

# Breakdown of SFC activity data

Table 1 Takeovers activities

|   | 2020/21    | 2019/20    | 2018/19    |
|---|------------|------------|------------|
| <b>Codes on Takeovers and Mergers and Share Buy-backs</b>                 |            |            |            |
| General and partial offers under Code on Takeovers and Mergers            | 38         | 41         | 55         |
| Privatisations  | 31         | 15         | 6          |
| Whitewash waiver applications   | 33         | 13         | 21         |
| Other applications under Code on Takeovers and Mergers <sup>1</sup>       | 361        | 281        | 275        |
| Off-market and general offer share buy-backs                              | 5          | 7          | 9          |
| Other applications under Code on Share Buy-backs <sup>1</sup>             | 1          | 2          | 7          |
| <b>Total</b>  | <b>469</b> | <b>359</b> | <b>373</b> |
| <b>Executive Statements</b>   |            |            |            |
| Sanctions imposed with parties' agreement <sup>2</sup>                    | 4          | 3          | 2          |
| <b>Takeovers and Mergers Panel</b>  |            |            |            |
| Meetings for review of Codes on Takeovers and Mergers and Share Buy-backs | 0          | 0          | 1          |
| Hearings before the Panel (disciplinary and non-disciplinary)             | 0          | 2          | 0          |
| Statements issued by the Panel <sup>3</sup>                               | 0          | 2          | 0          |

1 Including stand-alone applications and those made during the course of a Code-related transaction.

2 Pursuant to section 12.3 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.

3 Pursuant to section 16.1 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.

## Breakdown of SFC activity data

**Table 2 Breaches noted during on-site inspections**

|   | 2020/21      | 2019/20      | 2018/19      |
|---|--------------|--------------|--------------|
| Failure to comply with Securities and Futures (Financial Resources) Rules   | 4            | 9            | 9            |
| Failure to safekeep client securities   | 28           | 31           | 32           |
| Failure to maintain proper books and records  | 20           | 19           | 13           |
| Failure to safekeep client money  | 35           | 42           | 28           |
| Unlicensed dealing and other registration issues  | 9            | 14           | 17           |
| Breach of licensing conditions  | 1            | 3            | 5            |
| Breach of requirements of contract notes/statements of account/receipts   | 28           | 33           | 31           |
| Failure to make filing/notification   | 3            | 5            | 1            |
| Breach of margin requirements   | 3            | 5            | 8            |
| Dealing malpractices  | 4            | 5            | 3            |
| Breach of Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission <sup>1</sup> | 262          | 273          | 275          |
| Breach of Corporate Finance Adviser Code of Conduct   | 6            | 7            | 8            |
| Breach of Fund Manager Code of Conduct  | 142          | 79           | 67           |
| Breach of regulation of online trading  | 3            | 7            | 3            |
| Non-compliance with anti-money laundering guidelines  | 208          | 331          | 201          |
| Breach of other rules and regulations of the Exchanges <sup>2</sup>   | 3            | 11           | 12           |
| Internal control weaknesses <sup>3</sup>  | 515          | 451          | 443          |
| Others  | 76           | 164          | 80           |
| <b>Total</b>  | <b>1,350</b> | <b>1,489</b> | <b>1,236</b> |

1 Commonly related to risk management, client agreements, safeguarding of client assets and information for or about clients.

2 The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited.

3 Comprised deficiencies in management review and supervision, operational controls over the handling of client accounts, segregation of duties, information management, adequacy of audit trail for internal control purposes, among other weaknesses.

