

Intermediaries & Investment Products

Our mission is to protect investors and uphold market integrity and confidence. We establish a robust regulatory platform, continue to raise standards among our market intermediaries, and provide room and support for market growth and innovation.

Achievements

- Protected investor interests
 - Secured public support including that of the Panel on Financial Affairs of LegCo to reform securities margin financing regulation
 - Ring-fenced the operations and client assets of problem licensed firms
 - Required disclosure in a timely manner of clear, accurate and up-to-date information in the offering documents of authorised investment products
 - Investigated 44 cases of pricing errors and secured compensation to the affected funds/investors in 27 cases

- Enhanced Hong Kong's position as an asset management hub in Asia
 - Developed the Hong Kong REIT market – authorised three REITs with a total market capitalisation of \$42 billion; and relaxed the geographical restriction on overseas investments and gearing ratio of SFC-authorised REITs
 - Authorised Asia's first bond index-tracking ETFs, facilitating the development of a deeper, more liquid and mature bond market in the Asian region; the total net asset value was about US\$1,377 million as at end of 2005

- Allowed SFC-authorised schemes to invest in listed REITs
- Revised the Hedge Fund Guidelines to increase transparency and recognise a greater scope of experience for fund manager personnel
- Approved nearly 90% of UCITS III fund applications received
- Handled more licence applications of non-conventional fund managers (e.g. REITs, hedge funds, etc)
- Fine-tuned the SFO to allow licensed asset managers to provide advice on their own funds without an adviser licence

- Promoted prudential soundness and raising professional standards
 - The securities industry is financially more sound – total shareholders' fund increased to \$80 billion
 - Proposed measures to tighten regulation of sponsors and compliance advisers
 - Signed a MOU with the Insurance Authority to enhance regulatory co-operation of insurance-related investment products
 - Revised anti-money laundering regulation to match new international standards

This Chapter Is About

- Protecting investor interests
- Facilitating business development
- Raising professional standards
- Operational functions

- Impose authorisation requirements on investment products offered to the public and their advertisements
- Monitor disclosures and ongoing compliance of authorised investment products
- Develop regulatory platform to facilitate market growth and innovation

What We Do

- Act as the gatekeeper of the industry, by licensing only those individuals and firms that are fit and proper to conduct regulated activities
- Monitor the financial positions of licensed firms and supervise their business conduct
- Raise the professional standards of intermediaries

What We Did

Our primary objective is to protect investors. We recognise that investors expect licensed persons to be fit and proper, adopt high standards and act in the investors' best interests.

To achieve this, our robust licensing regime ensures that only fit and proper persons are licensed to conduct regulated activities. During last year, our licensee base reached a new milestone of 25,000 in November 2005, and the number of licensees as at 31 March 2006 was 13% higher than a year ago at 25,691 (Table 1).

**Table 1 – Number of licensees
As at 31 March 2006 (Figures as at 31 March 2005 in brackets)**

	Corporations		Representatives		Responsible officers		Total	% Change	
SEHK Participants	411	(394)	7,793	(7,613)	1,220	(1,146)	9,424	(9,153)	3%
HKFE Participants	115	(113)	380	(377)	63	(54)	558	(544)	3%
SEHK and HKFE Participants	22	(11)	1,063	(549)	128	(61)	1,213	(621)	95%
Non-Participants	742	(714)	11,974	(10,150)	1,780	(1,544)	14,496	(12,408)	17%
Grand Total	1,290	(1,232)	21,210	(18,689)	3,191	(2,805)	25,691	(22,726)	13%

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We have an ongoing risk-based supervision programme of intermediaries. We prioritise our resources towards resolving regulatory issues that have significant market impact, which may result in a contagion effect or substantial investor losses. By exercising both prudential and conduct supervision to identify and reduce risks as far as possible, we seek to promote high standards amongst practitioners because investors rely heavily on practitioners' skills, integrity and professionalism.

Our investment product approval and monitoring processes also require that SFC-authorized schemes have the necessary structural safeguards and relevant disclosures for investors to make informed investment decisions. Further, we respond to market developments and, where appropriate, review our codes and guidelines to assist market practitioners and facilitate the introduction of new investment products to the Hong Kong market.

The annual Fund Management Activities Survey found that total assets under management or advice in the fund management business in Hong Kong amounted to about \$3.6 trillion as at the end of 2004, an increase of 23% compared with the previous year.

