

education

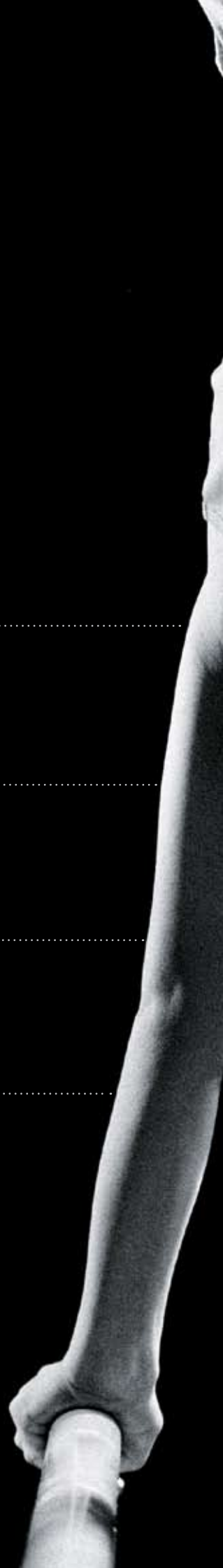
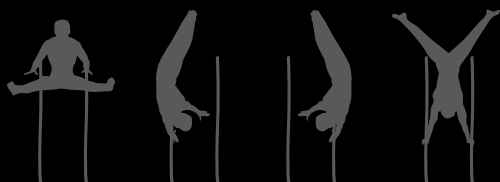
Young gymnasts undergo rigorous training through constant coaching, daily practice and boundless support.

raising
awareness
of risks

providing
guidance

cultivating proper
investment
attitude

improving
investment
knowledge





The SFC is the only financial regulator in Hong Kong with an investor education mandate. We believe that investor education goes hand in hand with regulation to equip investors with the tools they need to make informed investment decisions and to assess and manage investment risk.

In 2008, we sought and obtained a larger budget to increase our investor education (IE) work. That was a timely move in hindsight. Equipped with additional resources, we were able to step up our efforts during the height of the global financial turmoil to address an expanded range of topics, with a view to raising awareness of investors in various areas and thereby helping to protect their interests.

We communicate our messages through multiple means and channels. In addition to providing investors with product knowledge, we seek to point out the need to understand risks, to adopt a proper attitude towards investing and to be responsible for one's own decisions. Our near-term priorities are to sustain the momentum and scope of our IE programmes and to help the Government set up an all-encompassing IE body – the Investor Education Council (IEC).

With capital inflow fuelling the markets during most of last year, we frequently cautioned investors against the dangers of asset bubbles. We collaborated closely with the industry in organising IE programmes covering the most pressing issues investors faced throughout a period of fast-changing market conditions, including investing in initial public offerings (IPOs), risks associated with leverage, and features and associated risks of various products and instruments such as equity-linked investments (ELIs), exchange-traded funds, bonds, bond funds and warrants.

Last year, we structured our IE programmes around the theme: "Be Smart, Ask First." Going forward, we will continue to focus on the importance of investors asking the right questions in the prevailing investment environment. We will develop our IE theme in line with our new approach, expanding the scope of our education programmes and campaigns from a focus on product features and risks to explaining investors' roles and responsibilities and promoting a responsible approach to investment decisions. We will continue to explore new media and communications channels to reach a broader spectrum of investors.

Inviting industry participation

Involving the industry contributes to the success of our IE activities. By tapping into intermediaries' first-hand experience with investors, we have been able to gain valuable real-life insight to tailor our IE

programmes more effectively. Informed by their dealings with their clients, intermediaries have helped us address topical issues and rectify common misconceptions on the part of investors. This feedback is especially critical in an ever-changing marketplace. Described below are four of the IE initiatives to which industry practitioners and academic experts made substantial contributions:

- **Invest Wisely**, a radio talk show that began airing on Commercial Radio Hong Kong in January 2010, was conducted in partnership with the industry. In a series of 15 episodes, seasoned market professionals joined an SFC host to discuss common investor misconceptions and make practical recommendations on how investors can fulfil their own responsibilities and act in their best interests, be it in retirement planning, investing in funds, leveraged investing, evaluating investment products, securities trading and responding to corporate actions of listed companies, etc.
- **The Investment Triathlon**, in its third year in 2010, attracted over 600 entries. Contestants were challenged to three rounds of financial knowledge quizzes held in partnership with the Hong Kong Economic Times, Radio 1 of Radio Television Hong Kong (RTHK) and Cable TV. Through this programme, we aim to help investors better understand their rights and responsibilities and the risks of investing. The supporting industry associations and university contributed valuable ideas and insightful questions to the final round. Their input enabled us to make the most out of this annual multimedia IE event and to focus on current issues in the market.
- **Wealth Management: Be Smart, Ask First** was a TV programme series we launched on now TV Business Channel in August 2009 with a view to equipping investors with financial and investment product knowledge. The 13-week series featured interviews with academic and industry experts to address various current issues, including investing in IPOs, investing in bonds, the risks of investing in a volatile market, features and risks of structured products, shareholders' rights in takeovers and important considerations in fund investments. In addition, the programme also ran short messages to help the public better understand the regulatory work of the SFC.



