to profits or losses for some speculators.

(2)Credit risk. Credit risk, also known as default risk, refers to the possibility of loss to investors due to the default of the securities issuer. Credit risk is also one of the unavoidable risks in the securities and futures industry. The root causes of credit risk can be traced to two main factors: first, significant events occurring within the investment enterprises, such as quality issues with products produced by the investment company that prevent sales, a break in the investment company's capital chain, or problems in the internal management of the investment company. Second, the impact of economic cycles. During periods of economic expansion, credit risk decreases because investments generally possess strong profitability, whereas during periods of economic contraction, credit risk increases as the overall profitability of investments is not optimistic.

Credit risk is different from other risks; in addition to uncertainty, it also carries a certain degree of subjectivity. For investors, credit risk is generally difficult to avoid because it cannot be directly reflected in disclosed information. It can only be simply assessed based on the company's past debt repayment and profitability. For managers, credit risk also cannot be directly avoided. Measures to reduce credit risk mainly include strengthening information disclosure, enhancing trading rules in the securities and futures market, urging listed companies to conduct regular credit ratings, and strengthening regulatory efforts.

(3) Regulatory and legal risks. Regulatory and legal risks refer to the risks that some listed companies, driven by profits, engage in illegal and non-compliant behaviors to exploit regulatory loopholes, evading oversight and causing losses to investors. Broadly speaking, regulatory and legal risks indicate the existence of regulatory loopholes at the regulatory level. Especially in recent years, with the extreme richness of financial innovation, the regulation of newly created financial derivatives has become exceedingly difficult. Overall, financial regulation tends to lag behind financial innovation. Narrowly defined, regulatory and legal risks refer to the regulatory work not being fully conducted according to the laws and systems of the securities and futures industry, where illegal activities have not been completely curtailed. In our country, the predominant issue is broad regulatory and legal risks, which are relatively rare.

For investors, regulatory and legal risks cannot be avoided by adjusting asset portfolios and conducting technical analysis; they can only invest as much as possible in traditional investment products with relatively sound regulation in our country, thereby reducing attempts to engage in emerging financial derivative products, but this also means potentially missing out on profit opportunities. For managers, when new financial derivative investment products emerge, they should promptly conduct risk analysis, anticipate risk outcomes, and establish risk limits, while periodically updating and improving legal provisions.

(4) Moral Hazard. Moral hazard refers to the possibility that after financial transactions between securities issuers and investors, due to information asymmetry, securities issuers may engage in behaviors detrimental to investors. Moral hazard can occur in any society at any time. In the securities and futures industry, once it arises, it can lead to financial losses for investors. The direct cause of moral hazard is still driven by interests.

A notable characteristic of the securities and futures industry is its high leverage, which significantly increases the likelihood of moral hazard. Additionally, due to the presence of many high-risk, high-return assets in the securities and futures industry, investment enterprises may utilize stock and bond financing to reinvest in risky assets rather than engaging in normal production activities. If the investment enterprise is financed through stocks, there is no need to repay the principal and interest, resulting in lower costs for the enterprise and a higher probability of moral hazard.

For investors, the consequences of moral hazard are very serious. To avoid it, one needs to start from the enterprise itself, carefully analyzing the company's fundamental production and profit situation, as well as any stock splits and dividend distributions. For managers, there are three effective measures to address moral hazard: one is to strengthen the company's credit rating, another is to enhance the information disclosure mechanism, and the third is to strengthen compliance management.

V. INSIGHTS AND RECOMMENDATIONS FOR DOMESTIC INVESTOR PROTECTION

(1) Optimize Futures Risk Control and Delivery System. Due to the high leverage characteristics of the futures market, risk management in this area should be a primary and long-term focus for market regulators. The risk control in the futures industry mainly involves controlling market risk, and specific internal control risk operations include the following: first, setting different risk limits based on different asset situations; second, appropriately increasing the margin collection ratio for high-risk investment products to reduce leverage; third, constantly monitoring long and short positions in the market to maintain a balance between them; fourth, being vigilant against excessive speculative behavior. The main operations for controlling external risks include strengthening regulation,

enhancing the authenticity of information disclosure, increasing penalties for illegal and irregular activities, and improving investors' risk management awareness. It is important to understand that the high leverage in the futures industry is a double-edged sword, and it is essential to keep risks within a certain range.

(2) Increase the penalties for illegal and irregular activities. Due to the underdeveloped and imperfect nature of our capital market, strengthening regulation is particularly important. Therefore, the penalties for illegal and irregular criminal activities should be increased to standardize the market. Only in this way can the capital market convey correct and valuable information, reduce information asymmetry in the capital market, and increase penalties to alert listed companies to operate seriously and disclose information diligently, avoiding any opaque operations.

