

Products

We formulate policy initiatives that enhance Hong Kong’s position as a global asset and wealth management centre and a preferred fund domicile and that provide investors with better protection and a wider variety of investment options. We authorise and regulate investment products offered to the public in Hong Kong and monitor their ongoing compliance with our regulatory requirements.



Ms Christina Choi, Executive Director of Investment Products, at the Hong Kong Investment Funds Association’s annual conference

Product authorisations

As of 31 March 2023, a total of 2,939 SFC-authorized collective investment schemes (CIS) were offered to the public. During the year, we authorised 175 CIS, comprising 167 unit trusts and mutual funds (including 88 Hong Kong-domiciled funds), six investment-linked assurance schemes (ILAS) and two mandatory provident fund (MPF) pooled investment funds.

We also authorised 279 unlisted structured investment products for public offering during the year.

OFC registrations

As of 31 March 2023, there were 131 open-ended fund companies (OFCs), of which 69 were registered during the year, including two re-domiciled OFCs.

Hong Kong-domiciled funds

As of 31 March 2023, there were 913 Hong Kong-domiciled funds. Overall net inflows of US\$7,859 million were recorded during the year.



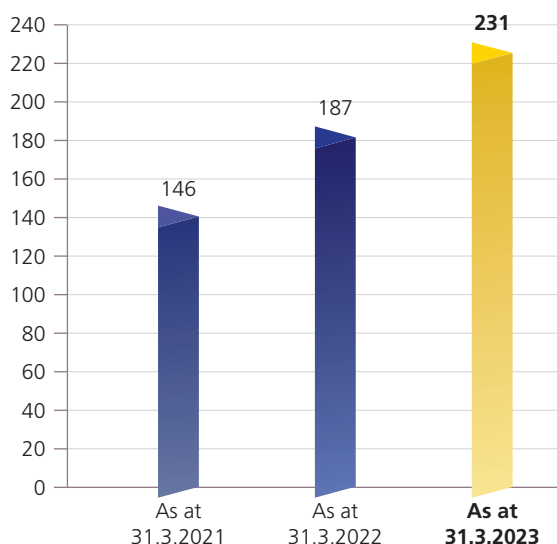
Authorised CIS

	As at 31.3.2023	As at 31.3.2022	As at 31.3.2021
Unit trusts and mutual funds — Hong Kong-domiciled	913	866	835
Unit trusts and mutual funds — non-Hong Kong-domiciled	1,417	1,381	1,382
ILAS	305	300	298
Pooled retirement funds	32	32	33
MPF schemes	26	26	27
MPF pooled investment funds	221	219	212
Others [^]	25	25	25
Total	2,939	2,849	2,812

[^] Comprising 14 paper gold schemes and 11 real estate investment trusts (REITs).

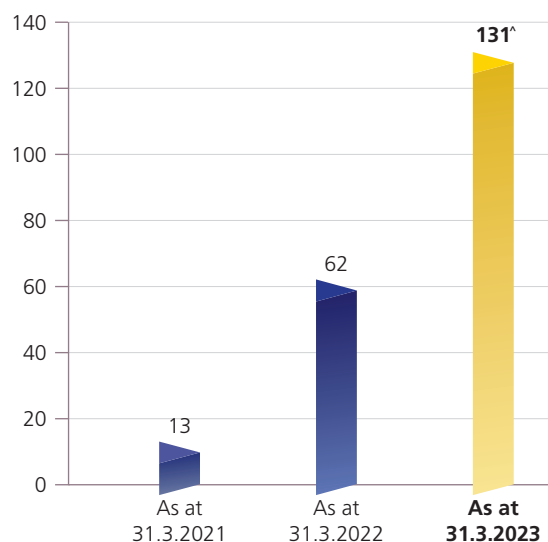
Products

Authorised unlisted structured investment products[^]



[^] On a "one product per key facts statement" basis, including equity-linked investments and deposits.

Registered OFCs



[^] As of 31 March 2023, this figure includes 110 private OFCs.

Authorised unit trusts and mutual funds domiciled in Hong Kong – fund flows by type^a (US\$ million)

	12 months to 31.3.2023			12 months to 31.3.2022		
	Subscription	Redemption	Net subscription/ (redemption)	Subscription	Redemption	Net subscription/ (redemption)
Bond	9,923	12,045	(2,122)	12,169	16,563	(4,394)
Equity	13,628	13,923	(295)	20,714	21,220	(506)
Mixed	7,313	8,831	(1,518)	12,774	9,619	3,155
Money market	33,293	26,634	6,659	19,290	18,842	448
Feeder funds ^b	3	4	(1)	3	2	1
Index ^c	65,412	60,285	5,127	49,752	36,054	13,698
Guaranteed	0	4	(4)	0	6	(6)
Other specialised ^d	78	65	13	0	0	0
Total	129,650	121,791	7,859^e	114,702	102,306	12,396

a Based on data reported by funds domiciled in Hong Kong.

b The subscription and redemption amounts of feeder funds whose master funds are authorised by the SFC have been excluded from the fund flows figures under the "Feeder funds" category to better reflect the total fund flows.

c Including exchange-traded funds (ETFs) and leveraged and inverse (L&I) products.

d Including virtual asset futures ETFs.

e This figure includes net fund inflows of US\$113 million reported by retail approved pooled investment funds which MPFs may invest into and may also be offered to the public in Hong Kong.