Table 3 Hong Kong domiciled authorised funds

| By type                    | As at 31.3.2021         |                             | As at 31.3.2020         |  |
|----------------------------|-------------------------|-----------------------------|-------------------------|--|
|                            | Number                  | Total NAV<br>(US\$ million) | Number                  | Total NAV<br>(US\$ million)              |
| Bond                       | 162 (23.5%)             | 39,004 (20.4%)              | 136 (21.9%)             | 28,245 (20.9%)                           |
| Equity                     | 193 (28.1%)             | 61,839 (32.4%)              | 185 (29.8%)             | 39,238 (29.1%)                           |
| Mixed <sup>1</sup>         | 71 (10.3%)              | 18,881 (9.9%)               | 61 (9.8%)               | 14,629 (10.8%)                           |
| Money market               | 33 (4.8%)               | 8,424 (4.4%)                | 28 (4.5%)               | 7,331 (5.4%)                             |
| Fund of funds <sup>2</sup> | 86 (12.5%)              | 16,982 (8.9%)               | 78 (12.6%)              | 13,166 (9.8%)                            |
| Index <sup>3</sup>         | 142 (20.6%)             | 45,727 (24%)                | 129 (20.8%)             | 32,168 (23.9%)                           |
| Guaranteed                 | 1 (0.1%)                | 52 (0%)                     | 3 (0.5%)                | 59 (0%)                                  |
| Sub-total <sup>2</sup>     | 688 (100%) <sup>4</sup> | 190,909 (100%)              | 620 (100%) <sup>4</sup> | 134,835 <sup>4</sup> (100%) <sup>4</sup> |
| Umbrella structures        | 147                     |                             | 142                     |  |
| <b>Total</b>               | <b>835</b>              |                             | <b>762</b>              |  |

Note: Unit trusts and mutual funds authorised under the Code on Unit Trusts and Mutual Funds.

1 Presented as "Diversified" previously.

2 Beginning with the quarter ended 31 December 2020, the NAV of feeder funds whose master funds are authorised by the SFC has been excluded from the total NAV in the "Fund of funds" category to better reflect the total assets under management. For comparison purposes, similar adjustments have been made to the total NAV figures as at 31 March 2020.

3 Including exchange-traded funds and leveraged and inverse products.

4 Figures do not add up to total due to rounding.

## Breakdown of SFC activity data

**Table 4 Non-Hong Kong domiciled authorised funds**

| a) By origin                | As at 31.3.2021 |              |              |                                 | As at 31.3.2020          |                                 |                                       |  |
|-----------------------------|-----------------|--------------|--------------|---------------------------------|--------------------------|---------------------------------|---------------------------------------|--|
|                             | Umbrella funds  | Sub-funds    | Single funds | Total                           | Total NAV (US\$ million) | Total                           | Total NAV (US\$ million)              |  |
| Luxembourg                  | 47              | 987          | 1            | 1,035 (74.9%)                   | 1,399,343 (76%)          | 1,032 (75.2%)                   | 884,452 <sup>1</sup> (72.1%)          |  |
| Ireland <sup>2</sup>        | 26              | 210          | 2            | 238 (17.2%)                     | 275,782 (15%)            | 222 (16.2%)                     | 204,098 (16.6%)                       |  |
| United Kingdom              | 3               | 9            | 18           | 30 (2.2%)                       | 75,015 (4.1%)            | 37 (2.7%)                       | 60,602 (4.9%)                         |  |
| Mainland China              | 2               | 2            | 47           | 51 (3.7%)                       | 25,234 (1.4%)            | 50 (3.6%)                       | 18,496 (1.5%)                         |  |
| Bermuda                     | -               | -            | 1            | 1 (0.1%)                        | 128 (0%)                 | 1 (0.1%)                        | 142 (0%)                              |  |
| Cayman Islands <sup>2</sup> | 3               | 15           | 4            | 22 (1.6%)                       | 4,358 (0.2%)             | 26 (1.9%)                       | 4,685 (0.4%)                          |  |
| Others                      | -               | -            | 5            | 5 (0.4%)                        | 61,049 (3.3%)            | 5 (0.4%)                        | 54,638 (4.5%)                         |  |
| <b>Total<sup>2</sup></b>    | <b>81</b>       | <b>1,223</b> | <b>78</b>    | <b>1,382 (100%)<sup>3</sup></b> | <b>1,840,909 (100%)</b>  | <b>1,373 (100%)<sup>3</sup></b> | <b>1,227,114<sup>1,3</sup> (100%)</b> |  |

1 These figures differ from those disclosed in the *Annual Report 2019-20* due to a revised figure reported after the report was published.