With the continuous deepening of financial innovation, the improvement of relevant laws and regulations must also keep pace with the times. Improving relevant laws and regulations is one aspect, while strengthening regulatory efforts is another; both form and action must be considered simultaneously, and it is also necessary to re-examine the regulatory loopholes that existed in previous years, continuously identifying and addressing these gaps.

(3) Improve the Investor Suitability Management for Futures Investors. Investor Suitability Management is an important aspect of protecting investors' legal rights and interests. Article 88 of the new Securities Law enacted in 2019 stipulates that securities companies must assume the obligation of investor suitability. The relatively mature capital market in the United States is predominantly composed of institutional investors; however, China's capital market differs from that of developed countries in that a significant characteristic is the high proportion of retail investors, with institutional investors making up a smaller share. Among this high proportion of retail investors, non-professional investors account for about 90%, which means that the phenomenon of blindly following trends is quite common. Investors tend to follow whichever investment products are currently popular in the capital market. Additionally, there are some investors with substantial capital who lack risk awareness, as well as professional investors, those with many years of experience, and institutional investors. It is essential to distinguish among these types of investors. Market managers should classify the risks of different financial products and ultimately match them to the corresponding investors.

(4) Improve the information disclosure mechanism. Information disclosure in the futures market is a measure that can effectively reduce market risk and is an important regulatory system. Currently, our country has not issued specific laws and regulations targeting information disclosure in the futures market; the relevant provisions on information disclosure are all scattered in the 'Interim Regulations on Futures Trading', 'Measures for the Administration of Futures Exchanges', and 'Measures for the Administration of Futures Brokerage Firms', which mainly target futures exchanges and futures brokerage firms, and are then specifically implemented by the futures exchanges and futures brokerage firms. In my personal opinion, the improvement of the information disclosure mechanism lies, on one hand, in the enhancement of relevant laws and regulations, and on the other hand, in strengthening regulation. It is suggested that regulatory agencies clarify the content of disclosures, the intervals between disclosures, the timing of disclosures, establish unified disclosure standards, and emphasize the integrity of disclosures by listed companies. Strengthening the regulation of information disclosure may, when necessary, utilize scientific technology at the traditional regulatory level, inviting computer experts, artificial intelligence experts, and other professional technicians to participate in the solutions.

(5) Improve customer complaint and dispute resolution mechanisms. Improving the investor complaint and dispute resolution mechanism is an effective means of protecting the legal rights and interests of investors. In light of the complex situations of financial disputes in the securities and futures industry, it is recommended to carefully formulate the mediation amounts, mediation agreements, and mediation content for customer complaints and dispute resolution cases, categorizing different dispute cases. For example, disputes between investors and perpetrators of tortious acts such as insider trading and market manipulation, civil disputes between investors and operating institutions such as securities, funds, and futures, as well as other civil disputes in the securities and futures sector.

Improving the customer complaint and dispute resolution mechanism requires attention to the genuine feelings of investors involved in financial disputes. A method such as designing surveys can be employed to periodically gather feedback from financial investors regarding their views on the dispute resolution mechanism and to make timely adjustments.

(6) Strengthening Investor Education. For individual investors, it is essential to establish a correct risk awareness, maintaining a prudent attitude towards the risks of the capital market, and remaining highly vigilant against changes in risks brought about by fluctuations in yield and liquidity, avoiding blind conformity and following trends. In the context of a declining stock market, investors should avoid transmitting anxiety, refrain from inducing others, cultivate a normal financial management perspective and value system, and, where possible, enhance their own professional skills.

For regulatory agencies, there are two aspects to consider: on one hand, enhancing investors' financial management perspectives and risk awareness; on the other hand, improving investors' professional skills. In an era of advanced internet technology, regulatory agencies should seize the opportunity to utilize internet platforms for value education of individual investors and interpret higher-level policies for investors through online means.

(7) Improve Regulatory Loopholes. The existence of regulatory loopholes is the root cause of many illegal activities in the securities and futures industry. Due to the mixed regulation of the financial industry in our country, regulatory loopholes are inevitable. The existence of regulatory loopholes may be a favorable condition for publicly listed companies and financial institutions, but it has always been a significant threat to futures investors. This is also a major reason why some investors are hesitant to step into the capital market. Currently, the regulatory loopholes in our country's capital market include unclear boundaries of mixed operations, ambiguous relevant laws, inadequate market regulation, and lax supervision by grassroots personnel.

With the continuous deepening of financial innovation and the ongoing development of financial technology and intelligent engineering, the securities and futures industry may give rise to new behaviors that harm investor interests. In this regard, regulatory agencies should not merely set superficial legal provisions; they should establish clearer and more precise laws

and regulations, continuously update their supervisory management methods, examine regulatory loopholes, and remain vigilant at all times. Strictly examine whether new types of financial innovation businesses emerging in the market have behaviors that harm investors.

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