

Activity and Market Data

Table 1 Number of authorised investment products

	As at 31/03/2007	As at 31/03/2006
Unit trusts and mutual funds	1,980	1,998
Investment-linked assurance schemes	201	197
Pooled retirement funds	37	37
MPF master trust schemes	38	44
MPF pooled investment funds*	287	280
Others [#]	143	111
Total	2,686	2,667

* 124 funds included in this category were offered both as retail unit trusts as well as pooled investment funds for MPF purposes.

Other schemes comprised 125 investment-linked deposits, 12 paper gold schemes and six REITs. The market for investment-linked deposits continued to expand with more exotic product features last year. There was a 29% jump in the number of authorised schemes from a year ago.

Table 2 Authorised unit trusts and mutual funds as at 31 March 2007 — breakdown by type

	Number	%	Total NAV* (US\$ million)	%
Bond	350	19.1	184,431 ¹	20.3
Equity	887	48.5	510,371 ¹	56.1
Diversified	124	6.8	55,033	6.0
Money market	68	3.7	126,790	13.9
Fund of funds	97	5.3	6,794	0.7
Index	27	1.5	11,632	1.3
Guaranteed	253	13.8	11,838	1.3
Hedge	14	0.8	1,662	0.2
Other specialised [#]	9	0.5	1,703	0.2
	1,829	100	910,254	100
Umbrella structures	151			
No. of authorised funds	1,980			

* Net Asset Value as at 31 December 2006

Includes Futures & Options Funds and Leveraged Funds

¹ Standard equity and bond funds still comprised the bulk of the funds population, with a growth in aggregate asset size of 43% and 25% respectively.

Table 3 Authorised unit trusts and mutual funds as at 31 March 2007 — breakdown by origin

	Umbrella funds	Sub-funds	Single funds	Total	%	Total NAV* (US\$ million)	%
Hong Kong	16	58	26	100	5.0	11,609	1.3
Luxembourg	48	963	4	1,015	51.2	644,813	70.8
Ireland	40	297	4	341	17.2	180,490	19.8
Guernsey	3	31	1	35	1.8	6,618	0.7
United Kingdom	2	37	5	44	2.2	35,752	3.9
Other Europe	1	2	0	3	0.2	44	0.0
Bermuda	1	21	7	29	1.5	3,402	0.4
British Virgin Islands	5	10	9	24	1.2	3,157	0.4
Cayman Islands	35	289	60	384	19.4	21,996	2.4
Others	0	0	5	5	0.3	2,373	0.3
No of authorised funds	151	1,708	121	1,980	100	910,254	100

* Net Asset Value as at 31 December 2006 (excluding "umbrella funds")

Activity and Market Data

Table 4 Number of licensees as at 31 March 2007 (31 March 2006 in brackets)

	Corporations		Representatives		Responsible Officers		Total		% Change
SEHK participants	411	(411)	8,293	(7,793)	1,241	(1,220)	9,945	(9,424)	6%
HKFE participants	111	(115)	433	(380)	63	(63)	607	(558)	9%
SEHK and HKFE participants	23	(22)	1,257	(1,063)	130	(128)	1,410	(1,213)	16%
Non-participants	787	(742)	14,124	(11,974)	2,067	(1,780)	16,978	(14,496)	17%
Grand total	1,332	(1,290)	24,107	(21,210)	3,501	(3,191)	28,940	(25,691)	13%

Table 5 Statistical information and financial position of the Hong Kong securities industry¹

	As at 31/12/2006	As at 31/12/2005
Total number of securities dealers and securities margin financiers	641	647
Total number of active cash clients ²	730,356	650,899
Total number of active margin clients ²	80,348	72,290
Total number of active clients (+12%)	810,704	723,189
Balance Sheet	(\$ million)	(\$ million)
Cash in hand and at bank ³	150,573	106,798
Amounts receivable from margin clients ⁴	20,591	14,639
Amounts receivable from clients and other dealers arising from dealing in securities	160,604	102,724
Proprietary positions	114,788	96,892
Other assets	171,520	118,124
Total assets (+41%)	618,076	439,177
Amounts payable to clients and other dealers arising from dealing in securities	244,766	155,237
Total borrowings from financial institutions	118,484	102,171
Short positions held for own account	62,714	34,480
Other liabilities	85,196	67,093
Total shareholders' fund (+33%)	106,916	80,196
Total liabilities and shareholders' fund (+41%)	618,076	439,177
	12 months to 31/12/2006	12 months to 31/12/2005
Profit and loss	(\$ million)	(\$ million)
Total value of transactions ⁵	30,754,491	20,367,924
Net securities commission income	29,456	18,531
Gross interest income	10,903	4,526
Other income ⁶	53,784	32,811
Total operating income (+69%)	94,143	55,868
Total overheads and interest expense ⁷	-71,855	-46,378
Total operating profit (+135%)	22,288	9,490
Net profit on proprietary trading	2,733	1,657
Net profit (+124%)	25,021	11,147

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 figures.

