

# SFC-HKMA Joint Survey on the Sale of Non-exchange Traded Investment Products 2020

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October 2021



## I. Background

1. The Securities and Futures Commission (**SFC**) and the Hong Kong Monetary Authority (**HKMA**) conducted their first joint survey of the sale of non-exchange traded investment products by licensed corporations (**LCs**) and registered institutions (**RIs**) to non-professional investor (**PI**) clients, individual PIs<sup>1</sup> and certain corporate PIs for whom intermediaries cannot make use of a waiver of the suitability obligation<sup>2</sup>. The survey covered the sale of investment products from 1 January to 31 December 2020 (**the reporting period**).
2. The survey was designed to collect information about the types and value of investment products sold. The information collected will help the SFC and HKMA better understand market trends, identify risks associated with the selling activities of intermediaries and coordinate their responses to address areas of common concern. We believe that the information would also be useful to market participants.

## II. Scope

3. The survey covered transactions of investors who opened accounts with LCs, RIs or the related companies of LCs or RIs outside Hong Kong and to whom investment products were sold by licensed representatives (for LCs) or relevant individuals (for RIs) in Hong Kong regardless of where the transactions were booked. Sales to sophisticated investors, including institutional PIs and other corporate PIs for whom intermediaries can rely on a waiver of the suitability obligation, were not covered in the survey.
4. The survey covered the sale of non-exchange traded investment products, such as collective investment schemes (**CIS**), debt securities, structured products, swaps and repos. The survey excluded leveraged foreign exchange products which were not structured products, insurance products, mandatory provident funds, pooled retirement funds, exchange-traded funds, futures contracts, listed securities, exchange-traded derivatives, paper gold schemes and certificates of deposit. Certain structured products<sup>3</sup> sold by RIs were also not covered in the survey.
5. LCs with total transactions amounting to \$1 billion or more and RIs with total transactions amounting to \$30 billion or more during the reporting period (collectively, **large firms**) were requested to provide further details about the investment products they sold, such as the transaction amount of products by types of investors and details of the top five products ranked by transaction amount.
6. The survey was sent to 2,290 firms (2,178 LCs and 112 RIs) licensed or registered for Type 1, Type 4 or both regulated activities. Over 99% responded. A total of 308 LCs and 64 RIs reported that they sold investment products to investors during the reporting period. These firms included retail, private and corporate banks, investment advisors, securities brokers and international financial conglomerates. Among these firms, 63 LCs and 18 RIs were regarded as large firms for the purpose of this survey.

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<sup>1</sup> Individuals falling under section 5 of the Securities and Futures (Professional Investor) Rules (Cap 571D) (**PI Rules**).

<sup>2</sup> Trust corporations, corporations or partnerships falling under sections 4, 6 and 7 of the PI Rules, other than those for which the intermediaries have been exempted from the suitability obligation under paragraph 15.4 of the Code of Conduct for Persons Licensed by or Registered with the SFC.

<sup>3</sup> Currency-linked instruments, interest rate-linked instruments, and currency and interest rate-linked instruments issued by authorised financial institutions as defined in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance.

### III. Key findings

#### Transactions reached \$5,700 billion with the participation of over 700,000 investors

7. During the reporting period, the total transaction amount<sup>4</sup> of non-exchange traded investment products sold by the respondent LCs and RIs was \$5,700 billion, with the participation of over 700,000 investors. LCs accounted for \$1,008 billion and RIs accounted for \$4,692 billion of the total transaction amount.
8. Over 18,000 staff were engaged in the sale of investment products as of 31 December 2020, of which 13,350 were relevant individuals of RIs and 5,111 were licensed representatives of LCs.

