

## Interacting with investors

In Hong Kong where overseas corporations and investors play an active role in capital markets, local investors are inevitably subject to risks and volatility originating from other parts of the world. The relatively high participation of retail investors in riskier investments with a derivative element only exacerbates their risk exposure to financial markets, which are increasingly interconnected.

To ensure that investors' interest is not compromised amid market growth, educating the investing public has been our key task further to maintaining a sound regulatory framework. In view of the sophistication of our markets, we endeavour not only to help investors keep up with product and market knowledge, but more importantly, to promote a responsible investing attitude.

In last year's volatile market, our education efforts often tied in with market development to help investors react promptly to changing circumstances. To stay close to the public, our personnel handle enquiries and complaints from those in need on a daily basis, which in turn helps us formulate our educational messages to clarify common misconceptions and help investors avoid investment scams.

In light of the full implementation of a package of new measures to enhance investor protection, we also continued to remind investors of their rights when being sold investment products.

### Fostering responsible attitude

As part of our efforts to urge investors to adopt a responsible attitude towards investing, we launched in October a television commercial (TVC) with the slogan "Invest prudently/Signing means responsibility." As a sequel to the "Ask me" TVC in 2009, the new TVC has been aired for over 1,100 times on various television channels and financial Web sites. In addition to reminding investors to think twice before signing a document, the TVC also highlights investors' rights and responsibilities under the new investor protection measures.

### Utilising electronic-media

We deployed the mass media considerably to reach out to as wide a range of target audiences as possible. During the year, we used approximately 1,800 airtime spots on television, another 90 on radio and 1,600 on public transport channels to broadcast our investor education messages.

- **'Outsmart II':** Riding on the success of the "Outsmart" television quiz show, we sponsored the production of the 10-episode sequel for broadcast on TVB Jade in February 2012. Programme host Dodo Cheng Yu Ling quizzed celebrities and artistes on their knowledge of various topics, including, investor protection, product risks and trading procedures. The correct answers were given by academic experts. Interested members of the public also could try answering the questions through a mobile application.



TV campaign: "Invest prudently Signing means responsibility"

- **'ATM'**: We also sponsored 20 investor education-related questions to be asked in the interactive quiz aired on now TV during the third quarter of 2011.
- **'Pointers for Investing'**: In March 2012, we launched the brand new three-minute-per-episode series on now TV, Cable TV and various popular news Web sites to explain the features and risks of popular investments. Topics covered included renminbi products, ETFs, derivative warrants and margin trading. Investors also were reminded of the importance of placing clear order instructions and tracking trading documents.



Brand new series "Pointers for Investing" on television channels and news Web sites

- **'InvestTalk'**: From November 2011 to January 2012, the 13-episode radio interview programme was broadcast on Metro Finance, featuring celebrities sharing their investment experience and an SFC representative explaining some dos and don'ts of investing.
- **Programmes on renminbi products**: In light of the emergence of RQFII funds, we explained the new product class on Commercial Radio Hong Kong (CRHK) in January 2012. Earlier in April 2011, we also helped investors understand the trading and clearing arrangements of listed renminbi securities over the financial programmes on CRHK and Radio Television Hong Kong. In addition, interviews with market professionals were aired on now TV and published in Hong Kong Economic Journal from April to May 2011 to shed light on how to invest wisely in renminbi securities.
- **'Smart on Bonds' webcast**: From April to May 2011, we placed five interview clips on the Ming Pao Web site to feature market professionals discussing topical issues on bond investing. The topics include interest rate risk and liquidity risk common to bond as an asset class, key features and risks of renminbi bonds, and the additional risks of investing in bond funds.
- **Other infomercials and videos**: We continued to run the 20-second infomercial series "Know the Protection Measures" hosted by To Kit to explain the new measures relating to sale of investment products on various television channels. On an ongoing basis, we also broadcast timely investor educational messages to help the public keep up with key features and risks of popular products and IPO investing.

## Sounding alerts

Given persistent market volatility during the year, we frequently cautioned investors against potential risks. Through news releases and the *InvestEd Intelligence* newsletter, we explained, for instance, how margin calls worked with leveraged foreign exchange trading, stock, futures and options and reminded investors of their primary responsibility to maintain the required level of margin requirements.

We also drew investors' attention to various risks and trading misconceptions about derivative products, eg, warrants and callable bull/bear contracts, through our *Headline Daily* column.

We revise and expand the Alert List on our InvestEd site ([www.InvestEd.hk](http://www.InvestEd.hk)) regularly. In the past 12 months, we added a total of 171 new unlicensed entities, suspicious Web sites, fake regulators and market operators to the list, which seeks to help the public identify and stay guarded against those entities believed to be, or to have been, targeting investors or claiming to have an association with Hong Kong, with the ulterior objective of making money from unsuspecting individuals.

## Reinforcing new investor protection measures

Upon the full implementation of the package of new investor protection measures, we issued a booklet entitled "Know Your Rights in the Sales Process" to conclude all the new measures launched since June 2010. A story line was deployed to explain in plain language each measure relating to different stages of a product sale. These stories also were published in three local newspapers during November 2011 to January 2012.

We also issued a new edition of another booklet to help investors understand how to use KFS of funds, investment-linked assurance schemes and unlisted structured investment products.

