

Products

Authorisations

During the quarter ended 30 September, we authorised 31 unit trusts and mutual funds (including 20 Hong Kong-domiciled funds), four mandatory provident fund (MPF) pooled investment funds and 73 unlisted structured investment products for public offering in Hong Kong.

OFC registrations

As of 30 September, we registered 27 open-ended fund companies (OFCs), of which 12¹ were new OFCs registered during the quarter.

Hong Kong-domiciled funds

Despite volatility in the local equity market, the assets under management (AUM) of Hong Kong-domiciled funds remained steady at around US\$191 billion as at 30 September and recorded net fund inflows of about US\$7 billion for the six months ended 30 September. During the same period, the number of firms licensed for Type 9 regulated activity increased 1% to 1,941.

Wealth Management Connect

On 10 September, the People's Bank of China (PBoC), Hong Kong Monetary Authority (HKMA) and the Monetary Authority of Macao announced the launch of the Cross-boundary Wealth Management Connect Pilot Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area. We have been working closely with HKMA, PBoC and other authorities since the establishment of the pilot scheme was announced in June 2020, providing input on the scheme's design and operations including the product scope and conduct-related matters.

Mutual Recognition of Funds (MRF)

Under the Mainland-Hong Kong MRF scheme, as of 30 September, we authorised a total of 48 Mainland funds (including two umbrella funds) whilst the China Securities Regulatory Commission approved 38 Hong Kong funds.

As of 30 September, the cumulative net subscription was about RMB946 million for Mainland funds and about RMB15.85 billion for Hong Kong funds. During the quarter, Mainland funds recorded a net subscription of about RMB172.31 million, up from RMB111.42 million

in the previous quarter. Hong Kong funds recorded a net redemption of about RMB539.11 million this quarter, down from a net subscription of about RMB1.32 billion last quarter.

Asset and Wealth Management Activities Survey

The *Asset and Wealth Management Activities Survey* for 2020, released in July, showed that Hong Kong experienced strong growth in asset management, fund advisory, private banking and private wealth management business, supported by strong net fund inflows.

Hong Kong's asset and wealth management business recorded a 21% year-on-year increase in AUM to \$34,931 billion as at the end of 2020. The AUM of the asset management and fund advisory business conducted by licensed corporations and registered institutions increased 20% to \$24,038 billion and the AUM of the private banking and private wealth management business grew 25% to \$11,316 billion. Net fund inflows of \$2,035 billion were recorded for the asset and wealth management business during 2020, accounting for 33% of the year-on-year increase in AUM.

New unauthorised CIS alert list

To enhance investor protection, we launched a new alert list on our website in August to warn the public about unauthorised investment arrangements suspected to be collective investment schemes (CIS), which may not be offered to the public in Hong Kong without the SFC's authorisation².

We liaised with the Consumer Council and the Estate Agents Authority (EAA) regarding the introduction of the list. Following the launch, the EAA issued a reminder to its licensed estate agents that the sale of certain real properties in Hong Kong may constitute a sale of interests in a CIS and advised them to check the alert list. We also worked with the Investor and Financial Education Council to raise public awareness of CIS and the risks of investing in unauthorised CIS.

¹ This figure includes 11 OFCs which are not authorised under section 104 of the Securities and Futures Ordinance (SFO) and hence may not be offered to the public in Hong Kong unless an exemption under the SFO applies.

² CIS offered to the Hong Kong public are subject to SFC authorisation under the SFO, unless exempted. In general, CIS must be sold by an intermediary licensed or registered with the SFC. Unauthorised CIS may generally be sold to professional investors only.

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Authorised collective investment schemes

	As at 30.9.2021	As at 31.3.2021	Change (%)	As at 30.9.2020	YoY change (%)
Unit trusts and mutual funds – Hong Kong-domiciled	852 ^a	835	2	800	6.5
Unit trusts and mutual funds – non-Hong Kong-domiciled	1,378	1,382	-0.3	1,375	0.2
Investment-linked assurance schemes	300	298	0.7	300	0
Pooled retirement funds	33	33	0	33	0
MPF schemes	26	27	-3.7	27	-3.7
MPF pooled investment funds	213	212	0.5	210	1.4
Others	25 ^b	25	0	25	0
Total	2,827	2,812	0.5	2,770	2.1

a This figure includes 108 approved pooled investment funds (retail APIFs) which MPFs may invest into and may also be offered to the public in Hong Kong.

b Comprising 13 paper gold schemes and 12 real estate investment trusts (REITs).

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

For the six months ended 30 September, Hong Kong-domiciled funds reported overall net inflows of US\$7,131 million, which was primarily attributed to index funds and mixed funds.

	Six months ended 30.9.2021			Six months ended 31.3.2021			Six months ended 30.9.2020		
	Subscription	Redemption	Net subscription/ (redemption)	Subscription	Redemption	Net subscription/ (redemption)	Subscription	Redemption	Net subscription/ (redemption)
Bond	7,038	7,527	(489)	13,528	9,688	3,840	11,047	6,516	4,531
Equity	10,256	9,943	313	14,829	12,175	2,654	8,912	9,164	(252)
Mixed	6,855	4,028	2,827	5,522	4,316	1,206	2,401	3,284	(883)
Money market	9,653	9,657	(4)	10,258	9,385	873	8,612	8,409	203
Fund of funds ^b	1,287	1,785	(498)	1,414	1,763	(349)	1,486	1,695	(209)
Index ^c	19,587	14,602	4,985	21,666	20,361	1,305	17,437	13,849	3,588
Guaranteed	0	3	(3)	0	6	(6)	0	6	(6)
Total^b	54,676	47,545	7,131^d	67,217	57,694	9,523	49,895	42,923	6,972

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

b From 31 March 2021 onwards, the amount of subscription and redemption of feeder funds whose master funds are authorised by the SFC has been excluded from the fund flows figures in the "Fund of funds" category. For comparison purposes, similar adjustments have been made to the fund flows figures for the six months ended 30 September 2020 and 31 March 2021 respectively.

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

d This figure includes the net fund outflow of US\$622 million reported by retail APIFs which MPFs may invest into and may also be offered to the public in Hong Kong.

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Registered OFCs

	As at 30.9.2021	As at 31.3.2021	Change (%)	As at 30.9.2020	YoY change (%)
OFCs	27 [^]	13	107.7	6	350

[^] This figure includes 21 OFCs which are not authorised under section 104 of the SFO and hence may not be offered to the public in Hong Kong unless an exemption under the SFO applies.

Authorised unlisted structured investment products

	As at 30.9.2021	As at 31.3.2021	Change (%)	As at 30.9.2020	YoY change (%)
Unlisted structured investment products [^]	146	146	0	145	0.7

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

SFC-authorised renminbi investment products

	As at 30.9.2021
Unlisted products	
Unlisted funds primarily investing in the onshore Mainland securities markets ^a or offshore renminbi bonds, fixed-income instruments or other securities	53
Unlisted funds (non-renminbi denominated) with renminbi share classes	309
Paper gold schemes with renminbi features	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	48
Unlisted structured investment products issued in renminbi ^b	145
Listed products	
ETFs primarily investing in the onshore Mainland securities markets ^a or offshore renminbi bonds, fixed-income instruments or other securities	46
ETFs (non-renminbi denominated) with renminbi trading counters	12
Renminbi leveraged and inverse products	2
Renminbi gold ETFs ^c	1
Renminbi REITs	1

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

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

c Only includes gold ETFs denominated in renminbi.