#### Major products sold

9. The most common type of product sold by the respondent RIs and LCs during the reporting period was structured products (\$2,764 billion or 48%), followed by CIS (\$1,425 billion or 25%) and debt securities (\$1,058 billion or 19%).
10. The most common structured products sold were equity-linked products (including equity accumulators/ decumulators) amounting to \$1,597 billion. The major underlying equities of these products were stocks of internet and technology companies. Globally, economic activities during the reporting period were greatly affected by the COVID-19 pandemic, with a few remarkable exceptions such as businesses in the internet and technology sectors which facilitated non-face-to-face interactions and online activities. Firms generally responded that their clients sought greater exposure to these two sectors during the reporting period.
11. CIS were also popular among investors, especially non-PI clients. Major fund types sold included money market funds which were higher quality and offered more liquidity during the pandemic. On the other hand, more funds gradually flowed into equity funds, especially those investing in technology, health-care and environmental, social and governance (**ESG**)-related stocks.
12. Most of the debt securities sold during the reporting period were corporate bonds (\$737 billion). Central banks around the globe adopted monetary easing and stimulus packages to counter the economic downturn, and as a result interest rates remained low. Firms generally responded that their clients showed interest in bonds offering higher yields, such as non-investment grade and unrated corporate bonds.

#### Distribution channels

13. A total of 58 firms (39 LCs and 19 RIs) reported that they used online platforms to distribute products to investors. These sales made up 5% of the aggregate transaction amount reported. CIS, including money market funds, gained popularity with the aid of online platforms.

#### Market share of the top 20 firms

14. The sale of non-exchange traded investment products during the reporting period was dominated by the top 20 firms, which accounted for 85% of the aggregate transaction amount.

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<sup>4</sup> Transaction amount refers to the total amount paid or payable by investors for investment products. For structured products and derivative products, the transaction amount means the maximum exposure of the contracts at the point of sale. Respondent firms were requested to report only one side of the transaction. For example, only the buy order should be included as the transaction amount for switching transactions while rollovers, redemptions and position close-outs should not be included.

## IV. Detailed findings

### A. Analysis of aggregate transaction amount

#### Overview

15. During the reporting period, 308 LCs and 64 RIs engaged in the sale of non-exchange traded investment products in Hong Kong and the total transaction amount reported was \$5,700 billion, of which LCs contributed \$1,008 billion and RIs \$4,692 billion.
16. In terms of transaction amount, the predominant product type sold by LCs and RIs during the reporting period was structured products (\$2,764 billion or 48%), followed by CIS (\$1,425 billion or 25%) and debt securities (\$1,058 billion or 19%).