Protecting investor interests

No regulatory regime can ensure zero failure. Firms may fail due to market volatility and business risks. Our aim is to ensure that such firms, as far as possible, make an orderly exit and minimise any adverse impact on the investing public and the reputation of Hong Kong as an international financial centre. We also emphasise the ongoing role senior management play to properly manage the business risks of their firms.

With an intensive risk management programme since 2000, the brokerage industry is financially more sound. Total shareholders' fund of the industry was \$80 billion as of end of 2005. We are now able to focus on intermediary conduct issues, especially those relating to investment advisers, sponsors and fund managers. During the year, we undertook cross-sector supervisory activities covering fund managers, brokers, investment advisers and corporate

finance advisers. These activities included theme inspections to examine whether there are any gaps in the compliance standards of intermediaries and the applicable regulatory requirements.

✔ **Securities margin financing**

Over the past few years, our first priority was managing down the margin financing risks of brokers. Robust measures have been put in place and rigorously enforced. A major piece of the regulatory fabric – specific limits to reduce the pooling and re-pledging risks in margin financing – is in the legislative process. We reported our work status to the Legislative Council in a meeting of the Panel on Financial Affairs in February 2006. Practically all members supported the direction of our proposal. We issued the consultation conclusions on 7 April 2006. Upon implementation, that will provide an effective tool to manage down risks and bring Hong Kong closer to international best practice.

Furthermore, in June 2005, we imposed licensing conditions on a securities firm to ensure that it adopted prudent margin lending practices and strengthened its risk management.

✔ **Safeguard investor interests in cases of fraud and other concerns**

There were some reported cases of misappropriation of client assets by staff of brokerage firms towards the year-end. We required the affected firms to ensure adequate financial resources, take appropriate and timely measures to ascertain and deal with clients' losses and strengthen their internal controls. In addition, we issued a circular on 8 March 2006 to all brokerage firms requiring senior management to take immediate steps to strengthen anti-fraud controls and management supervision. We also reminded investors to stay vigilant.

Some of our licensed firms have group companies overseas whose viability and reputation may adversely impact the local firms. In September 2005, we conducted an onsite inspection of the three licensed firms related to Banco Delta Asia S.A.R.L. (BDA) immediately after BDA was designated as a "primary money laundering concern" by the US Treasury Department, in order to monitor those

firms' financial positions and ensure proper safeguard of clients' interests. We also ensured that those firms took appropriate measures to ring-fence their operations and strengthen their management oversight.

Furthermore, upon the reporting of fraud committed by the chief executive of Refco Inc. in October 2005, we immediately required the two licensed firms under the Refco group in Hong Kong to take measures to contain risk to investors and counterparties.

✔ Proper disclosure in offering documents of authorised investment products

During an inspection, we noted that Allianz Global Investors Hong Kong Ltd (AGI), formerly known as Allianz Dresdner Asset Management Hong Kong Ltd, had failed to change its offering documents regarding the valuation time of four authorised funds after it had effected a change more than four years ago. AGI settled the case with us in July 2005, without admission of liability, by voluntarily making ex-gratia payment to the affected funds, engaging a firm of accountants to independently review its internal control procedures and undertaking to implement all recommendations arising out of the review.

✔ Fund investors compensated for pricing errors

The Code on Unit Trusts and Mutual Funds sets out the circumstances under which investors should be compensated in the case of pricing errors. Last year, we investigated 44 cases of pricing errors. We required the responsible fund managers to rectify the situation and enhance their internal controls in all those cases. Compensation was made by the responsible parties to the funds and the investors concerned in 27 cases.

✔ Thematic review on stockbrokers active in derivative warrants trading

We conducted a thematic review of the trading practices adopted by some stockbrokers that were particularly active in derivative warrants trading. We also continued to monitor these firms to assess the adequacy of their controls over the associated credit and liquidity risks.

Facilitating business development

✔ Intermediaries

✔ Focus licensing team

We set up a focus team in October 2004 to handle the licence applications and answer enquiries of fund managers of non-conventional products, such as hedge funds and REITs. Last year, we received over 30 licence applications from these managers.

✔ Balanced approach to facilitate business development

We facilitate business development by flexibly applying our rules and regulations under circumstances where investor interests would not be compromised. During the year, we granted 68 modifications or waivers in respect of statutory requirements or licensing conditions to 73 licensed persons and applicants. We approved 43 applications for subordinated loans worth about \$13 billion and granted 20 modifications and waivers regarding Securities and Futures (Financial Resources) Rules (FRRs), introducing agents and Securities and Futures (Professional Investor) Rules. We also approved two applications for associated entities to conduct other business.