2 Beginning with the quarter ended 31 December 2020, the NAV of feeder funds whose master funds are authorised by the SFC has been excluded from the total NAV in the "Fund of funds" category to better reflect the total assets under management. For comparison purposes, similar adjustments have been made to the total NAV figures as at 31 March 2020.

3 Figures do not add up to total due to rounding.

| b) By type                 | As at 31.3.2021           |                          | As at 31.3.2020           |                                 |
|----------------------------|---------------------------|--------------------------|---------------------------|---------------------------------|
|                            | Number                    | Total NAV (US\$ million) | Number                    | Total NAV (US\$ million)        |
| Bond                       | 345 (26.5%)               | 609,557 (33.1%)          | 329 (25.4%)               | 469,281 (38.2%)                 |
| Equity                     | 746 (57.3%)               | 941,176 (51.1%)          | 760 (58.7%)               | 532,133 <sup>4</sup> (43.4%)    |
| Mixed <sup>1</sup>         | 128 (9.8%)                | 161,923 (8.8%)           | 123 (9.5%)                | 123,753 (10.1%)                 |
| Money market               | 16 (1.2%)                 | 11,375 (0.6%)            | 15 (1.2%)                 | 13,877 (1.1%)                   |
| Fund of funds <sup>2</sup> | 23 (1.8%)                 | 1,212 (0.1%)             | 26 (2%)                   | 891 (0.1%)                      |
| Index <sup>3</sup>         | 42 (3.2%)                 | 115,538 (6.3%)           | 41 (3.2%)                 | 87,036 (7.1%)                   |
| Hedge                      | 1 (0.1%)                  | 128 (0%)                 | 1 (0.1%)                  | 142 (0%)                        |
| Sub-total <sup>2</sup>     | 1,301 (100%) <sup>5</sup> | 1,840,909 (100%)         | 1,295 (100%) <sup>5</sup> | 1,227,114 <sup>4,5</sup> (100%) |
| Umbrella structures        | 81                        |                          | 78                        |                                 |
| <b>Total<sup>2</sup></b>   | <b>1,382</b>              |                          | <b>1,373</b>              |                                 |

Note: Unit trusts and mutual funds authorised under the Code on Unit Trusts and Mutual Funds.

1 Presented as "Diversified" previously.

2 Beginning with the quarter ended 31 December 2020, the NAV of feeder funds whose master funds are authorised by the SFC has been excluded from the total NAV in the "Fund of funds" category to better reflect the total assets under management. For comparison purposes, similar adjustments have been made to the total NAV figures as at 31 March 2020.

3 Including exchange-traded funds.

4 These figures differ from those disclosed in the *Annual Report 2019-20* due to a revised figure reported after the report was published.

5 Figures do not add up to total due to rounding.

Table 5 Successful prosecutions

| Defendant  | Date of conviction | Fine/Penalty                     | Investigation costs awarded |
|--|--------------------|----------------------------------|-----------------------------|
| <b>Insider dealing</b>   |                    |                                  |                             |
| CHOW Chiu Chi  | 17.12.2020         | \$45,000 and 45-day imprisonment | \$37,029                    |
| <b>Market manipulation</b>                                     |                    |                                  |                             |
| KE Wen Hua   | 11.9.2020          | \$30,000                         | \$65,420                    |
| <b>Provision of false/misleading representation to the SFC</b> |                    |                                  |                             |
| LAU Tin Yau  | 3.9.2020           | \$36,000                         | \$28,248                    |
| <b>Unlicensed activities</b>                                   |                    |                                  |                             |
| YAU Ka Fai   | 29.4.2020          | 240-hour community service       | –                           |
| CHAN Ying Ming Simon   | 9.7.2020           | \$20,000                         | \$35,431                    |
| Brilliance Capital Management Limited                          | 24.7.2020          | \$15,000                         | \$62,196                    |
| LAW Sai Hung   | 24.7.2020          | \$15,000                         | –                           |
| <b>Disclosure of Interests</b>                                 |                    |                                  |                             |
| Snow Lake Capital (HK) Limited                                 | 4.3.2021           | \$24,000                         | \$13,571                    |

Note: Cases with fines below \$10,000 are not shown in this table.

