

Products

Developing fund market

Preparation for integrated fund platform

The SFC has been working closely with Hong Kong Exchanges and Clearing Limited (HKEX) and other parties to implement an integrated fund platform (IFP) for retail fund distribution, after the HKSAR Government announced plans to set it up. The platform will provide a business-to-business service model initially and cover the front-to-back distribution lifecycle and value chain for distributing SFC-authorized funds in Hong Kong. The IFP is expected to generate new business opportunities in the Hong Kong retail fund market.

Supporting new Capital Investment Entrant Scheme (New CIES)

The HKSAR Government announced details of the New CIES in December. Eligible collective investment schemes (CIS) will be among the financial assets allowed for investment by scheme applicants. These will cover various SFC-authorized and registered products, including funds, investment-linked assurance schemes (ILAS), real estate investment trusts and open-ended fund companies (OFC) which meet the requirements. The SFC will continue to support the Government's work to facilitate New CIES's implementation.

Authorising novel ETFs

We authorised Asia's first and the world's largest exchange-traded fund (ETF) investing in Saudi Arabian listed stocks. Listed in November, the ETF tracks the FTSE Saudi Arabia Index and provides retail investors with exposure to Saudi Arabia.

We also authorised the first two active ETFs adopting covered call writing strategy in Hong Kong. Listed in early 2024, these ETFs invest in the constituent stocks of the Hang Seng Index and Hang Seng China Enterprises Index respectively, and sell call options on the respective reference index to receive premium from option buyers.

As at 31 December, 174 SFC-authorized ETFs were listed on the Stock Exchange of Hong Kong Limited (SEHK) (up 1% from a year ago), including 25 leveraged and inverse products, with total market capitalisation of \$383.6 billion (US\$49.1 billion). During the quarter, net inflows of \$34.3 billion (US\$4.4 billion) to these ETFs were recorded. In 2023, these ETFs recorded an average daily turnover of \$14.0 billion (US\$1.8 billion), up 17% from 2022, and net inflows of \$53.2 billion (US\$6.8 billion)¹.

As at 31 December, eight ETFs are eligible for southbound trading. During the quarter, southbound ETF trading had an average daily turnover of \$2,603 million (US\$333 million), contributing 12% of the eligible Hong Kong ETFs' turnover.

Southbound net subscriptions for Mutual Recognition of Funds (MRF)

Under the Mainland-Hong Kong MRF scheme, we had authorised 44 Mainland funds as at 31 December, whilst the China Securities Regulatory Commission had approved 38 Hong Kong funds. These compared to 47 Mainland funds and 37 Hong Kong funds as at 31 December 2022.

The cumulative net subscription amounted to about RMB1.02 billion for Mainland funds and about RMB17.44 billion for Hong Kong funds as at 31 December. During the quarter, Mainland funds recorded net redemptions of about RMB38.73 million and Hong Kong funds recorded net subscriptions of about RMB991.21 million.

Authorising investment products

During the quarter, we authorised 32 unit trusts and mutual funds (including 15 Hong Kong-domiciled funds), five ILAS, seven mandatory provident fund (MPF) pooled investment funds and 66 unlisted structured investment products for public offering in Hong Kong.

OFC registrations extended growth

As at 31 December, there were 244 registered OFCs, of which 57² were newly registered in the quarter. The number of registered OFCs in 2023 increased 118% year-on-year.

Increase in net inflows into Hong Kong-domiciled funds

As at 31 December, there were 914 Hong Kong-domiciled funds, up 0.3% from a year ago. Their assets under management (AUM) increased 4.7% from the previous quarter and increased 4.9% year-on-year to \$1,353.7 billion (US\$173 billion). Net fund inflows of about \$33.5 billion (US\$4.3 billion) were recorded in the quarter, up 179.0% from the previous quarter. During the year, net fund inflows amounted to \$87.1 billion (US\$11.1 billion), up 92.9% year-on-year.

¹ Since the second quarter of 2023, market capitalisation and fund flow statistics are calculated based on units/shares of all ETFs held in Hong Kong. Prior to that, market capitalisation and fund flow statistics are calculated based on the total units/shares of ETFs, other than the SPDR Gold Trust.

² The figure includes 55 private OFCs.

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ESG funds up in both number and AUM

As at 31 December, there were 219 SFC-authorized ESG³ funds with total AUM of \$1,325 billion (US\$170 billion), increasing 4.8% and 6.5% from the previous quarter, up 23.7% and 19.6% from 2022, respectively.

