

Activity and Market data

Activity data

Table 1 Number of authorised investment products

	As at 31.03.2009	As at 31.03.2008	As at 31.03.2007
Unit trusts and mutual funds	2,093	2,123	1,980
Investment-linked assurance schemes	235	229	201
Pooled retirement funds	35	36	37
MPF master trust schemes	36	38	38
MPF pooled investment funds ¹	305	298	287
Others ²	129	157	143
Total	2,833	2,881	2,686

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

² Other schemes comprised 108 investment-linked deposits, 14 paper gold schemes and seven REITs.

Table 2 Authorised unit trusts and mutual funds as at 31 March 2009 – breakdown by type

	Number	%	Total NAV ¹ (US\$ million)	%
Bond	348	18.02	175,584	27.95
Equity	1,114	57.69	291,700	46.43
Diversified	113	5.85	32,695	5.20
Money market	44	2.28	71,103	11.32
Fund of funds	105	5.44	5,387	0.86
Index	59	3.06	42,969	6.84
Guaranteed	123	6.37	3,309	0.53
Hedge	14	0.73	770	0.12
Other specialised ²	11	0.56	4,785	0.75
	1,931	100.00	628,302	100.00
Umbrella structures	162			
No. of authorised funds	2,093			

¹ Net Asset Value as at 31 December 2008.

² Includes Futures and Options Funds and Leveraged Funds.

Table 3 Authorised unit trusts and mutual funds as at 31 March 2009 – breakdown by origin

	Umbrella funds	Sub-funds	Single funds	Total	%	Total NAV' (US\$ million)	%
Hong Kong	20	62	33	115	5.49	16,309	2.60
Luxembourg	55	1,145	4	1,204	57.53	361,900	57.60
Ireland	39	309	3	351	16.77	177,038	28.18
Guernsey	2	2	0	4	0.19	85	0.01
United Kingdom	3	41	5	49	2.34	30,574	4.87
Other Europe	0	0	15	15	0.72	443	0.07
Bermuda	2	23	5	30	1.43	4,340	0.69
British Virgin Islands	4	7	9	20	0.96	2,043	0.33
Cayman Islands	37	207	55	299	14.29	10,854	1.73
Others	0	0	6	6	0.28	24,716	3.92
No. of authorised funds	162	1,796	135	2,093	100	628,302	100

¹ Net Asset Value as at 31 December 2008 (excluding "umbrella funds").

Table 4 Number of licensees as at 31 March 2009 (31 March 2008 in brackets)

	Corporations		Representatives		Responsible Officers		Total	% Change	
Stock Exchange participants	421	(423)	10,175	(9,739)	1,371	(1,352)	11,967	(11,514)	4
Futures Exchange participants	113	(110)	816	(377)	104	(73)	1,033	(560)	84
Stock Exchange and Futures Exchange participants	44	(32)	2,393	(1,830)	226	(160)	2,663	(2,022)	32
Non-participants	987	(882)	18,154	(17,072)	2,506	(2,334)	21,647	(20,288)	7
Grand total	1,565	(1,447)	31,538	(29,018)	4,207	(3,919)	37,310	(34,384)	9

Table 5 Takeovers activities

	2008-09	2007-08	2006-07
Codes on Takeovers and Mergers and Share Repurchases			
General and partial offers under Takeovers Code	27	52	36
Privatisations	6	5	8
Whitewash waiver applications	34	39	23
Other applications under Takeovers Code	190	254	211
Off-market and general offer repurchases	7	3	2
Other applications under Share Repurchases Code	2	4	4
Total	266	357	284
Takeovers Bulletins	4	4	0
Executive Statements			
Sanctions imposed with parties' agreement ¹	0	2	0
Takeovers and Mergers Panel			
Meetings for review of the Takeovers and Share Repurchases Codes	5	3	0
Hearings before the Panel (disciplinary and non-disciplinary)	3	8	4
Statements issued by the Panel ²	3	3 ³	0

¹ Pursuant to section 12.3 of the Introduction to the Codes on Takeovers and Mergers and Share Repurchases.

² Pursuant to section 16.1 of the Introduction to the Codes on Takeovers and Mergers and Share Repurchases.

³ Figure for 2007-08 includes one Panel Statement comprising one substantive and seven preliminary decisions of the Panel.

Table 6 Authorisations of offer and marketing documents for unlisted retail structured products and RMB bonds

	2008-09	2007-08	2006-07
Authorisations granted under section 105 of the SFO	65 ¹	148 ²	177 ³
Authorisations granted to register prospectuses under the Companies Ordinance	34 ⁴	77 ⁵	106 ⁶

¹ Includes retail ELIs with an aggregate issue size of \$100,510 million and one RMB bond offering with an aggregate retail issue size of RMB1,500 million.