² Active clients are clients for whom the licensed corporation is required to prepare and deliver monthly statement of accounts 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 \$65,463 million (2005: \$38,496 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 31/12/2006	As at 31/12/2005
5.2	4.8

While the total value of collateral deposited with securities margin finance providers increased by 59% as compared to 2005, the total value of client securities re-pledged by these providers only increased slightly by 7%.

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

⁶ Other income mainly comprises intercompany management fee income, fund management income, corporate finance income 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 deducted from the net securities commission income.

Activity and Market Data

Table 6 Breaches by licensed corporations noted during inspections

Nature of breaches	Number of breaches 2006-07	Number of breaches 2005-06
Failure to comply with Financial Resources Rules	13	6
Failure to safekeep client securities	15	7
Failure to maintain proper books and records	21	26
Failure to safekeep clients' money	23	26
Unlicensed dealing & other registration issues	9	6
Breach of licensing condition	4	3
Breach of requirements of contract notes / statements of account / receipts	26	20
Failure to make filing / notification	3	1
Breach of margin requirements	2	8
Marketing malpractices	5	2
Illegal short selling of securities	1	2
Dealing malpractices	2	0
Breach of Code of Conduct	126	150
Breach of Code on Unit Trusts & Mutual Funds	1	3
Breach of Corporate Finance Adviser Code of Conduct	0	3
Breach of Fund Manager Code of Conduct	14	17
Non-compliance with anti-money laundering guidelines	5	6
Breach of other rules and regulations of the Exchanges	1	9
Internal control weaknesses	100	118
Others	20	26
Total	391	439

Table 7 Penalty orders by Insider Dealing Tribunal on insiders

Case	Insider dealers	Shares of listed company	Date of decision/penalty	Disgorgement of profit /loss avoided (\$)	Penalty (\$)	Cost (\$)	Barred from being a director
1	William Lam Chun Ming	Siu Fung Ceramics Holding Ltd	2.11.2006	–	100,000*	–	–
	Tai Hon Leung Henry			–	100,000*	–	–
2	Thomas Lau	Asia Orient Holdings Ltd	14.12.2006	15,301,676	15,000,000	3,860,506	1 year
3	James Wang	Dransfield Holding Ltd (now known as Pearl Oriental Innovation Ltd)	22.12.2006	185,809	50,000	–	1 year
	Tai Ching Nam			57,526	35,000	–	1 year
	Denny Wu Shiyue			48,855	25,000	–	1 year
4	Lam Hon Nam	Vanda Systems & Communications Holding Ltd	28.3.2007	–	1,200,000	725,861	2 years
	Chan Yuk			1,748,456	750,000	725,861	1 year
	Choy Ming Yan			640,909	900,000	580,689	2 years
	Chan Lai King			640,909	750,000	580,689	1 year
	Tse Kwok Fai			60,000	1,500,000	943,619	3 years
	Li Yat Tung			225,000	750,000	725,861	2 years
	Ng Kit Ying			572,295	600,000	725,861	2 years
	Wo Man Shan			471,155	750,000	580,689	2 years
	Chong Wai Lee			1,273,063	825,000	1,033,405	2.5 years
	Chong Bun Bun			2,707,560	750,000	1,033,405	1 year
	Wong Cheung Hung			1,195,504	750,000	508,102	2 years
Total: 17 entities				25,128,717	24,835,000	12,024,548	

* The appeal hearings of the case were concluded on 2 November 2006 with additional fines of \$100,000 each awarded to two implicated parties. As a result, the five implicated parties were ordered to pay a total of \$247.5 million in refund of losses avoided, inquiry expenses and fines.

Activity and Market Data

Table 8 Successful prosecutions — market manipulation

Case	Defendants	Date of conviction	Fine (\$)	Investigation costs awarded(\$)
1	Wong Wei Yin	26.4.2006	16,000	8,459
2	Chaw Chi Wai Ivan	8.3.2007	10,000	27,887
Total: 2 entities			26,000	36,346

Table 9 Successful prosecutions — cold calling

Case	Defendants	Date of conviction	Fine (\$)	Investigation costs awarded(\$)
1	Law Chun Pon	27.4.2006	18,000	22,732
2	Choi Chi Ming	9.6.2006	12,000	2,681
3	Law Wing Sang Vincent	14.6.2006	3,000	3,545
4	Wong Yick Keung	7.7.2006	8,000	8,405
5	Chu Soi Pio	3.8.2006	10,000	12,144
6	Chow Lai Yin	9.11.2006	3,000	3,670
7	Wong Man Suen	29.3.2007	5,000	8,790
Total: 7 entities			59,000	61,967