Chart 1A: Transaction amount by product type  
- by LCs and RIs

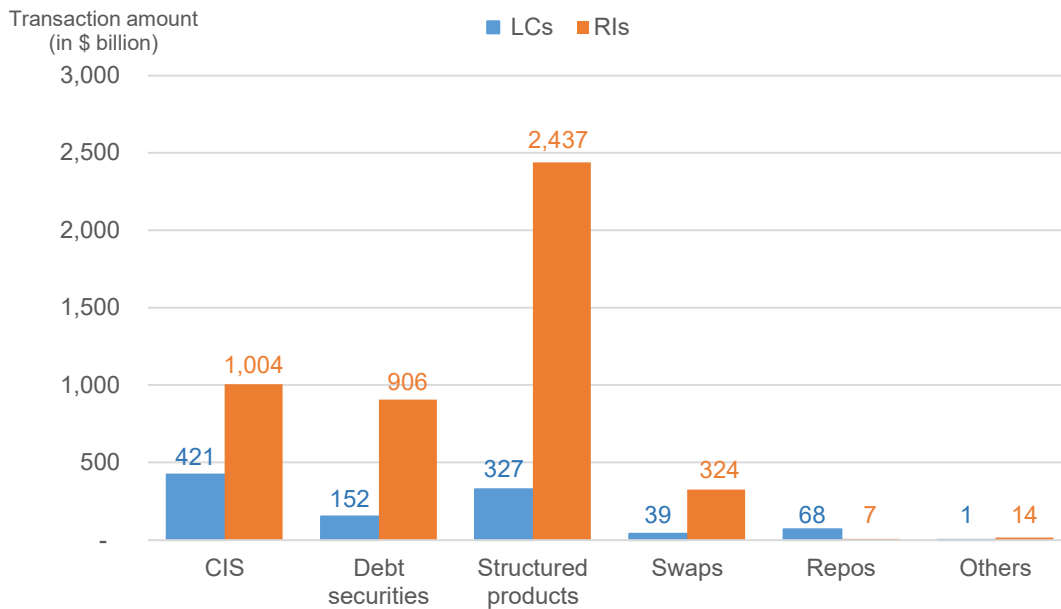
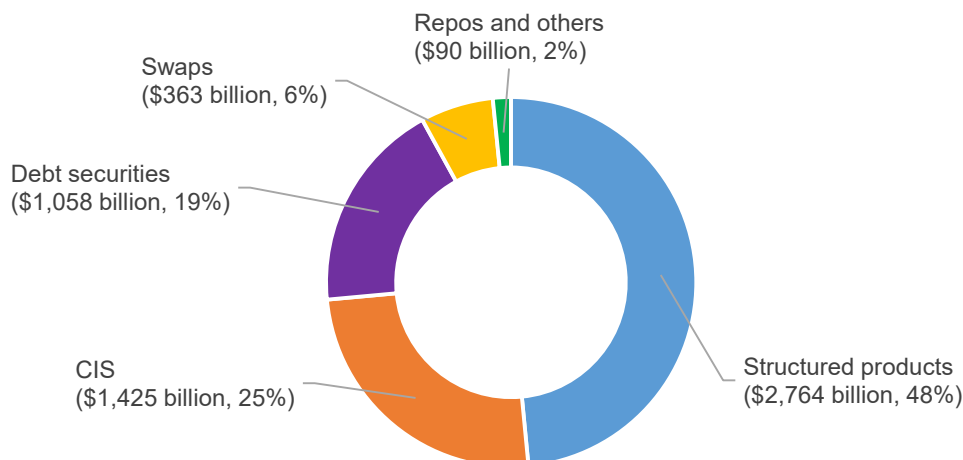


Chart 1B: Aggregate transaction amount by product type



17. Non-authorized products<sup>5</sup> accounted for 84% of the aggregate transaction amount, of which 56% were structured products and 22% were debt securities. Authorized products<sup>6</sup> constituted 16% of the aggregate transaction amount and over 90% of them were CIS.

18. The majority of clients<sup>7</sup> transacted in debt securities (391,084) and CIS (369,803) during the reporting period. 89% of LCs' clients invested in CIS whereas 60% and 32% of RIs' clients invested in debt securities and CIS, respectively.

Table 1

Product types	Transaction amount and number of clients involved						
	Authorized products		Non-authorized products		Total		
	Transaction amount (\$ billion)	Number of clients involved	Transaction amount (\$ billion)	Number of clients involved	Transaction amount		Number of clients involved
					\$ billion	% of total	
<b>CIS</b>							
- LCs	229	161,439	192	10,106	421	7.4%	171,545
- RIs	629	183,282	375	14,976	1,004	17.6%	198,258
<b>Sub-total</b>	<b>858</b>	<b>344,721</b>	<b>567</b>	<b>25,082</b>	<b>1,425</b>	<b>25.0%</b>	<b>369,803</b>
<b>Debt securities</b>							
- LCs	-	-	152	13,290	152	2.7%	13,290
- RIs	-	-	906	377,794	906	15.9%	377,794
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>1,058</b>	<b>391,084</b>	<b>1,058</b>	<b>18.6%</b>	<b>391,084</b>
<b>Structured products</b>							
- LCs	5	998	322	4,809	327	5.7%	5,807
- RIs	73	23,424	2,364	28,201	2,437	42.7%	51,625
<b>Sub-total</b>	<b>78</b>	<b>24,422</b>	<b>2,686</b>	<b>33,010</b>	<b>2,764</b>	<b>48.4%</b>	<b>57,432</b>
<b>Swaps</b>							
- LCs	-	-	39	85	39	0.7%	85
- RIs	-	-	324	923	324	5.7%	923
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>363</b>	<b>1,008</b>	<b>363</b>	<b>6.4%</b>	<b>1,008</b>
<b>Repos and others</b>							
- LCs	-	-	69	993	69	1.2%	993
- RIs	-	-	21	200	21	0.4%	200
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>90</b>	<b>1,193</b>	<b>90</b>	<b>1.6%</b>	<b>1,193</b>
<b>All of the above</b>							
- LCs	234	162,437	774	29,283	1,008	17.7%	191,720
- RIs	702	206,706	3,990	422,094	4,692	82.3%	628,800
<b>Grand Total</b>	<b>936</b>	<b>369,143</b>	<b>4,764</b>	<b>451,377</b>	<b>5,700</b>	<b>100%</b>	<b>820,520</b>