² Includes retail ELIs with an aggregate issue size of \$222,660 million and two RMB bond offerings with an aggregate retail issue size of RMB3,500 million.

³ Includes retail ELIs with an aggregate issue size of \$142,736 million.

⁴ Retail structured notes with an aggregate issue size of \$2,309 million and three RMB bond offerings with a retail issue size of RMB4,500 million.

⁵ Retail structured notes with an aggregate issue size of \$10,772 million and one RMB bond offering with a retail issue size of RMB1,500 million.

⁶ Retail structured notes with an aggregate issue size of \$10,691 million.

Table 7 Breaches by licensed corporations noted during inspections

Nature of breaches	Number of breaches 2008-09	Number of breaches 2007-08	Number of breaches 2006-07
Failure to comply with Financial Resources Rules	25	30	13
Failure to safekeep client securities	16	34	15
Failure to maintain proper books and records	13	14	21
Failure to safekeep client money	19	28	23
Unlicensed dealing and other registration issues	0	5	9
Breach of licensing condition	2	2	4
Breach of requirements of contract notes /statements of account / receipts	30	32	26
Failure to make filing / notification	3	3	3
Breach of margin requirements	2	3	2
Marketing malpractices	0	0	5
Illegal short selling of securities	1	0	1
Dealing malpractices	0	1	2
Breach of Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission	154	105	126
– Investment advisory related issues	12	3	15
– Others	142	102	111
Breach of Code on Unit Trusts and Mutual Funds	0	0	1
Breach of Corporate Finance Adviser Code of Conduct	1	0	0
Breach of Fund Manager Code of Conduct	12	6	14
Non-compliance with anti-money laundering guidelines	23	23	5
Breach of other rules and regulations of the Exchanges	2	4	1
Internal control weaknesses	188	129	100
Others	56	41	20
Total	547	460	391

Table 8 Successful prosecutions – market manipulation *

Case	Defendants	Date of conviction	Fine (\$) / Penalty	Investigation costs awarded(\$)
1	LEUNG Kam Lai, William	12.6.2008	4 months' imprisonment suspended for 2 years	32,609
2	CHAN Wing Fai	22.10.2008	12 months' probation order on the condition that he receives psychiatric and/or psychological treatment as directed by his probation officer	13,500
Total: 2 entities			0	46,109

* Cases where fines are below \$10,000 are not shown in the table.

Table 9 Successful prosecutions – unlicensed/unauthorised activities*

Activities/Defendants	Date of conviction	Fine (\$)	Investigation costs awarded (\$)
Unlicensed investment adviser			
CHENG Chun Lung, Mondy	24.4.2008	10,000 and four months' imprisonment, suspended for two years	7,192 ¹
Issuing unauthorised advertisements, invitations or documents			
CHENG Chun Lung, Mondy	24.4.2008	36,000	
Unlicensed foreign exchange trading			
YU Ka Tak	6.6.2008	18,000	41,116
Engaged in fraudulent or deceptive act in leveraged foreign exchange			
LIU On Lei	16.10.2008	60,000	26,652
Total: 4 entities		124,000	74,960

¹ Investigation costs also related to another summons.

* Cases where fines are below \$10,000 are not shown in the table.

Table 10 Successful prosecutions – disclosure of interests*

Case	Defendants	Date of conviction	Fine (\$)	Investigation costs awarded (\$)
1	LAU Pak Shing	24.4.2008	20,000	4,608
2	KWOK Yuk Chiu, Clement	26.6.2008	18,000	6,065
3	CHIU WINERTHAN	3.7.2008	12,000	11,400
4	Galaxy Asset Management (BVI) Ltd	28.8.2008	10,000	3,292
5	Galaxy China Opportunities Fund	28.8.2008	10,000	3,292
6	Gandhara Advisors Asia Ltd	23.10.2008	10,000	21,262
7	LUU Hung Viet Derrick	22.1.2009	10,000	4,802
Total: 7 entities			90,000	54,721

* Cases where fines are below \$10,000 are not shown in the table.