Table 10 Successful prosecutions — unlicensed/unauthorised activities

Case	Defendants	Date of conviction	Fine (\$)	Investigation costs awarded (\$)
Unregistered dealing/aiding and abetting				
1	Wing Lung Futures Ltd*	27.4.2006	–	23,571
	Chow Lai Him*	27.4.2006	–	–
	Ho Po Hung*	27.4.2006	–	–
2	World Trade Assets Market Inc.	23.6.2006	12,000	21,017
	Chan Tai Jee	23.6.2006	12,000	21,017
3	Wu Mei Mui	3.8.2006	1,000	–
4	Wall Street Global (Hong Kong) Ltd	5.12.2006	7,000	4,462
	Everts Todd Gilmer	5.12.2006	7,000	4,462
	Norman Alan John	5.12.2006	7,000	4,462
Unlicensed investment adviser				
1	Bottomley Amanda Elizabeth [^]	1.12.2006	–	34,122
2	Yeung Chun Man	29.3.2007	5,000	14,326
Unlicensed securities margin financing/aiding and abetting				
1	Sun's Finance Investment Ltd	28.9.2006	5,000	15,000
	Ng Shiu Shing Sunny	28.9.2006	5,000	15,000
Unlicensed foreign exchange trading/aiding and abetting				
1	Lai Chung Wong	8.6.2006	1,500	4,000
2	Yu Hoi Yan Cherie	20.7.2006	2,000	20,000
3	Chow Lai Yin	9.11.2006	1,500	3,670
4	Ling Man Siu	21.12.2006	4,000	13,429
Issuing unauthorised advertisements, invitations or documents				
1	World Trade Assets Markets Inc.	23.6.2006	12,000	–
2	Centaline (China) Property Consultants	21.12.2006	25,000	6,728
	Dalian Victory Plaza Development	21.12.2006	39,000	6,728
	Lee King Fung	21.12.2006	8,000	–
Total: 21 entities			154,000	211,994

* Convicted but absolute discharge granted.

[^] Convicted but conditional discharge on her recognisance of \$2,000 for a period of 12 months granted.

Activity and Market Data

Table 11 Successful prosecutions — disclosure of interests

Case	Defendants	Date of conviction	Fine (\$)	Investigation costs awarded (\$)
1	Link Silver International Ltd Universal Technologies Holdings Ltd	4.5.2006 4.5.2006	2,000 1,800	12,258 12,258
2	Kingston Finance Ltd	11.5.2006	8,000	7,279
3	Fong For Wang Joel J	11.5.2006 11.5.2006	6,000 5,000	6,330 8,198
4	Cheung Tak Woo Tang Yuk Kuen	1.6.2006 1.6.2006	15,000 15,000	4,855 4,923
5	Tiger Tech Holdings Ltd	22.6.2006	11,800	16,539
6	Power Hero International Ltd Victoria Treasure International Ltd	24.8.2006 24.8.2006	4,000 4,000	17,276 6,733
7	Chang Wing Yu	31.8.2006	40,000	45,771
8	Metro Capital Finance Ltd Vong Kuoc Meng	14.12.2006 14.12.2006	4,000 4,000	7,084 -
Total: 13 entities			120,600	149,504

Table 12 Successful prosecutions — provision of false or misleading information

Case	Defendants	Date of conviction	Fine (\$)	Investigation costs awarded (\$)
1	Wong Wei Yin Ngai Leung Wai	26.4.2006 11.5.2006	12,000 5,000	8,459* 3,000
2	Mak Ka Po Alex Yip Kit Yin Angela	10.8.2006 10.8.2006	10,000 5,000	11,393 11,393
3	Li Kwok Keung Asser	3.11.2006	4,000	12,261
Total: 5 entities			36,000	38,047

* Investigation costs also related to another summons

Table 13 Successful prosecutions — short selling

Case	Defendants	Date of conviction	Fine (\$)	Investigation costs awarded (\$)
1	Cheng Chun Kin Bill	11.5.2006	21,000	11,127
2	Chow Yin Ling	22.6.2006	16,000	8,758
3	Ko Hay Tat Michael	29.6.2006	35,000	23,880
4	Ma Yuk Fat Yuen Wai Chun	7.9.2006 7.9.2006	18,000 18,000	10,023 10,023
5	Li Kwok Wah	1.3.2007	64,000	8,171
Total: 6 entities			135,000	52,097

Table 14 Successful prosecutions — preservation of secrecy

Case	Defendant	Date of conviction	Fine (\$)	Investigation costs awarded (\$)
1	Choi Chi Ming	9.6.2006	6,600	2,681
Total: 1 entity			6,600	2,681