- **The Investor Education Seminar on the Economic Outlook for Hong Kong and the Mainland**, jointly organised by the SFC and the Hong Kong Society of Financial Analysts Ltd (HKSFA) last June, was well-attended by around 600 members of the public. During the full-day event, members of the HKSFA shared their views with the audience on a number of topical issues ranging from the general economic outlook for Hong Kong and the Mainland to prospects for different industry sectors. To benefit a broader audience, we also arranged for the broadcast of the seminar on Cable TV Finance Channel and published a summary of the seminar in the Hong Kong Economic Journal (HKEJ) and the Ming Pao Daily News.

Engaging with investors

Further to the Retail Investor Survey conducted in 2008, we sought to engage with a broader spectrum of investors through creative initiatives.

- **The Investment Story Competition** was held for the third time to encourage investors to recount and share their experiences in investing. Leading industry associations and financial media outlets were invited to be our guest adjudicators. To encourage broader participation, we added a category for student participation to the existing category open to the general public. For the first time, we invited video entries in addition to written submissions, and a video that captured lessons that a young investor had learned won the top prize in the Public Category.

This competition aimed to convey a specific message to investors: sound investment decisions hinge on good investment and product knowledge, a responsible investing approach and an honest assessment of one's own risk tolerance levels. To disseminate this important message more widely, we subsequently published the winning stories in the HKEJ and broadcast them in drama format on Commercial Radio 1.

- **Why am I investing** was the theme of the first photo competition the SFC organised. It was launched in the middle of the year. We received positive responses from the public, and many of the entries showed considerable creativity. As part of the IE campaign "Be Smart, Ask First", this competition helped investors think through and identify their objectives in investing. We presented awards to the winners at a major shopping mall and further publicised the event by arranging for the winning entries to be displayed in three other commercial arcades in various districts.

Capturing investor interest

As the Chinese proverb goes, "there is no limit to learning." We encourage investors to find out more about investing on a continual basis by using two main resources:

- An array of mass-media programmes and face-to-face seminars or workshops; and
- Our InvestEd website with its numerous eLearning tools, up-to-date articles on investing and an archive of past TV and radio programmes.

Major activities included the following:

- "Know How to Invest Wisely" was a campaign of five educational videos and 10 infomercials. Topics covered current issues such as the risks associated with leverage and the difference between a fund savings plan and an investment-linked assurance scheme. The campaign was aired on TVB, Cable TV and now TV as well as on large outdoor television screens and commuter trains and buses.
- From April 2009, a series of 16 short interview segments with an SFC director were broadcast on Metro Radio. These interviews discussed investment risks and features of various investment products. We also aired a 22-week programme, "Understanding financial knowledge", on RTHK Radio 1.
- Dr Wise columns continued to appear each month in the Sing Tao Daily's supplement, Investment Weekly magazine. One article on investing in IPOs received wide coverage in the print media as it provided timely advice to investors, cautioning against the misconception that IPO subscriptions are a "sure win." We also produced "Education Tips by Dr Wise" with Metro Radio, in which investors were reminded of Dr Wise's key messages in short radio segments.
- We continued to work closely with the Consumer Council by contributing to their Choice Magazine on a bi-monthly basis. The "Investment Intelligence" column is aimed at a broad base of investors, particularly, inexperienced investors seeking to learn about the "do"s and "don't"s of investing. Our IE messages continued to appear in Headline Daily under the title "First Learn, then Invest."
- In March 2010, in view of resurgence of investor interest in ELLs, we published a special series of articles on ELLs in the HKEJ to help investors understand their key features and associated risks, including special features such as "airbags," "daily accrual" and "early call."

Investor Day



Investment Story Competition

- In September 2009, we started elementary courses on investing and financial planning for undergraduates of the University of Hong Kong. These courses were an extension of our on-going creditable programmes for undergraduates at The Chinese University of Hong Kong and Lingnan University. We held over 30 such creditable courses for over 2,500 students.