Enhancing regulatory guidance to promote responsible development

During the quarter, we provided the industry with guidance on investment products, by setting out requirements in several circulars.

Tokenisation of investment products

We guided that we would allow primary dealing of tokenised SFC-authorized products subject to additional safeguards. We will continue to engage with market participants on proper measures to address issues relating to secondary trading of tokenised SFC-authorized products. In addition, the first tokenised SFC-registered private OFC was launched in December.

Virtual asset-related funds

We set out our requirements for authorising investment funds with exposure to virtual assets (VA) of more than 10% of their net asset values for public offering in Hong Kong, including VA spot ETFs. The requirements specify the eligible VA, platforms through which the funds should buy or sell VA, and entities which may take VA custody.

Disclosing annualised returns for money market funds

We allowed SFC-authorized money market funds to present annualised returns for periods of less than one year in factsheets, marketing materials or other documents, subject to certain disclosure and other requirements. This was in response to the industry's request to provide more fund performance information to investors, and similar practices in a number of major jurisdictions were taken into account.

Streamlined measures for SFC-authorized fund processing

We updated our guidance to set out a number of streamlined measures to enhance the operational efficiency and approval processes of SFC-authorized funds in implementing changes and fulfilling the disclosure and reporting requirements. These cover appointments of investment delegates, reporting of pricing errors and breaches by SFC-authorized UCITS⁴ funds and other post-authorisation notifications.

Cautioning the public of suspicious investment products

To provide early warning to investors, we expanded the scope of the Suspicious Investment Products Alert List on our website. The list now covers both CIS and structured products falling under the Securities and Futures Ordinance, but have not been authorised by the SFC for offering to the public in Hong Kong⁵. During the quarter, we cautioned the public against seven suspicious investment products through posting on the alert list, press releases and social media posts.

³ Environmental, social and governance.

⁴ Undertakings for Collective Investment in Transferable Securities.

⁵ See Communications and Education on pages 28-30.

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Authorised CIS

	As at 31.12.2023	As at 31.3.2023	Change (%)	As at 31.12.2022	YoY change (%)
Unit trusts and mutual funds – Hong Kong-domiciled	914	913	0.1	911	0.3
Unit trusts and mutual funds – non-Hong Kong-domiciled	1,423	1,417	0.4	1,413	0.7
ILAS	318	305	4.3	302	5.3
Pooled retirement funds	32	32	0.0	32	0.0
MPF schemes	26	26	0.0	26	0.0
MPF pooled investment funds	197	221	-10.9	220	-10.5
Others	25	25	0.0	25	0.0
Total	2,935	2,939	-0.1	2,929	0.2

a This figure includes 113 approved pooled investment funds (retail APIFs) which MPFs may invest in and may also be offered to the public in Hong Kong.

b Comprising 14 paper gold schemes and 11 real estate investment trusts (REITs).

Registered OFCs

	As at 31.12.2023	As at 31.3.2023	Change (%)	As at 31.12.2022	YoY change (%)
OFCs	244 ^a	131	86.3	112	117.9

^a This figure includes 218 private OFCs.

Authorised unlisted structured investment products

	As at 31.12.2023	As at 31.3.2023	Change (%)	As at 31.12.2022	YoY change (%)
Unlisted structured investment products ^a	277	231	19.9	234	18.4

^a On a “one product per key facts statement” basis, including equity-linked investments and deposits.



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SFC-authorised renminbi (RMB) investment products

	As at 31.12.2023
Unlisted products	
Unlisted funds primarily investing in onshore Mainland securities markets ^a or offshore RMB bonds, fixed income instruments or other securities	58
Unlisted funds (non-RMB denominated) with RMB share classes	415
Paper gold schemes denominated in RMB	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	44
Unlisted structured investment products issued in RMB ^b	276
ILAS with policy currency in RMB	7
Listed products	
ETFs primarily investing in onshore Mainland securities markets ^a or offshore RMB bonds, fixed income instruments or other securities	52
ETFs (non-RMB denominated) with RMB trading counters and/or RMB share classes	25
RMB leveraged and inverse products	3
RMB gold ETFs ^c	1
RMB REITs	1

^a Refers to onshore Mainland investments through the Qualified Foreign Investor scheme, 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 RMB.