<sup>5</sup> Non-authorized products are not subject to the SFC's regulation. Their structures, operations and offering documents may not be governed by any rules or regulations in Hong Kong. They cannot be marketed to the public but they can be placed privately, offered to PIs or offered in circumstances where an exemption applies.

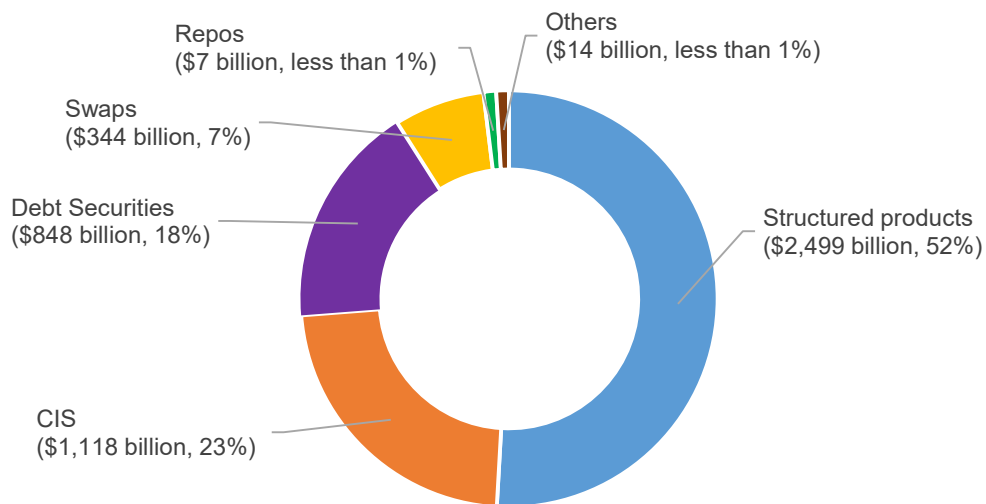
<sup>6</sup> Authorized products are products for which offering documents have been authorised by the SFC. They can be marketed to the public in Hong Kong.

<sup>7</sup> The number of clients was counted on an account basis. For example, a joint account was counted as one client and a single-holder account and a joint account with the same account holder were counted as two clients. A client who transacted in a specific product type in the reporting period was counted as one client, regardless of the number of times the client transacted in that type of product. A client may be counted more than once if that client transacted in more than one type of product.