## Breakdown of SFC activity data

**Table 6 Other public disciplinary actions**

| <b>Name</b>           | <b>Date</b> | <b>Breaches</b>   | <b>Action</b>   |
|-----------------------|-------------|---|---|
| CHAN Shun King        | 25.11.2020  | Conducted unauthorised transactions in client accounts  | Banned from re-entering the industry for 24 months    |
| PANG Hon Pan          | 25.11.2020  | Breached staff trading policy and made a wilful misrepresentation to the Securities and Futures Appeals Tribunal            | Banned from re-entering the industry for 21 months    |
| Sandra CHEUNG Wing Yi | 29.10.2020  | Maintained an external securities trading account and conducted personal trades in the account without approval by the firm | Suspended for 12 months                               |
| MUNG Wai Sun          | 21.9.2020   | Conducted unauthorised transactions in a client account   | Suspended for nine months                             |
| Masy LO Mee Chi       | 31.8.2020   | Fabricated a signature in connection with the purchase of a fund  | Banned from re-entering the industry for eight months |
| CHAN Yiu Ting         | 12.8.2020   | Conducted unauthorised transactions in a client account   | Banned from re-entering the industry for 18 months    |
| LAI Wing Fat          | 7.7.2020    | Conducted unauthorised transactions in client accounts  | Banned from re-entering the industry for 20 months    |
| KWOK Chau Mo          | 28.5.2020   | Breached the firm's trading policies  | Banned from re-entering the industry for nine months  |

Table 7 Other enforcement activities

|   | 2020/21     | 2019/20     | 2018/19     |
|---|-------------|-------------|-------------|
| S179 <sup>1</sup> inquiries commenced   | 42          | 31          | 26          |
| S181 <sup>2</sup> inquiries commenced (number of letters sent)                  | 246 (8,748) | 231 (8,767) | 294 (9,074) |
| S182 <sup>3</sup> directions issued   | 189         | 187         | 231         |
| Rule 8 directions <sup>4</sup> issued   | 0           | 1           | 4           |
| Show cause letters <sup>4</sup> issued  | 0           | 0           | 2           |
| Cases with search warrants executed   | 28          | 17          | 30          |
| Compliance advice letters issued  | 231         | 218         | 234         |
| Criminal, Civil and Market Misconduct Tribunal (MMT) proceedings                |             |             |             |
| (a) Insider dealing   |             |             |             |
| Individuals/corporations summonsed (summons laid)                               | 1 (1)       | 1 (2)       | 1 (5)       |
| Individuals/corporations involved in ongoing civil proceedings                  | 11          | 11          | 11          |
| Individuals/corporations involved in ongoing MMT proceedings                    | 3           | 7           | 5           |
| (b) Market manipulation   |             |             |             |
| Individuals/corporations summonsed (summons laid)                               | 6 (6)       | 1 (3)       | 0 (0)       |
| Individuals/corporations involved in ongoing civil proceedings                  | 18          | 18          | 0           |
| (c) Others  |             |             |             |
| Individuals/corporations summonsed (summons laid)                               | 3 (21)      | 5 (5)       | 4 (37)      |
| Individuals/corporations involved in ongoing civil proceedings                  | 150         | 129         | 90          |
| Individuals/corporations involved in ongoing MMT proceedings                    | 20          | 27          | 25          |
| Disciplinary enquiry  |             |             |             |
| Notices of Proposed Disciplinary Action <sup>5</sup> issued                     | 27          | 35          | 22          |
| Notices of Decision <sup>6</sup> issued (including S201 <sup>7</sup> agreement) | 35          | 46          | 34          |
| SFAT hearings   |             |             |             |
| Applications to SFAT  | 6           | 3           | 4           |
| Applications/hearings completed   | 4           | 2           | 5           |

1 Section 179 of the Securities and Futures Ordinance (SFO) gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

2 Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including the identity information of the ultimate clients, the particulars and instructions relating to the transactions.