ETFs and L&I products

As of 31 March 2023, 172 SFC-authorized ETFs were listed on the Stock Exchange of Hong Kong Limited (SEHK), including 25 L&I products, with total market capitalisation of \$407.12 billion. During the year, net inflows of \$46.1 billion to these ETFs and L&I products were recorded. Their average daily turnover increased 55% year-on-year to \$12.9 billion.

We authorised the first green bond ETF tracking the Bloomberg MSCI Asia ex Japan USD Green Bond Index in July 2022.

We also worked with SEHK to enhance the ETF market infrastructure by including actively traded ETFs and L&I products under the volatility control mechanism¹ starting in May 2022.

RMB products

As of 31 March 2023, there were 61 SFC-authorized unlisted funds² and 52 ETFs³ primarily investing in the onshore Mainland securities markets⁴ or offshore renminbi (RMB) bonds, fixed income instruments or other securities.

SFC-authorized RMB investment products

	As at 31.3.2023
Unlisted products	
Unlisted funds primarily investing in onshore Mainland securities markets or offshore RMB bonds, fixed income instruments or other securities	61
Unlisted funds (non-RMB denominated) with RMB share classes	388
Paper gold schemes with RMB features	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	47
Unlisted structured investment products issued in RMB ^a	230
Listed products	
ETFs primarily investing in onshore Mainland securities markets or offshore RMB bonds, fixed income instruments or other securities	52
ETFs (non-RMB denominated) with RMB trading counters and/or RMB share classes	15
RMB L&I products	3
RMB gold ETFs ^b	1
RMB REITs	1

a The number is on a "one product per key facts statement" basis.

b Only includes gold ETF denominated in RMB.

1 The volatility control mechanism provides a temporary cooling-off period: when a security or futures contract experiences extreme price volatility, a price limit is set to confine trading within a specified price range.

2 Excluding recognised Mainland funds under Mainland-Hong Kong mutual recognition of funds (MRF) arrangement.

3 Refers to unlisted funds or ETFs which are denominated in RMB.

4 Refers to onshore Mainland investments through the Qualified Foreign Investor scheme, Stock Connect, Bond Connect and the China Interbank Bond Market.

Products

Supporting market development

Wealth Management Connect

The Greater Bay Area Wealth Management Connect scheme helps asset managers in Hong Kong expand their investor base by making eligible SFC-authorized Hong Kong-domiciled funds available to Mainland investors in the Guangdong-Hong Kong-Macao Greater Bay Area.

Since the scheme's launch, both northbound and southbound investment showed a steady increase, with investor participation growing by 47,200 and an increase of around RMB3 billion in the total amount of cross-boundary remittance.

Mainland-Hong Kong MRF

Under the Mainland-Hong Kong MRF scheme, there were 47 Mainland funds authorized by the SFC and 37 Hong Kong funds approved by the China Securities Regulatory Commission (CSRC) as of 31 March 2023 and the aggregate net subscription for both Mainland and Hong Kong funds was about RMB15.7 billion.

An updated frequently asked question (FAQ) was issued in November 2022 to provide the industry with added clarity regarding the requirements for pooled investment funds authorized by the SFC for public offering in Hong Kong to apply for registration with the CSRC under the MRF regime.

Virtual asset futures ETFs

Following an October 2022 circular setting out our requirements for authorising ETFs which obtain exposure to virtual assets through futures, we authorised the first batch of virtual asset futures ETFs during the year. These ETFs primarily invest in virtual asset futures traded on the Chicago Mercantile Exchange and they include the world's first ether futures ETF and Asia's first bitcoin futures ETF. We worked closely with the Investor and Financial Education Council (IFEC) to produce investor education materials on the key features and risks of these novel ETFs.

OFCs

During the year, we registered 69 OFCs with 126 sub-funds, including 37 SFC-authorized funds among which there were 10 ETFs with a total market capitalisation of over \$250 million. We registered the first re-domiciled private OFC in April 2022.

We administer the Government's grant scheme for OFCs, which has been well received by the asset management industry with the number of registered OFCs increasing by more than eight times since the grant scheme's introduction in May 2021.

ESG funds

As of 31 March 2023, there were 188 SFC-authorized ESG⁵ funds with total assets under management (AUM) of US\$151.7 billion (representing year-on-year increases of 55% and 6% respectively)⁶. During the year, we hosted workshops to provide guidance to the industry and worked with the IFEC to enhance investor awareness of ESG funds.

Asset and wealth management business

In July 2022, we published the *Asset and Wealth Management Activities Survey 2021*, which showed that Hong Kong's asset and wealth management business recorded a 2% year-on-year increase in AUM to \$35,546 billion as at the end of 2021. Net fund inflows during the year reached \$2,152 billion, up 6% from 2020. The AUM of the asset management and fund advisory business increased 8% to \$25,888 billion. Assets held under trusts increased 5% to \$4,719 billion. The AUM of the private banking and private wealth management business decreased 6% to \$10,583 billion, mainly due to changes in the values of clients' investments.