Top 20 firms

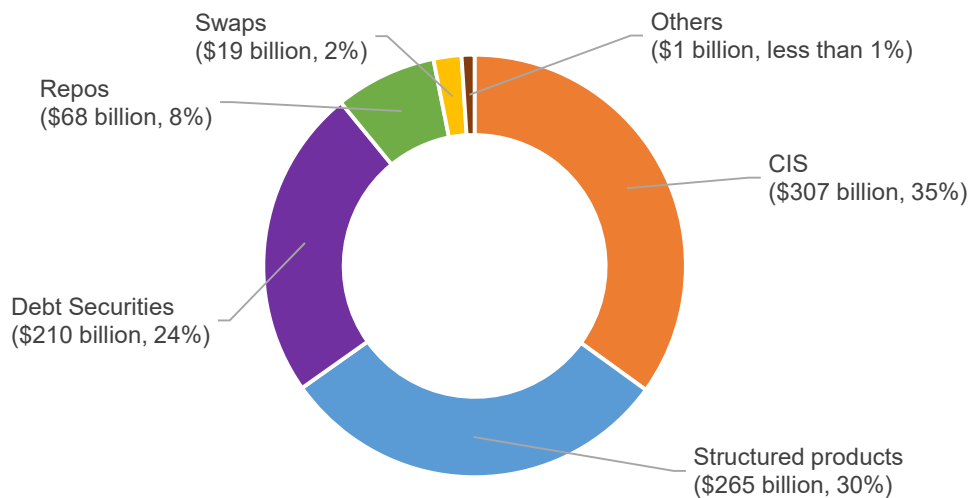
19. The top 20 firms accounted for \$4,830 billion or 85% of the aggregate transaction amount during the reporting period. The remaining 15% was shared among the remaining 352 firms.
20. The principal products sold by the top 20 firms were structured products (\$2,499 billion), which accounted for over half of the top 20 firms' aggregate transaction amount. The sale of CIS and debt securities by the top 20 firms each took up about one-fifth of their aggregate transaction amount.

Chart 2A: Transaction amount by product type reported by top 20 firms



21. The majority of investment products sold by the remaining 352 firms were CIS (\$307 billion) and structured products (\$265 billion), representing 35% and 30%, respectively, of their aggregate transaction amount.

Chart 2B: Transaction amount by product type reported by firms other than top 20 firms



## B. Analysis of product type

### a) Structured products (total transaction amount: \$2,764 billion, or 48%)

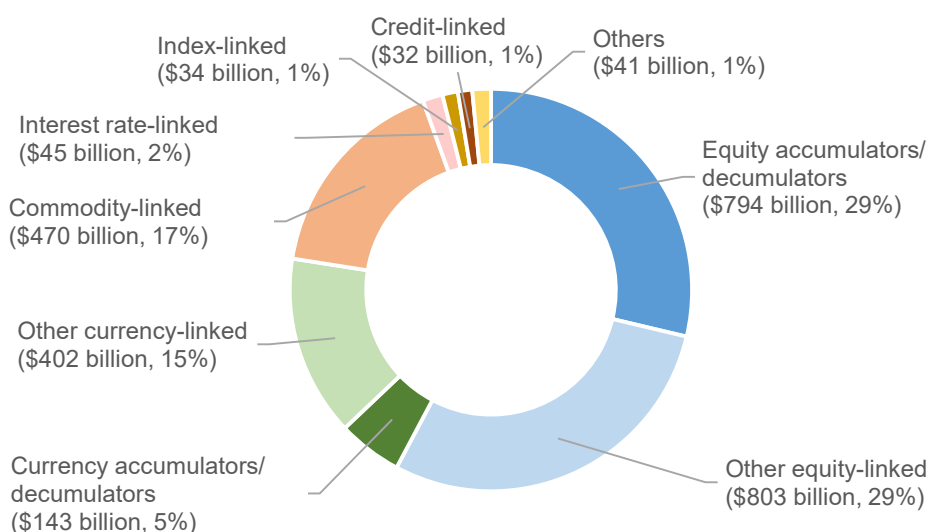
22. Among the aggregate transaction amount of \$5,700 billion reported by all the respondent firms, \$2,764 billion (48%) was related to the selling of structured products, of which \$2,437 billion was contributed by RIs and the remainder by LCs.

23. The top 20 sellers of structured products accounted for 92% of the transaction amount for all structured products. One of the top sellers commented that the pandemic heightened market volatility during the reporting period. Clients were motivated to invest in different structured products to capture market opportunities.