Meanwhile, finer points of the new investor protection measures were explained in our bi-monthly e-newsletter *InvestEd Intelligence* and regular column in *Headline Daily*.

## Enriching online learning

Our investor education site continued to be a major platform to disseminate information to the public. Last year, we added 39 articles and 94 videos and audio clips to our InvestEd site and revised certain sections to reflect the latest market development. Besides covering the investor protection measures, new online articles also discussed topical investment issues, including iBond<sup>1</sup>, stapled securities<sup>2</sup>, synthetic ETFs and new classes of renminbi investments.

To encourage the public to visit our InvestEd site we also ran promotion initiatives on popular local search engines – Yahoo! Hong Kong and Google Hong Kong. In the past 12 months, we have drawn 1,465,877 visits to our site.

## Reaching out to investors

Besides using the mass media and online platforms, we also send staff into the community to reach out to different segments with the mission of fostering a proper investing attitude. In the process, we also aim to enhance the public's understanding of the working of the securities and futures markets.

<sup>1</sup> Inflation-linked bond

<sup>2</sup> Listed business enterprises with a trust structure

In the past year, we hosted a total of 57 seminars and workshops serving 8,465 public participants. Our audience included various community groups, students from secondary schools and tertiary institutions, the police force and civil servants.

We continued to explore new ways to provide investor education to the community. We approached the salaried class by arranging seminars for the staff of participating companies. By collaborating with the Elder Academy of The Open University of Hong Kong (OUHK) and the Elder Academy of Lingnan University, we also extended our reach to more mature citizens.

Our annual Investor Day held in February 2012 featured “market focus” as its theme. Jointly organised with OUHK, the full-day seminars attracted over 700 public participants. Academics and market professionals discussed hedging strategy in a volatile market, points to note when investing overseas, and how the new HSI Volatility Index works. Attendees also were reminded to adopt a proper attitude when investing in stock and bond markets.



Investor Day jointly held with Open University of Hong Kong

Earlier in June 2011, we co-organised the fifth annual seminar with the Hong Kong Society of Financial Analysts (HKSFA), attracting over 300 members of the public. Representatives from the industry and the HKSFA shared their views on how investors should read the prospectus of an IPO, investment strategies to combat inflation as well as popular topics such as REITs and the outlook on renminbi.

### Investor-related activities

	2011/12	Change	2010/11	Change	2009/10
Educational booklets and articles	128	-8%	139	-6%	148
Participants in talks, seminars and workshops	8,465	-8%	9,223	13%	8,185
No. of times of broadcast of educational messages on radio/TV	4,265	24%	3,448	14%	3,024
InvestEd Web site average daily page views <sup>1</sup>	37,236	71%	21,830	29%	16,916
NAV of all compensation funds (\$ million)	2,157.9	2%	2,113.8	4%	2,023.8
■ Unified Exchange Compensation Fund	62.7	2%	61.6	5%	58.7
■ Investor Compensation Fund	2,095.2	2%	2,052.2	4%	1,965.1

<sup>1</sup> The figures refer to the average number of Web pages browsed per day during the reporting period.

## Addressing public concerns, grievances

We received 1,969 complaints, 330 of which were reviewed by our various operational divisions, including 108 cases investigated by our Enforcement Division. In addition, 121 of them were referred to HKEx or other relevant financial regulators.

### Public complaints overview

Nature of complaints	2011/12	2010/11
Conduct of licensed intermediaries and registered institutions	<b>437</b>	429
Listing-related matters and disclosure of interests	<b>462</b>	483
Market misconduct	<b>465</b>	415
Products	<b>5</b>	11
Other financial activities	<b>439</b>	393
Miscellaneous	<b>16</b>	3
Subtotal	<b>1,824</b>	1,734
Complaints related to Lehman Brothers	<b>145</b>	203
Total	<b>1,969</b>	1,937

## Compensating investors

The Investor Compensation Fund is set up under Part XII of the SFO and managed by the Investor Compensation Co, Ltd (ICC), a subsidiary of the SFC. It provides statutory compensation to investors when a licensed brokerage or registered institution goes into default. Each claimant is entitled to a maximum compensation of \$150,000 for losses relating to securities trading and futures contracts respectively.

Under our supervision last year, the ICC continued to process remaining claims for clients of a brokerage that went into default in the past and claims against three brokerages relating to individual disputes; one claim was rejected.

## Reaching out

	2011/12	Change	2010/11	Change	2009/10
Press releases issued	<b>151</b>	-6%	161	7%	151
Consultation papers issued	<b>7</b>	17%	6	0%	6
Consultation conclusions issued	<b>6</b>	-33%	9	350%	2
Technical publications	<b>6</b>	-33%	9	0%	9
Codes and guidelines issued	<b>8</b>	33%	6	500%	1
Corporate Web site average daily page views <sup>1</sup>	<b>216,660</b>	29%	168,212	46%	115,290
Public enquiries	<b>8,448</b>	-8%	9,193	-12%	10,434
Public complaints <sup>2</sup>	<b>1,969</b>	2%	1,937	-29%	2,742

<sup>1</sup> The figures refer to the average number of Web pages browsed per day during the reporting period.

<sup>2</sup> The figures reflect the number of complainants.