✔ Fine-tuned scope of regulated activities

Further to a consultation in 2004-05, Schedule 5 to the SFO was amended and came into effect on 6 January 2006. The changes concerned licensing of REIT managers, allowing approved money brokers who represent authorised financial institutions to deal in securities without a dealer licence, and allowing licensed asset managers to provide advice on their own funds without an adviser licence.

✔ Dialogue with the industry

We issued 33 circulars to the industry about anti-fraud controls, business continuity arrangement, prudent risk management, anti-money laundering and combat of terrorist financing, etc. We also gave 50 talks on regulatory issues and industry developments such as REITs, hedge fund, wealth management and selling practices. We posted frequently asked questions and answers on the SFC website to assist practitioners.

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✓ More choices in professional training

We approved the City University of Hong Kong's Department of Economics & Finance as an additional recognised institution for providing Continuous Professional Training (CPT) courses. In addition, we approved the Hong Kong Securities Institute's Professional Diploma in Financial Markets as a recognised industry qualification and local regulatory framework paper towards meeting the licensing competence requirements.

✓ Products

✓ Authorisation of REITs

Following public consultation, the Code on REITs was revised in June 2005 to allow investments in overseas properties and raise the gearing ratio of a REIT from 35% to 45% of total gross assets. The latter was intended to provide REITs with more financial flexibility in making property investments, particularly in overseas jurisdictions due to different tax structures and the need to match assets and liabilities to manage foreign currency exposure.

We introduced a Practice Note on Overseas Investments by SFC-authorized REITs to elaborate on the application of the code provisions in the context of overseas investments.

During the year, we authorised the first three REITs in Hong Kong, namely the Link REIT, which is the biggest REIT IPO to date worldwide; the Prosperity REIT; and the GZI REIT, which is the first REIT with 100% investment in Mainland China properties. As of 31 March 2006, the total market capitalisation of the three REITs amounted to \$42 billion.

In line with our commitment to allow special product features to the extent that they are formulated in a fair and objective manner and in line with prevailing market practice, we have allowed the authorised REITs to incorporate features such as payment of management fees by way of units and the payment of transaction-based fees, namely disposal fees and acquisition fees.

The launch of SFC-authorized REITs sets the stage for the development of a new breed of asset managers, namely REIT managers, thus further augmenting the range of capabilities among the asset managers in Hong Kong. More importantly it paves the way for the development of Hong Kong as a regional REITs hub. Issuers in Asia are likely to choose Hong Kong as the preferred choice, given the breadth and depth of Hong Kong's capital market.

In December 2005, we announced a policy to require that provisions substantially equivalent to those in Part XV (Disclosure of Interests) of the SFO be adopted in trust deeds of REITs. As a result, holders of REIT units are required to submit to the relevant REIT manager and SEHK notifications of interests upon the attainment of the 5% disclosure threshold and other changes thereto in accordance with the relevant trust deed, in the same manner as the disclosure of interests in shares of listed companies.

✓ Asian Bond ETFs

We authorised the first bond index-tracking Exchange Traded Funds (ETFs) in Asia under the Asian Bond Fund (ABF) 2 project. The ABF Hong Kong Bond Index Fund and the ABF Pan Asia Bond Index Fund were both authorised in June 2005, and listed on the SEHK in June and July 2005 respectively. We are pleased to have played a key role in this project as it provides a new class of investments for Hong Kong investors and demonstrates greater regulatory co-operation within the Asian region. ABF2 is phase two of the ABF project, which is an initiative spearheaded by the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP). The impetus for the project is the recognition of a need to develop a deeper, more liquid and mature bond market in the region. As at the end of 2005, the approximate net asset values of these two



The offer of the Link REIT units in November was the world's largest REIT IPO.

bond index funds amounted to US\$275 million and US\$1,102 million respectively.

✓ Processing of UCITS Funds

European based UCITS I funds need to be compliant with the UCITS III requirements at the latest by February 2007. We introduced interim measures in March 2005 to facilitate the changeover of those that are authorised for sale in Hong Kong. As of 31 December 2005, we had approved nearly 90% of the 1,000 plus UCITS III fund applications received. We continued our dialogue with the industry to work out the best possible means to process UCITS III fund applications, in particular those funds with innovative product features.