Besides conducting courses for university students, we hosted seminars for organisations such as the Hong Kong Police and the Education Bureau. We also reached out to civic organisations. We gave talks on financial planning and investment risks for community organisations, focusing on seniors and lower income groups. At these events, we distributed IE packets, the contents of which were regularly updated. During the year, we held over 41 seminars and workshops for close to 5,500 participants.

- In November 2009, we conducted the first IE seminar for residents in North Point, an event jointly held with several Eastern district councillors. We are also exploring opportunities to deliver workplace seminars as part of our plan to expand the reach of our IE efforts. We held pre-retirement seminars for civil servants, focusing on basic personal financial planning and risk management concepts, and these attracted large turnouts.
- As part of our January IE Month and in conjunction with the Open University of Hong Kong, we held our annual Investor Day, "Market Outlook and Investment Attitude for 2010." The full-day event attracted a good turnout of over 800 participants who listened to speakers from different professional backgrounds discussing the global economic outlook for 2010, inflation-beating investment strategies and how to better understand financial reports of listed companies.

This Investor Day was the sixth in six years. Summaries of the seminars were published in the HKEJ and video clips of the talks were shown on television and uploaded onto the SFC's InvestEd website.

Encouraging online learning www.InvestEd.hk

To encourage investors to learn more and to gain deeper understanding of the topics covered by our IE activities, we keep our bilingual InvestEd website up-to-date.

- Television and radio programmes can be retrieved with the click of a button. More than 60 articles and over 30 video and audio clips have been added in the past year.
- The first online game was launched on InvestEd website in late July 2009, running for two weeks, and the second online game was made available in early October 2009. The games attracted over 1,000 participants and boosted traffic for other sections of the website as contestants surfed the site for information to increase their investment knowledge and make progress in the competition.
- In June 2009, we launched a searchable list of listed and non-listed SFC-authorized investment products on InvestEd. This List of Investment Products is a useful resource for investors conducting pre-investment research and seeking to review the detailed information in product offering documents.
- We maintained and continued to update the Alert List, adding 123 entries during the year. The Alert List currently includes over 630 entries warning against unlicensed entities, scam websites and impostors, including persons who falsely portray themselves



Singing contest



Photo exhibition



Investment Triathlon

as regulators. By listing these entities and sites and reminding the public that they can make use of online resources to check a person's licensing or operational status, we help investors, both in Hong Kong and abroad, avoid scams and fraudulent practices. In one Dr Wise article, investors were warned that some unlicensed entities were falsely holding themselves out as licensed by fictitious regulators to help make their business appear legitimate. In this regard, we added the category of "fake regulators and/or market operators" to the Alert List. We also direct investors to the International Organization of Securities Commissions and World Federation of Exchanges for lists of legitimate regulatory bodies and market operators worldwide.

Staying close to investors

We strive to stay close to investors by communicating in clear and plain language and by keeping our channels of communication open.

- Clarifying the SFC's role: To help members of the public better understand what the SFC is and what it does, in October 2009 we published an 18-page "SFC Guide" to explain our roles and responsibilities in plain language. The booklet describes the SFC's objectives and functions in a colourful layout with easy-to-understand diagrams. This booklet was distributed through public libraries and as a supplement in two widely-read Chinese newspapers.
- Answering questions: Throughout the year, we answered over 600 investor enquiries, taking the opportunity to explain financial concepts and to address any investor misunderstandings or misconceptions.
- Staying in touch: Our Monthly Focus newsletter keeps investors abreast of relevant issues and our latest activities. We invite the

public to sign up for InvestEd news and updates after seminars and events so they can stay up-to-date in their investment-related learning and be notified as the resources and updates are added to the website.

Laying the groundwork for IEC

The financial crisis has highlighted the need to educate investors across the board about financial products. The investment products available in the market are increasing in complexity, and it is not always a simple matter to assess the differences in risks and features between the various types of products available from entities such as banks, intermediaries and insurers.

The Government sought comments from the public on a proposal to set up an IE body with a wide-ranging mandate covering all types of investment products, to be named the Investor Education Council. The Government indicated its desire to improve the financial literacy of the general public so that investors will be better equipped to make informed financial decisions and be able to manage their money wisely.

In developing the blueprint for the IEC, we drew upon our experience in IE over a decade and a half as well as findings of an SFC-commissioned study by an executive from the Financial Services Authority of the United Kingdom, which identified areas in which further IE efforts were required in Hong Kong. We subsequently worked together with the Financial Services and Treasury Bureau (FSTB) to fine-tune the proposal before it was released for public comment in early February 2010.

The SFC will continue to pursue its objective to educate investors and to work together with the FSTB in its quest to establish the IEC in the near future.