Table 2

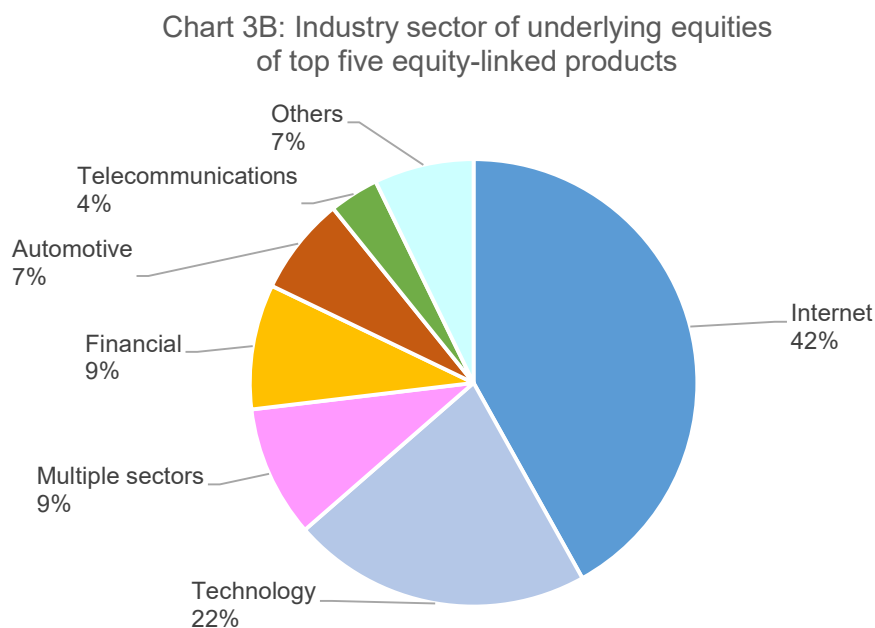
Type of structured product	LCs		RIs		Total	
	Transaction amount (\$ billion)	% of total	Transaction amount (\$ billion)	% of total	Transaction amount (\$ billion)	% of total
<b>Equity-linked</b>						
- accumulators/decumulators	130	40%	664	27%	794	29%
- others	90	27%	713	29%	803	29%
<b>Sub-total</b>	<b>220</b>	<b>67%</b>	<b>1,377</b>	<b>56%</b>	<b>1,597</b>	<b>58%</b>
<b>Currency-linked</b>						
- accumulators/decumulators	19	6%	124	5%	143	5%
- others	44	13%	358	15%	402	15%
<b>Sub-total</b>	<b>63</b>	<b>19%</b>	<b>482</b>	<b>20%</b>	<b>545</b>	<b>20%</b>
<b>Commodity-linked</b>	<b>5</b>	<b>2%</b>	<b>465</b>	<b>19%</b>	<b>470</b>	<b>17%</b>
<b>Interest rate-linked</b>	<b>2</b>	<b>1%</b>	<b>43</b>	<b>2%</b>	<b>45</b>	<b>2%</b>
<b>Index-linked</b>	<b>5</b>	<b>2%</b>	<b>29</b>	<b>1%</b>	<b>34</b>	<b>1%</b>
<b>Credit-linked</b>	<b>11</b>	<b>3%</b>	<b>21</b>	<b>1%</b>	<b>32</b>	<b>1%</b>
<b>Others (including hybrid-linked)</b>	<b>21</b>	<b>6%</b>	<b>20</b>	<b>1%</b>	<b>41</b>	<b>1%</b>
<b>Total</b>	<b>327</b>	<b>100%</b>	<b>2,437</b>	<b>100%</b>	<b>2,764</b>	<b>100%</b>

Chart 3A: Transaction amount for structured products



### Equity-linked products

24. Equity-linked products were the most popular structured products sold, representing \$1,597 billion (58%) of all structured products sold, of which \$220 billion were sold by LCs and \$1,377 billion were sold by RIs. Some top sellers of equity-linked products noted an increase in client interest and activity in equity derivatives, as equity prices rose as a result of monetary easing and stimulus packages introduced by global central banks. To capture these opportunities, some clients preferred to invest in equity-linked products which offered higher yields (arising from the premium of writing options) than investing directly in stocks.
25. Some top sellers of equity-linked products commented that client interest in sectors which were in high demand during global lockdowns, such as technology and internet companies, was the key driver of the increase in overall transaction volume in equity-linked products during the reporting period. Among the top five equity-linked products reported by the 81 large firms, over 60% were linked to equities in these sectors as depicted in the following chart.



