



A photograph of four children riding yellow tricycles on a paved area. In the background, there is a tall, multi-story apartment building with many windows. The scene is brightly lit, suggesting a sunny day. The right side of the image is overlaid with a semi-transparent blue box containing text.

We Educate

Well-informed and financially literate investors are the first line of defence against fraud and malpractice.

We conduct a variety of activities to advise the public of both their rights and responsibilities as investors in the securities and futures markets. We educate investors to allow them to make informed choices especially in the area of new products, structured products or areas where potential abuses may occur. We also remind investors of their own responsibility for their investment decisions.

Last year, we

- produced two new TV dramas and one radio series as part of the 2006 investor education (IE) campaign to remind investors to ask the right questions before investing
- conducted three investor surveys on stock investing, dealing with investment advisers and investing in structured products
- introduced IE theme 2007: "Know your risk"
- expanded IE to all universities
- reached a record 10,130 people in our seminars

Education

Financially literate and well-informed investors are the first line of defence against inappropriate activities and behaviour by market participants and intermediaries. We educate the public about investments and investors' rights and responsibilities through a variety of different channels including TV, radio, newspapers, publications e.g. the monthly Dr Wise column, press releases and Frequently Asked Questions (FAQs). We also maintain a user-friendly investor portal – www.InvestEd.hk – which is a one-stop shop supplying key facts about investments, research and interactive investor education (IE) materials and videos. Our programmes are also targeted at people of different ages and occupations – from university undergraduates to retirees.

We are pleased to discuss below the key IE work we accomplished last year.

In 2006-07, we launched a number of activities as part of the **2006 IE theme** of “**Before you invest, ask the right questions**”. These included the joint production with the Radio Television Hong Kong of a 10-episode TV drama series “Investment Challenge”. These programmes explained the features and risks of complex and structured products including equity-linked instruments, warrants, investment-linked assurance schemes and leveraged foreign exchange contracts. Together with MetroFinance, we also launched a series of 20 radio segments “Learn More About Investing” to help investors ask the right questions in different investment situations. In addition, we broadcast an educational video “Know the Pooling Risk” on the Finance Channel of Cable TV and public buses which explained re-pledging and the pooling risk associated with securities margin accounts.

During the year, we launched a Webinar, a “virtual seminar” on the **InvestEd website** with educational material shown side-by-side with a speaker who presents the topic. The Webinar enables investors to access workshops on personal financial planning and investor protection at anytime convenient to them.

There were three **broker fraud** cases in mid-2006 and we launched a thematic campaign to remind investors to protect themselves against misappropriation. In particular, investors

were asked to diligently check their monthly statements, to avoid hold-mail arrangements and to respond directly to confirmation requests from external auditors. We also encouraged investors to use CCASS Investor Participant Accounts to hold their securities and warned them about some common tactics which have previously been used by dishonest brokers to misappropriate client assets.

During the year, we conducted three new investor surveys to help us understand better what education messages might be needed:

- The **Stock Investor Survey** found that while around half of investors referred to company financial reports and announcements when making stock trading decisions, another half relied primarily on stock commentators' recommendations and media reports.



Our survey found that stock investors who did not read financial reports of listed companies suffered a bigger trading loss.

- To help us tackle the regulatory challenge of mis-selling of complex products, the **Survey on Engagement of Investment Advisers (IAs)** studied how investors choose their IAs and their experience with those IAs. The survey indicated that nine out of 10 investors were satisfied overall with their IAs' services, but that they wanted more suitable product recommendations. In choosing an IA firm, investors primarily looked at reputation and service quality.

Education

- The **Structured Product Investor Survey** found that many investors who purchased unlisted, retail structured products for their perceived higher returns did not fully understand the nature of these products. Nearly 30% of investors interviewed purchased these products for capital preservation or perceived them as low risk investments which are not features of these products.

In view of the survey findings, we have stepped up our efforts in explaining product features and risks, clarifying misconceptions and reminding investors to ask the right questions when considering potential investments. We have also highlighted the risks in investing in emerging markets and commodities related instruments, explained the different emerging features of REITs, and the particular risks associated with hotel REITs.



Our IE theme for 2007 is **“Know Your Risk”**. We encourage the public to understand and consider the different aspects of “risk” in their investment choices, including market volatility, increasing complexity of products, and common known malpractices. We launched various programmes under this IE theme in January 2007, which we designated IE month.

In early 2007 we broadcast a new TV drama series “Wising up with Experience” on the Finance Channel of Cable TV. For the first time the stories used reflected directly (with identities changed to preserve privacy) examples of real-life malpractices we have seen in the market place. The five-episode series covered: misappropriation; mis-selling; cold calling; the importance of knowing your broker; and misconceptions about derivative warrants.

We actively collaborate with a number of educational bodies to promote a responsible and informed attitude towards personal financial management to the younger generation.

- Together with The Open University of Hong Kong we organised six seminars, attracting over 1,000 participants. The seminars focused on the assessment of the risks of investing. We have expanded our IE efforts to all eight local universities. For the first time, we partnered with The Chinese University of Hong Kong to launch a new course on personal financial management for non-business-major students in September 2006.



Popular financial columnist Mr Cho Chi Ming (left) talked about “The Ten Commandments of Investing” at a seminar organised with The Open University of Hong Kong.

- For the third year, we jointly organised with Lingnan University two five-session courses which this year had an expanded curriculum.
- We ran another round of 15 IE workshops covering wide-ranging topics for secondary school and vocational education teachers. These train-the-trainer workshops are recognised as Continuing Professional Development courses by the Education and Manpower Bureau.

In total, we held 87 seminars during the year, reaching a record 10,130 secondary school teachers, civil servants and other members of the public. 85 articles were published in newspapers and magazines.



A record 10,130 people attended our seminars throughout the year.

Education

During the year, we received 5,944 investor enquiries (2005-06: 4,811) and handled 1,056 complaints (2005-06: 1,091). 416 (2005-06: 459) complaints were under further assessment, while 195 (2005-06: 162) cases were investigated.

Alerting the public to financial scams is a priority. We are also conscious of the need to consider the impact on Hong Kong's reputation of financial scams that target overseas investors and which have any Hong Kong connection. Therefore, starting

in 2000, we have published an **Alert List** on the InvestEd website naming suspected boiler rooms as a service to caution investors. As more types of fraudulent activities and tactics have surfaced, the Alert List has been expanded to include scam websites, phishes (emails to trick investors into disclosing information such as bank account number and password), and unlicensed overseas companies targeting Hong Kong investors. During the year, we posted 38 entities to the Alert List, which now has 370 entities.

Statistics of public complaints

Nature of complaints	2006-07	2005-06	% change
Conduct of licensed intermediaries and registered institutions	309	255	21%
Listing related matters & disclosure of interests	339	364	-7%
Market misconduct	195	185	5%
Financial products	26	32	-19%
Other financial activities	178	240	-26%
Miscellaneous	9	15	-40%
Total	1,056	1,091	-3%

“Alert List helps investor

Ms Georgina Lestini of France wrote to thank the SFC last July. Ms Lestini was contacted by a company named Vannex Corporation, which offered to buy some shares from her that she had previously bought in an investment scam five years ago. However, she was asked to first make a deposit in order for the offer to proceed. She became suspicious and visited the SFC's Alert List, where she found that Vannex was identified as a suspected boiler room operator.

Boiler rooms usually cold call investors to lure them into lucrative-sounding investments with high-pressure sales tactics. The tricksters often use “virtual offices” or business centres to redirect calls and mail to overseas locations. When investors have parted with their money, the fraudsters will no longer be contactable. ”