Activity and Market Data

Table 15 Most significant disciplinary actions in 2006-07

Case	Parties involved	Date of action	Misconduct	Action / settlement / SFAT decision
1	UKFP (Asia) HK Ltd formerly Towry Law (Asia) HK Ltd	2.5.2006	Mis-selling of funds and geared products	As a result of a settlement, UKFP (Asia) was severely reprimanded. UKFP (Asia) undertook a compensation scheme, funded by its holding company, which provided record ex-gratia payments.
2	Ng Ting Shag	17.5.2006	Misappropriation of clients' assets, giving false information to the SFC, and conspiring to pervert the course of justice	Licence revoked and banned for life
3	Ng Shun Fu	30.5.2006	Failure to conduct enquiries into the financial standing of sub-underwriters and other supervisory and internal control failures	SFAT dismissed Ng's appeal and upheld SFC's decision to suspend Ng's licence for nine months
4	Deloitte & Touche Corporate Finance Ltd	27.6.2006	Failure to discharge due diligence and listing responsibilities as sponsor	As a result of a settlement, Deloitte undertook, without admission of fault, to refrain from acting as a sponsor for nine months
5	Chia Kee Loong	27.6.2006	Failure to discharge due diligence and listing responsibilities as supervisor of a sponsorship mandate	As a result of a settlement, Chia undertook, without admission of fault, to refrain from acting as a supervisor of any sponsorship mandate for six months
6	Schmitt, Charles Lee	18.10.2006	Misappropriation of clients' assets and false accounting	Banned for life
7	Ching Chun Kuen	9.11.2006	Misappropriation of clients' assets and forgery	Banned for life
8	Fung Kit Ching Bandie	9.11.2006	Misappropriation of clients' assets and falsification of statements of accounts	Banned for life
9	Leung Moon Tong	13.11.2006	Misappropriation of clients' assets and producing false transaction records to clients	Banned for life
10	Ma Ching Ning Rick	13.11.2006	Misappropriation of clients' assets and falsification of clients' transaction records	Banned for life
11	Yip Kwok Kay	12.1.2007	Misappropriation of clients' assets and producing false transaction records to clients	Banned for life
12	Wong Ka Chun	22.2.2007	Misappropriation of clients' assets	Banned for life
13	Kwok Wood Yan	28.2.2007	Failure to account for missing clients' assets	Licence revoked and banned for life

Table 16 Requests for regulatory co-operation

	2006-07		2005-06		2004-05	
	In	Out	In	Out	In	Out
Enforcement-related requests for assistance	68	23	71	18	47	7
Licensing-related requests for assistance	233	853	186	631	140	668

'In' represents requests received, while 'out' are requests made

Activity and Market Data

Table 17 Comparison with overseas regulatory agencies

It is difficult to obtain detailed data, in a consistent format, for sensible comparison of key performance measures with other regulators and this is complicated further by the different mandates which each of these regulators have. Nevertheless, we have set out in this table some key data relating to the size of certain other regulators for the interest of readers.

All foreign currency amounts have been translated into Hong Kong dollars at 31 March 2007 exchange rate for the purpose of comparison.

	2006-07	2005-06	2004-05
Securities and Futures Commission (SFC) (year ended on 31 March)¹			
Number of staff	443	441	431
Total expenditure (\$ million)	542	497	456
US Securities and Exchange Commission (SEC) (year ended on 30 September)²			
Number of staff	3,685*	3,764*	3,851*
Total expenditure (\$ million)	7,072*	6,939*	6,931*
Financial Services Authority (FSA) (year ended on 31 March)³			
Number of staff (at year-end date)	2,820 [#]	2,667	2,467
Total expenditure (\$ million)	4,542 [#]	4,323	3,967
Australian Securities & Investment Commission (ASIC) (year ended on 30 June)⁴			
Number of staff (at year-end date)	DNA	1,471	1,570
Total expenditure (\$ million)	DNA	1,375	1,315

¹ The SFC is an independent non-governmental statutory body funded mainly by a market levy and is responsible for regulating the securities and futures markets in Hong Kong.

² The US SEC is an independent, non-partisan, quasi-judicial regulatory government agency with responsibility for administering the federal securities laws.

³ The FSA is an independent non-governmental body funded by the firms it regulates. It has been given statutory powers to regulate the financial services in the UK including authorisation and regulation of deposit taking, insurance, mortgage lending, general insurance advice, mortgage advice and investment business.

⁴ The ASIC is an independent Commonwealth government body which enforces and regulates company and financial services laws to protect consumers, investors and creditors.

* Budget figures extracted from Congressional Budget Request 2007

[#] Budget figures extracted from FSA Business Plan 2006/2007

DNA Data not available