Table 11 Most significant disciplinary actions in 2008-09

Item	Parties involved	Date of action	Misconduct	Action / SFAT decision
1	Hong Kong Forex Investment Ltd Tse Shiu Hoi Eddie Ng Chit Chung	24.3.2009	Complete failure of compliance systems and controls, especially with regard to unlicensed activities and cold calling	SFAT confirmed the SFC's decision to revoke Hong Kong Forex Investment Ltd, ban Tse from re-entering the industry for life and prohibit Ng from becoming licensed or registered for 3 years
2	Macquarie Equities (Asia) Ltd	19.3.2009	Failure to ensure their commission rebate scheme for trading of certain warrants issued by Macquarie Bank Ltd did not facilitate trading of these warrants that was not for any genuine economic or commercial purpose	Reprimanded and fined \$4 million
3	Win Wong Securities Ltd Chan Sin Keung Kwan Tart Yung	3.3.2009	Serious internal control deficiencies including failure to provide contract notes and monthly statements to clients within the prescribed time, failure to maintain a correct client stock record and failure to adequately supervise staff	Reprimanded and fined \$500,000 Reprimanded and fined \$300,000 Reprimanded and fined \$100,000
4	BOCI Securities Ltd	18.2.2009	Unauthorised transfer of clients' assets to settle transactions for clients who were late in delivering scrip for settlement.	Reprimanded and fined \$3 million
5	Sun Hung Kai Investment Services Ltd	22.1.2009	Insufficient internal controls on sales of Lehman Brothers Minibonds	Sun Hung Kai Investment Services Ltd agreed to make a voluntary offer to purchase all outstanding Lehman Brothers Minibonds at original value estimated at \$85 million
6	Standard Chartered Bank (HK) Ltd	6.1.2009	Failure to ensure clients were treated fairly when investing in the mutual funds from two fund houses	Reprimanded. Standard Chartered Bank (HK) Ltd agreed to make payments to the eligible clients who were treated unfairly when investing in funds. The compensation involved 1,260 clients with a total sum of US\$320,000
7	Deutsche Securities Asia Ltd	16.12.2008	Failure to identify and resolve conflicts of interest when executing proprietary and client trades through facilitation trading desk	Reprimanded and fined \$6 million
8	Chan Shun Kuen Eric Robin Jonathan Gibbs Fox	3.12.2008	Failure to act properly as sponsor when handling a listing application	SFAT confirmed the SFC's decision to fine Chan \$200,000 but reduced the fine imposed on Fox to \$40,000 from \$70,000

Table 11 Most significant disciplinary actions in 2008-09 (cont'd)

Item	Parties involved	Date of action	Misconduct	Action / SFAT decision
9	Law Chun Pon	26.11.2008	Cold calling, breach of employer's policies for providing discretionary account services and churning	Banned for 32 months and fined \$260,000
10	Chung Nam Securities Ltd Chung Yueheng, Henry	12.11.2008	Failing to safeguard client's assets	SFAT confirmed SFC's decision to reprimand Chung Nam and Chung but reduced the amount of the penalty imposed on Chung Nam from \$1 million to \$750,000 and on Chung from \$500,000 to \$350,000 with no order as to costs
11	Li Kwok Wah	12.9.2008	Front running	SFAT upheld SFC's decision to revoke Li's licence and to fine him \$21,400
12	Leung Chiu Ling, Lance	1.9.2008	Unauthorized trades	Revocation and banned for life
13	Chan Pak Kong, Chris	4.8.2008	Operating secret accounts and breach of employer's staff dealing policy	Reprimanded and fined \$25,000
14	Sze Chong Hoi	31.7.2008	Failure to ensure that margin policies complied with the SFC Code of Conduct	Reprimanded and fined \$50,000
15	Lee Kin Hang	21.7.2008	Misappropriation of clients' assets	Revocation and banned for life
16	Ng Shiu Wah, Daniel	21.7.2008	Short selling of derivative warrants	Suspended for six weeks and fined \$383,300
17	Radland International Ltd	11.7.2008	Insufficient internal control to prevent misappropriation of clients' assets	SFAT upheld SFC's decision to reprimand Radland International Limited and fine it \$1.5 million
18	Choy Kwong Wa, Christopher	16.6.2008	Failure to provide accurate or updated information to clients, failure to disclose commission received when advising clients thus creating a potential conflict of interest	Reprimanded and fined \$570,000
19	ICEA Capital Ltd ICEA Securities Ltd	6.6.2008	Conduct of senior staff members creating an impression that the two ICEA entities were providing improper support to a certain stock, failure to maintain a sufficiently robust Chinese Wall between proprietary trading activities and corporate finance activities, unregistered dealing activities, unauthorised trading activities and unauthorised transfers of client's money	Fined \$38 million and licence will be revoked if material breaches or failures are found within three years

Table 11 Most significant disciplinary actions in 2008-09 (cont'd)