3 Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

4 A Rule 8 direction is issued by the SFC pursuant to Section 8 of the Securities and Futures (Stock Market Listing) Rules, directing the Stock Exchange of Hong Kong Limited (SEHK) to suspend trading in the shares of a listed company on grounds that the market is misinformed, disorderly or unfair. A show cause letter is sent by the SFC to inform a listed company that it is minded to exercise its power under the aforesaid Rules to direct SEHK to suspend trading in the shares of the company, in the absence of a satisfactory explanation.

5 A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

6 A notice that sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

7 Section 201 of the SFO gives the SFC the power to resolve disciplinary proceedings by agreement when the SFC considers it appropriate to do so in the interest of the investing public or in the public interest.

## Breakdown of SFC activity data

**Table 8 Statistical information and financial position of the Hong Kong securities industry<sup>1</sup>**

|  | As at<br>31.12.2020                                 | As at<br>31.12.2019                                 | As at<br>31.12.2018                                 |
|--|---|---|---|
| Securities dealers and securities margin financiers                                  | 1,391   | 1,379   | 1,312   |
| Active cash clients <sup>2</sup>   | 1,737,281   | 1,423,007   | 1,410,319   |
| Active margin clients <sup>2</sup>   | 1,470,396   | 601,842   | 463,970   |
| Active clients   | 3,207,677   | 2,024,849   | 1,874,289   |
| <b>Balance sheet</b>   | <b>(\$ million)</b>                                 | <b>(\$ million)</b>                                 | <b>(\$ million)</b>                                 |
| Cash in hand and at bank <sup>3</sup>  | 640,379   | 505,627   | 515,715   |
| Amounts receivable from margin clients <sup>4</sup>                                  | 201,916   | 165,919   | 180,800   |
| Amounts receivable from clients and other dealers arising from dealing in securities | 333,878   | 186,361   | 158,495   |
| Proprietary positions  | 212,763   | 133,663   | 89,096  |
| Other assets   | 423,539   | 331,341   | 282,426   |
| Total assets   | 1,812,475   | 1,322,911   | 1,226,532   |
| Amounts payable to clients and other dealers arising from dealing in securities      | 877,314   | 580,610   | 531,638   |
| Total borrowings from financial institutions   | 156,267   | 119,934   | 111,396   |
| Short positions held for own account   | 78,572  | 47,175  | 38,285  |
| Other liabilities  | 234,265   | 159,784   | 148,483   |
| Total shareholders' funds  | 466,057   | 415,408   | 396,730   |
| Total liabilities and shareholders' funds  | 1,812,475   | 1,322,911   | 1,226,532   |
|  | <b>12 months to<br/>31.12.2020<br/>(\$ million)</b> | <b>12 months to<br/>31.12.2019<br/>(\$ million)</b> | <b>12 months to<br/>31.12.2018<br/>(\$ million)</b> |
| <b>Profit and loss</b>   |   |   |   |
| Total value of transactions <sup>5</sup>   | 129,651,195   | 85,831,384  | 89,678,389  |
| Net securities commission income   | 28,374  | 19,901  | 24,197  |
| Gross interest income  | 19,493  | 23,172  | 22,471  |
| Other income <sup>6</sup>  | 150,159   | 118,809   | 114,637   |
| Total operating income   | 198,026   | 161,882   | 161,305   |
| Total overheads and interest expense   | 167,122   | 149,920   | 137,757   |
| Total operating profit   | 30,904  | 11,962  | 23,548  |
| Net profit on proprietary trading  | 16,649  | 13,201  | 14,783  |
| Net profit for the period  | 47,553  | 25,163  | 38,331  |

1 Data were extracted from the monthly financial returns submitted under the Securities and Futures (Financial Resources) Rules by 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.

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 under 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 which totalled \$437,280 million (31.12.2019: \$288,016 million).

4 As at 31.12.2020, the average collateral coverage was 4.6 times (as at 31.12.2019: 3.9 times). This figure represents the number of times the aggregate market value of securities collateral deposited by margin clients covers the total amount of margin loans due from these clients on a given date on an industry-wide basis.

5 The total value of transactions includes trading in equities, bonds and other securities in Hong Kong and overseas.

6 Comprises fund management fee income, corporate finance income, inter-company management fee income and others.