✓ Review of Hedge Fund Guidelines

With the introduction of our Hedge Fund Guidelines in May 2002, Hong Kong became one of the first jurisdictions to authorise hedge funds for retail distribution. In response to market developments, we conducted a public consultation on the Guidelines in May 2005 with an aim to: adopt a holistic approach to the assessment of hedge fund managers through recognising an expanded scope of experience of fund manager personnel such as proprietary trading; increase transparency of the management company's operations in offering documents; and consolidate and codify regulatory practices. The revised Guidelines took effect on 30 September 2005.

✓ Investment in listed REITs

After public consultation, the Code on Unit Trusts and Mutual Funds was revised in April 2005 so that collective investment schemes authorised under the Code are allowed to invest in listed REITs worldwide.

✓ Streamlining of authorisation process

We aim to be pragmatic in our approach to product authorisation without compromising investors' interests. To this end, fast track procedures were included in the interim measures to facilitate and expedite the processing of UCITS III fund applications which did not intend to use the expanded investment powers. We also clarified that certain notices issued by fund managers to investors which pertain to routine operational and administrative matters would not require our prior approval.

Raising professional standards

✓ Enhancing regulation of sponsors and compliance advisers

We published the Consultation Paper on the Regulation of Sponsors and Compliance Advisers in June 2005. The Consultation Paper proposed to introduce a set of specific eligibility criteria and ongoing obligations for corporate finance advisers who carry out the work of sponsors and compliance advisers. With the objective to raise the overall standards of sponsors and compliance advisers, these specific eligibility criteria and ongoing obligations will be integrated into the existing licensing regime under the SFO.

✓ Regulation of insurance-related investment products

To enhance co-operation, exchange of information and mutual assistance, we signed a MOU with the Insurance Authority in December 2005. Under the MOU, both parties agree to foster closer co-operation in the regulation of insurance-related investment products and the sharing of information of persons who are regulated under the respective supervisory regimes.

✓ Revised anti-money laundering regulation

In order to match the new international standards developed by the Financial Action Task Force on Money Laundering (FATF), we revised the Guidance Note on Prevention of Money Laundering and Terrorist Financing in October 2005. The revised Guidance Note provides



An SFC staff spoke at an anti-money laundering seminar in Hong Kong for compliance officers.

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additional guidance on practical measures that firms are expected to take in order to prevent money laundering and terrorist financing.

The revised Guidance Note has become effective from 30 April 2006. To raise public awareness and help the industry implement it, we have given seminars since November 2005.

✔ Strengthened business continuity arrangement of intermediaries

In view of the threats of business interruption arising from the 6th Ministerial Conference of the World Trade Organization (MC6) in October 2005, we conducted a theme inspection to review the business continuity arrangement of selected firms. We issued two circulars in November 2005, providing practical guidance on measures that firms might take.

We issued another circular in December 2005 to draw intermediaries' attention to the importance of taking reasonable precautions against avian flu to minimise impact on their operations and their clients.

We will continue to review the business continuity arrangement of licensed firms this year.

Operational functions

Market activities have continued to expand and increase in complexity and, with them, regulatory issues. During the

year, we have had to reallocate our staff resources in accordance with our assessment of the risks posed by these issues on investors, and the impact and contagion that such risks would have on the market. We will continue to devote resources in accordance with our risk-based approach in the coming year. This necessarily requires us to keep under constant review our work priorities and our allocation of resources so as to ensure that we dedicate our time and effort to deal with what is important and necessary in a measured manner for the benefit of the market overall. To this end, we have started reviewing our performance pledges with a view to reflecting market changes, investors' needs and our priorities.

✔ Licensing

The number of applications for licence has increased by 16% to 5,704¹ (Table 2). As with previous years, applications for dealing in securities and advising on securities constitute the majority of the new licence applications. However, we saw a significant increase in applications for asset management (54 corporate and 862 individual applications received), demonstrating Hong Kong's advancement as a major international fund management centre.

During the year, 105 applications were withdrawn because they failed to meet the competence requirements. To protect investors and market integrity, we imposed licensing conditions on 2,444 new licensees to ring-fence their scope of activities.