Enhancing regulations

ILAS

After the 18-month transition period for the implementation of the enhanced guidance on ILAS product design ended on 30 April 2023, all ILAS products offered to the Hong Kong public must comply with the enhanced requirements⁷, unless an extension has been granted by the SFC. To facilitate a smooth

⁵ Environmental, social and governance.

⁶ See Sustainability on pages 91-100.

⁷ The enhancements foster better investor protection by requiring ILAS fees and charges to be commensurate with comparable alternative products and aligned with the insurance protection offered, as well as by reducing product complexity and enhancing disclosures relating to fees.

transition, we met with the industry and published additional FAQs to provide additional guidance. As of 31 March 2023, we authorised six ILAS under the enhanced requirements.

The enhanced ILAS authorisation process, introduced in November 2021, has significantly shortened approval time. As of 31 March 2023, the average processing time for new ILAS applications under the enhanced process decreased by 56%, from 4.8 months to 2.1 months. We also worked with the IFEC to promote the public’s understanding of ILAS.



Depositories of SFC-authorized funds

We engage the industry and work closely with the Hong Kong Monetary Authority to prepare for the introduction of the new Type 13 regulated activity (RA 13) which will bring depositories of SFC-authorized CIS under the SFC’s direct supervision. In March 2023, we released the consultation conclusions on proposed amendments to subsidiary legislation and SFC codes and guidelines to implement the regime. We will provide guidance to the industry to facilitate the transition to the new regime. Following the completion of the legislative process, RA 13 will come into operation on 2 October 2024.

Pooled retirement funds

The 12-month transitional period for existing pooled retirement funds and their underlying investment portfolios and key operators to comply with the revised Code on Pooled Retirement Funds ended on 30 November 2022. The revisions were made to strengthen investor protection and ensure the regulations for these funds are up-to-date and fit for purpose.

Ensuring an orderly market

To monitor the risk exposure of Hong Kong-domiciled SFC-authorized funds, we require asset managers to report key data periodically, including subscription and redemption flows, liquidity profiles, asset allocations, credit quality, currency exposure, use of leverage, and securities financing and borrowing transactions.

We stay abreast of market developments and tailor our monitoring programme in response to different market circumstances and stress events. We closely monitor the liquidity of SFC-authorized funds through reports from asset managers of unusual or untoward activities, including significant redemptions, suspensions of dealing and liquidity problems.

We perform surveillance of advertisements and handle complaints about property-related or other arrangements suspected to be CIS which may not be offered to the public in Hong Kong. To provide an early warning to investors, we also post unauthorised investment arrangements involving real estate and other investments suspected to be CIS to the Suspected Unauthorised CIS Alert List on the SFC’s website. During the year, 15 arrangements were published on the alert list.

Suspected Unauthorised CIS Alert List

Name / description search | Type search | Location search | Full List

Name / description:

Search tips: This is a keyword search based on exact phrases. To facilitate searching, please only enter the keywords "AA" in the search field when searching for "AA" Property or "AA" Token

Submit Reset

A | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z | Chinese | Others |

All Year All Month

Name / description *	Location *	Type *	Add date *
DeFi Pool (New)	N/A	Digital token related	23 Mar 2023
East Mainland Pool (New)	N/A	Digital token related	23 Mar 2023
中港通 (Chinese name only)	Mainland China	Real property related	23 Feb 2023

Alerts against suspected unauthorised CIS



ETF Connect takes off

ETF Connect allows Mainland and Hong Kong investors to trade eligible ETFs listed on each other's market through their local brokers. Launched on 4 July 2022, the scheme made fund products eligible for trading under Stock Connect for the first time, marking a key milestone in mutual market access.

ETF Connect quickly attracted wide interest from market participants and trading has risen consistently. As of 31 March 2023, the average daily turnover for southbound trading of Hong Kong ETFs was \$1.2 billion, representing about

11.6% of the combined average daily turnover of these ETFs, with five Hong Kong ETFs eligible for southbound trading under the scheme and 98 Mainland ETFs (including 61 on the Shanghai Stock Exchange and 37 on the Shenzhen Stock Exchange) eligible for northbound trading. Together with the CSRC and the exchanges, we are exploring the feasibility of expanding the product scope.

By attracting more capital and liquidity, ETF Connect supports the growth of Hong Kong as an ETF hub in the Asia-Pacific region. It also consolidates Hong Kong's role as a unique platform connecting the Mainland markets with international investors.

Key figures

	Southbound trading (ETFs listed in Hong Kong)	Northbound trading (ETFs listed on Mainland)
Number of eligible ETFs	5	98
Average daily turnover since launch	\$1.2 billion	RMB0.1 billion
Share in the combined trading of these ETFs	11.6%	0.5%
Accumulated turnover since launch	\$206.4 billion	RMB21 billion

Key benefits