Based on the top five equity-linked products reported by 81 large firms

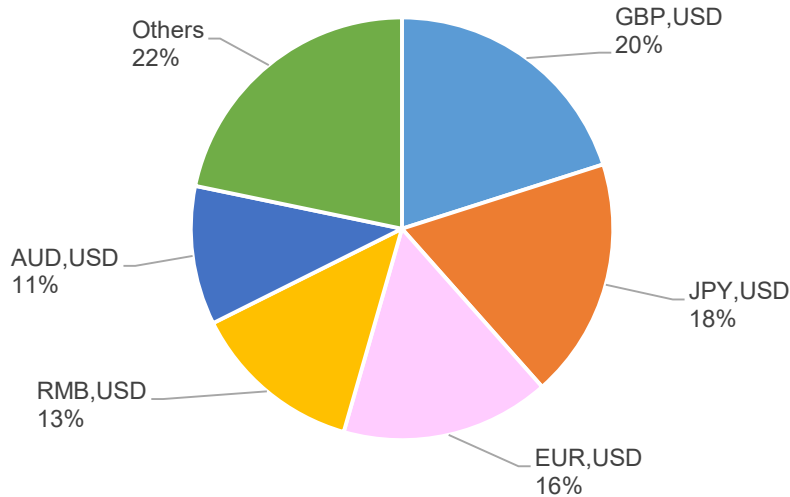
### Currency-linked products

26. Currency-linked products were the second most popular structured products, with an aggregate transaction amount of \$545 billion, representing 20% of all structured products sold. Of the transaction amount, \$63 billion were sold by LCs and \$482 billion were sold by RIs. Some top sellers noted an increasing trend of clients investing in dual currency notes under the current low interest rate environment for yield enhancement or short-term liquidity management purposes.



27. Most of the top five currency-linked products reported by the large firms were linked to the British pound, Japanese yen or euro, with the US dollar as the base or quote currency.