Table 2 – Applications for licence/regulated activity
For the period from 1 April 2005 to 31 March 2006 (Previous year's figures in brackets)

Applications	Business corporations		Individuals		Responsible officers		Total		% Change
	Licence		Licence		Licence		Licence		
Received	113	(119)	5,275	(4,429)	316	(367)	5,704	(4,915)	16%
Approved	108	(110)	5,199	(4,316)	318	(317)	5,625	(4,743)	19%
Refused	0	0	0	0	0	0	0	0	0%
Withdrawn	7	(2)	67	(70)	31	(12)	105	(84)	25%
	Regulated activity		Regulated activity		Regulated activity		Regulated activity		% Change
Received	159	(185)	11,318	(9,874)	499	(663)	11,976	(10,722)	
Approved	155	(160)	11,224	(9,706)	516	(550)	11,895	(10,416)	14%
Refused	0	0	0	0	0	0	0	0	0%
Withdrawn	10	(6)	108	(104)	52	(25)	170	(135)	26%

1. 2,868 applicants also opted for the fast track provisional licence.

✓ Supervision

Benefiting from a 23% increase in the total value of transactions and active fund raising activities, the reported

total operating income of the securities industry increased by 15% in 2005. However, the industry's profitability dropped due to increase in total overheads.

Table 3 – Statistical information relating to the Hong Kong securities market¹

	As at 31/12/2005	As at 31/12/2004
Total number of active cash clients ²	625,775	609,281
Total number of active margin clients ²	72,290	76,546
Balance sheet	(HK\$ million)	(HK\$ million)
Cash in hand and at bank ³	106,798	100,547
Amounts receivable from margin clients ⁴	14,639	15,065
Amounts receivable from clients and other dealers arising from dealing in securities	102,724	64,697
Proprietary positions	96,892	77,134
Other assets	118,124	60,458
Total assets (+38%)	439,177	317,901
Amounts payable to clients and other dealers arising from dealing in securities	155,237	112,728
Total borrowings from financial institutions	102,171	56,264
Short positions held for own account	34,480	26,552
Other liabilities	67,093	46,883
Total shareholders' fund	80,196	75,474
Total liabilities and shareholders' fund (+38%)	439,177	317,901
	12 months to 31/12/2005	12 months to 31/12/2004
Profit and loss	(HK\$ million)	(HK\$ million)
Total value of transactions ⁵	20,367,924	16,608,214
Net securities commission income	18,531	17,610
Gross interest income	4,526	2,354
Other income ⁶	32,811	28,810
Total operating income (+15%)	55,868	48,774
Total overheads and interest expense ⁷	(46,378)	(37,832)
Total operating profit (-13%)	9,490	10,942
Net profit on proprietary trading	1,657	1,540
Net profit (-11%)	11,147	12,482

1. The above data were extracted from the monthly Financial Returns submitted in accordance with the Securities and Futures (Financial Resources) Rules by licensed corporations licensed for dealing in securities or securities margin financing. Figures reported by an overseas incorporated licensed corporation which carries out its principal business activities outside Hong Kong and operates in Hong Kong as a branch office were excluded from the above two years' figures.

2. Active clients are clients for whom the licensed corporation is required to prepare and deliver monthly statements of account in respect of the relevant reporting month in accordance with the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules.

3. Cash in hand and at bank includes trust monies held on behalf of clients amounting to \$38,496 million (2004: \$27,345 million).

4. Average collateral coverage (the number of times the aggregate market value of securities collateral deposited by clients covers the amounts receivable from margin clients on a given date on an industry-wide basis):

As at 31/12/2005	As at 31/12/2004
4.8	4.9

5. The value of transactions includes trading in equities and bonds both in Hong Kong and overseas.

6. Other income mainly comprises corporate finance income, fund management income, inter-company charges and others.

7. Total overheads include salary and staff benefits paid to non-commission based staff of licensed corporations. Commission paid to account executives and others is included in the net securities commission income.

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✓ Risk-based and objective-driven regulatory approach

During the year, we allocated more staff resources to deal with regulatory issues and conduct more focused inspections on a risk-based monitoring approach, including reviews into fund managers, stockbrokers actively trading in derivative warrants and business continuity arrangement of licensed firms.

We inspected 140 firms (109 routine inspections and 31 special inspections) and carried out 21 prudential meetings. We noted 439 rule breaches during our inspections (Table 4). Inspections are conducted not only as a means of detecting breaches, but also to help intermediaries maintain and raise their standards. While breaches of criminal provisions in the SFO and serious misconduct were referred to the Enforcement Division for investigation and further action, we issued letters of deficiencies in less serious cases and technical infractions.

