

Investment products

Authorisations

As of 30 June, there were 2,793 SFC-authorized collective investment schemes (CIS) on offer to the public. During the quarter, we authorised 33 CIS, comprising 20 unit trusts and mutual funds, 12 mandatory provident fund (MPF) pooled investment funds and one investment-linked assurance scheme (ILAS). We also authorised 18 unlisted structured investment products for public offering.

Renminbi products

The total number of renminbi-denominated SFC-authorized unlisted funds and of exchange-traded funds (ETFs) investing onshore in the Mainland securities markets¹ was 64 and 26 respectively, as at 30 June.

Online distribution and advisory platforms

In view of the increasing use of online platforms by investors, we launched a three-month public consultation in May on proposed guidelines which aim to provide tailored guidance to the industry on the design and operation of online distribution and advisory platforms. The guidelines also clarify how the suitability requirement would operate in the online environment and contain specific guidance on the provision of automated or robo-advice on an online platform. The consultation closed on 4 August.

Mutual recognition of funds

France

On 10 July, we signed a Memorandum of Understanding with the Autorité des Marchés Financiers, our French counterpart, on mutual recognition of funds (MRF). The agreement allows eligible French and Hong Kong public funds to be distributed in the other market through a streamlined vetting process. It also establishes a framework for information exchange and regulatory cooperation. To provide the industry with further details, we issued a circular, frequently asked questions (FAQs) and an information checklist, and held an industry briefing session attended by over 80 industry participants in July.

Switzerland

On 20 June, the Swiss Financial Market Supervisory Authority (FINMA) authorised the first batch of two Hong Kong funds under the Switzerland-Hong Kong MRF scheme. FINMA further authorised two more Hong Kong funds on 18 July.

Mainland China

Under the Mainland-Hong Kong MRF, as of 30 June, we authorised a total of 49 Mainland funds (including two umbrella funds), and the China Securities Regulatory Commission approved eight Hong Kong funds.

Open-ended fund companies (OFC)

On 28 June, we launched a public consultation on the proposed Securities and Futures (Open-ended Fund Companies) Rules and the Code on Open-ended Fund Companies, setting out the detailed legal and regulatory requirements applicable to the new OFC structure². The OFC structure will enable investment funds to be established in corporate form in Hong Kong, in addition to the current unit trust form. The introduction of this new fund structure is part of our initiative to develop Hong Kong's asset management industry and enhance Hong Kong's position as a preferred fund domicile. The consultation ended on 28 August.

Revamped post-authorisation process

Our 30 June circular to fund management companies sets out the revamped process for handling applications for the approval of post-authorisation changes and authorisation of revised offering documents for SFC-authorized funds. We issued new FAQs and held two briefing sessions for fund industry participants to provide guidance to the industry.

¹ These unlisted funds and ETFs primarily invest in the Mainland securities markets through the Renminbi Qualified Foreign Institutional Investor quota, Stock Connect and the China Interbank Bond Market.

² As laid down in the Securities and Futures (Amendment) Ordinance 2016, gazetted on 10 June 2016.

Investment products

Authorised CIS^a

| | As at 30.6.2017 | As at 31.3.2017 | Change (%) | As at 30.6.2016 | YoY change (%) |
|-------------------------------------|--------------------|--------------------|---------------|--------------------|----------------------|
| Unit trusts and mutual funds | 2,204 | 2,203 | 0 | 2,173 | 1.4 |
| Investment-linked assurance schemes | 301 | 300 | 0.3 | 300 | 0.3 |
| Pooled retirement funds | 34 | 34 | 0 | 34 | 0 |
| MPF schemes | 35 ^b | 35 | 0 | 37 | -5.4 |
| MPF pooled investment funds | 193 ^c | 182 | 6 | 173 | 11.6 |
| Others | 26 ^d | 26 | 0 | 26 | 0 |
| Total | 2,793 | 2,780 | 0.5 | 2,743 | 1.8 |

^a Excluding unlisted structured investment products.

^b Fifty-six authorised constituent funds under these MPF schemes were related to the default investment strategy (DIS).

^c Of which 20 were DIS-related.

^d Comprising 15 paper gold schemes and 11 real estate investment trusts.

Unlisted structured investment products

| | Quarter ended 30.6.2017 | Quarter ended 31.3.2017 | Change (%) | Quarter ended 30.6.2016 | YoY change (%) |
|--|-------------------------------|-------------------------------|---------------|-------------------------------|----------------------|
| Unlisted structured investment products ^a | 18 | 17 | 5.9 | 7 | 157.1 |
| Authorisations granted under section 105 of the SFO ^b | 16 | 22 | -27.3 | 14 | 14.3 |

^a On a "one product per key facts statement" basis, the number of unlisted structured investment products authorised during the period, most of which were equity-linked investments and deposits.

^b Offering documents and advertisements of unlisted structured investment products offered to the Hong Kong public.