Item	Parties involved	Date of action	Misconduct	Action / SFAT decision
20	Tang Ping Kong	21.5.2008	Failure to implement adequate procedures to detect and prevent scaffolding and short selling activities by staff	Reprimanded and fined \$300,000
21	Wong Ting Choi, Joe	8.5.2008	Facilitating unlicensed activities and failing to safeguard client's assets	SFAT upheld SFC's decision to suspend Wong for two years
22	Chung Yuet Sheung, Lorrain Mo Kwong Wai, Jimmy	6.5.2008	Misappropriation of clients' assets	Banned for life
		6.5.2008	Failure to report misappropriation of clients' assets to the SFC	Banned for life
23	Tsui Hung Yuen	30.4.2008	Insufficient internal control to prevent misappropriation of clients' assets	Revocation and banned for life
	Tsui Wai Man	30.4.2008	Insufficient internal control to prevent misappropriation of clients' assets	Revocation and banned for 5 years
	Chan Ha Ping	30.4.2008	Insufficient internal control to prevent misappropriation of clients' assets	Banned for 18 months
24	Liu Ka Hin	23.4.2008	Misappropriation of clients' assets, operating secret accounts and breach of employer's staff dealing policy	Revocation and banned for life
25	Core Pacific-Yamaichi Capital Ltd	17.4.2008	Failure to conduct adequate due diligence as sponsor	Fined \$2.8 million
	Core Pacific-Yamaichi International (HK) Ltd	17.4.2008	Acting improperly as an underwriter	Reprimanded and fined \$3.3 million
	Core Pacific-Yamaichi Securities (HK) Ltd	17.4.2008	Insufficient internal control to detect and remedy misconduct by staff and to ensure the accuracy of FRR returns	Reprimanded and fined \$350,000

Table 12 Requests for regulatory co-operation

	2008-09		2007-08		2006-07	
	In	Out	In	Out	In	Out
Enforcement-related requests for assistance	55	66	65	55	68	23
Licensing-related requests for assistance	263	926	254	1,004	233	853

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

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Market data

Table 13 Statistical information and financial position of the Hong Kong securities industry¹

	As at 31.12.2008	As at 31.12.2007	As at 31.12.2006
Total number of securities dealers and securities margin financiers	741	691	641
Total number of active cash clients ²	918,750	924,131	730,356
Total number of active margin clients ²	113,823	110,043	80,348
Total number of active clients (-0.15%)	1,032,573	1,034,174	810,704
Balance Sheet	(\$ million)	(\$ million)	(\$ million)
Cash in hand and at bank ³	251,982	257,372	150,573
Amounts receivable from margin clients ⁴	17,217	41,765	20,591
Amounts receivable from clients and other dealers arising from dealing in securities	86,369	204,336	160,604
Proprietary positions	94,003	139,394	114,788
Other assets	141,203	205,965	171,520
Total assets (-30%)	590,774	848,832	618,076
Amounts payable to clients and other dealers arising from dealing in securities	211,565	333,904	244,766
Total borrowings from financial institutions	37,015	114,754	118,484
Short positions held for own account	11,186	50,909	62,714
Other liabilities	156,661	173,885	85,196
Total shareholders' funds ⁵	174,347	175,380	106,916
Total liabilities and shareholders' funds (-30%)	590,774	848,832	618,076
	12 months to 31.12.2008	12 months to 31.12.2007	12 months to 31.12.2006
Profit and loss	(\$ million)	(\$ million)	(\$ million)
Total value of transactions ⁶	53,923,632	64,704,725	30,754,491
Net securities commission income	40,120	55,560	29,456
Gross interest income	9,586	16,781	10,903
Other income ⁷	59,188	84,610	53,784
Total operating income (-31%)	108,894	156,951	94,143
Total overheads and interest expense	87,707	102,647	71,855
Total operating profit (-61%)	21,187	54,304	22,288
Net profit on proprietary trading	5,860	10,523	2,733
Net profit for the period (-58%)	27,047	64,827	25,021

¹ 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 carrying out its principal business activities outside Hong Kong and operating in Hong Kong as a branch office were excluded from these computation.

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 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 \$89,932 million (31.12.2007: \$104,051 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 31.12.2008	As at 31.12.2007
4.4	5.3

⁵ The value of shareholders' funds includes value of redeemable shares.

⁶ Total value of transactions includes trading in equities, bonds and other securities both in Hong Kong and overseas.

⁷ Other income mainly comprises inter-company management fee income, fund management income, corporate finance income and others.

Table 14 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 with the exchange rate on 31 March of each of the three years.

	2008-09	2007-08	2006-07
SFC (year ended on 31 March)¹			
Number of staff	478	442	443
Total expenditure (\$ million)	684	585	541
US Securities and Exchange Commission (SEC) (year ended on 30 September)²			
Number of staff	3,652 ⁵	3,511	3,465
Total expenditure (\$ million)	7,440 ⁵	7,046	6,841
UK Financial Services Authority (FSA) (year ended on 31 March)³			
Number of staff (at year-end date)	2,740 ⁶	2,535	2,606
Total expenditure (\$ million)	3,828 ⁶	5,026	4,581
Australian Securities & Investment Commission (ASIC) (year ended on 30 June)⁴			
Number of staff (at year-end date)	DNA ⁷	1,669	1,610
Total expenditure (\$ million)	DNA ⁷	1,950	1,616

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.

⁵ Budget figures extracted from FY2010 Congressional Justification.

⁶ Budget figures extracted from FSA Business Plan 2008/2009.

⁷ Data not available.