Through our onsite inspections and ongoing monitoring programmes, we worked with certain intermediaries to find ways to strengthen their financial positions and internal controls, and to rectify improper business practices.

Discussions with senior management of those intermediaries yielded positive results in most cases.

✓ Investment products authorisation

As at 31 March 2006, the total number of SFC-authorized investment products stood at 2,667, an increase from the previous year's 2,553 (Table 5). During the year, 355 products were newly authorised, while 241 products were withdrawn.

While standard bond and equity funds still comprised the bulk of the funds population, specialised investment products such as guaranteed funds remained popular over the past year. At the year-end, there were 309 authorised guaranteed funds. There were 13 authorised hedge funds as at the year-end, with an aggregate net asset value of US\$1.038 billion.

Table 4 – Breaches by licensed corporations noted during SFC inspections

Nature of breaches	Total number of breaches	
	2005-06	2004-05
Failure to comply with Financial Resources Rules	6	17
Failure to safekeep client securities	7	32
Failure to maintain proper books and records	26	20
Failure to safekeep clients' money	26	25
Unlicensed dealing & other registration issues	6	20
Breach of licensing condition	3	4
Breach of requirements of contract notes/statements of account/receipts	20	48
Failure to make filing/notification	1	5
Breach of margin requirements	8	6
Marketing malpractices	2	3
Illegal short selling of securities	2	1
Breach of Code of Conduct	150	280
Breach of Code on Unit Trusts & Mutual Funds	3	2
Breach of Corporate Finance Adviser Code of Conduct	3	6
Breach of Fund Manager Code of Conduct	17	16
Non-compliance with anti-money laundering guidelines	6	10
Breach of other rules and regulations of the Exchanges	9	7
Internal control weaknesses	118	201
Others	26	37
Total	439	740

Issuers are required to seek our prior approval of any advertisements or marketing materials for the public. In the past year, we authorised 6,620 product advertisements.

Amid positive market sentiment and investment environment, the aggregate net asset value of all authorised unit trusts and mutual funds rose 21% during the year to US\$668 billion as at 31 December 2005 (Table 6). Funds authorised in Hong Kong continued to show a strong international flavour (Table 7).

Table 5 – Number of authorised investment products

	As at 31/3/2006	As at 31/3/2005
Unit trusts and mutual funds	1,998	1,942
Investment-linked assurance schemes	197	177
Pooled retirement funds	37	37
MPF master trust schemes	44	45
MPF pooled investment funds*	280	274
Others#	111	78
Total	2,667	2,553

* There are 122 funds included in this category that are offered both as retail unit trusts as well as pooled investment funds for MPF purposes.

Other schemes comprised 97 investment-linked deposits, 11 paper gold schemes and 3 REITs.

Table 6 – Authorised unit trusts and mutual funds as at 31 March 2006

	Number	%	Total NAV* (US\$ million)	%
Bond	318	17.3	147,379	22.1
Equity	916	49.9	356,731	53.4
Diversified	111	6.0	37,650	5.6
Money market	51	2.8	92,574	13.9
Fund of funds	84	4.6	5,528	0.8
Index	28	1.5	8,970	1.3
Guaranteed	309	16.8	16,455	2.5
Hedge	13	0.7	1,038	0.2
Other specialised#	7	0.4	1,260	0.2
	1,837	100	667,585	100
Umbrella structures	161			
No. of authorised funds	1,998			

* Net Asset Value as at 31 December 2005

Includes: Futures & Options Funds & Leveraged Funds

Table 7 – Origin/net asset value of authorised unit trusts and mutual funds as at 31 March 2006

	Umbrella number	Sub-funds number	Single funds number	Total number	%	Total NAV* (US\$ million)	%
Hong Kong	16	59	28	103	5.2	9,374	1.4
Luxembourg	51	906	11	968	48.4	455,702	68.2
Ireland	43	299	8	350	17.5	134,083	20.1
Guernsey	3	33	1	37	1.9	5,109	0.8
United Kingdom	3	39	8	50	2.5	32,133	4.8
Bermuda	1	20	5	26	1.3	2,550	0.4
British Virgin Islands	5	12	9	26	1.3	2,683	0.4
Cayman Islands	38	338	54	430	21.5	24,205	3.6
Others	1	2	5	8	0.4	1,746	0.3
No. of authorised funds	161	1,708	129	1,998	100	667,585	100

* Net Asset Value as at 31 December 2005 (excluding "umbrella funds")