Chart 3C: Underlying currency pairs of top five currency-linked products



*Based on the top five currency-linked products reported by 81 large firms*

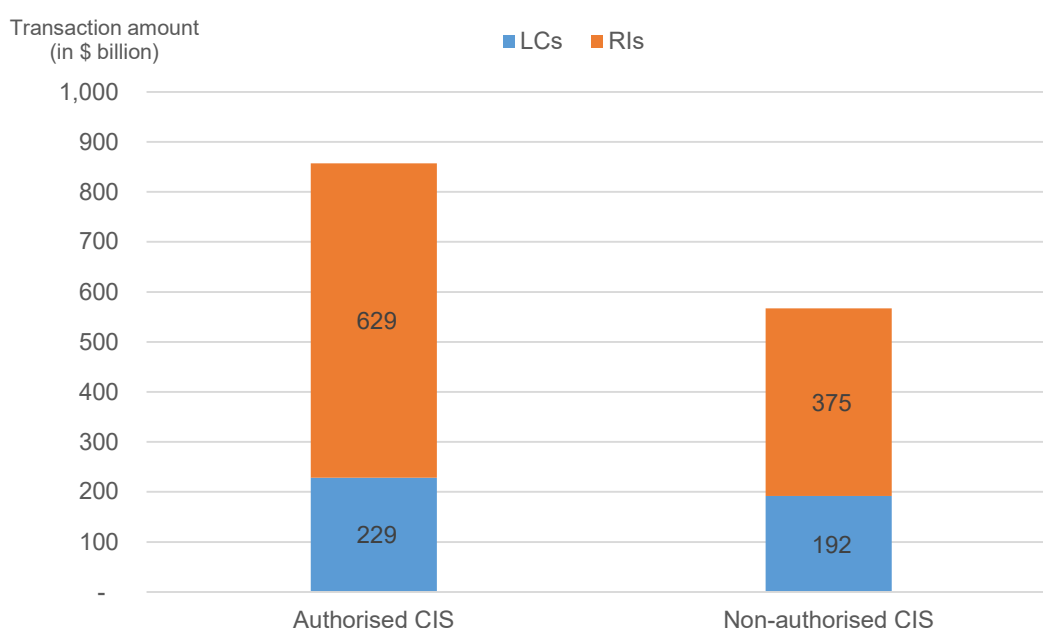
#### *Commodity-linked products*

28. Commodity-linked products were the third most popular structured products, with an aggregate transaction amount of \$470 billion, representing 17% of all structured products sold. Of the transaction amount, \$5 billion were sold by LCs and \$465 billion were sold by RIs.
29. Of the top five commodity-linked products reported by the large firms, 98% were linked to gold. Some top sellers commented that gold was generally considered a safer asset in a volatile market and some clients invested in gold-related products for portfolio diversification purposes.

**b) CIS (total transaction amount: \$1,425 billion, or 25%)**

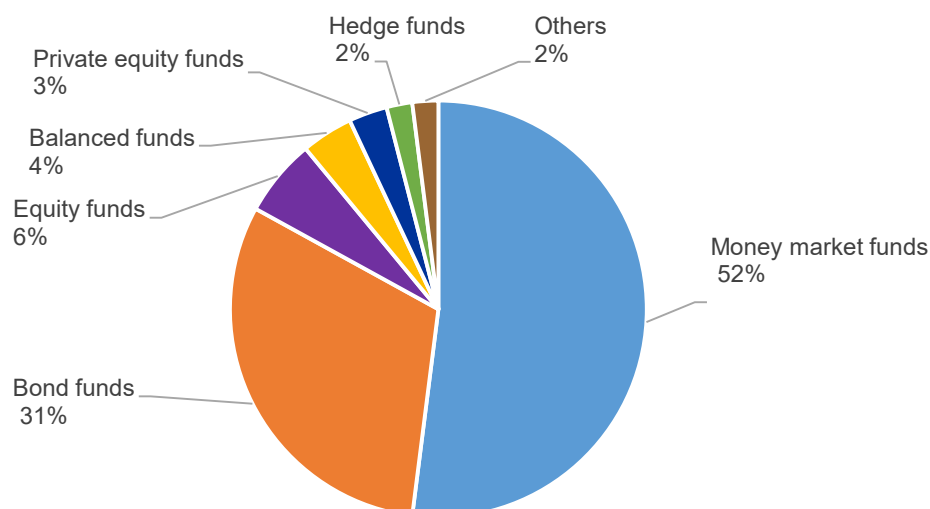
30. The total transaction amount for CIS was \$1,425 billion, representing 25% of the aggregate transaction amount reported by all the respondent firms. Authorised CIS and non-authorised CIS contributed \$858 billion (60%) and \$567 billion (40%), respectively.
31. 241 LCs and 57 RIs sold CIS during the reporting period. The amount of CIS sold by RIs and LCs was \$1,004 billion and \$421 billion, respectively. For the transaction amount of authorised CIS, RIs accounted for \$629 billion and LCs accounted for \$229 billion. RIs' sales of non-authorised CIS were \$375 billion while those of LCs were \$192 billion. The number of LCs' clients (171,545) investing in CIS was comparable to that of RIs (198,258). Also, 54% of clients investing in CIS transacted on online platforms and online CIS sale accounted for 18% (\$263 billion) of the transaction amount for all CIS sold.

Chart 4A: Transaction amount for CIS



32. The top 20 sellers of CIS contributed \$1,182 billion or 83% of the total transaction amount for CIS.
33. Based on the top five CIS reported by the large firms, the most popular fund type was money market funds (52%), followed by bond funds (31%). One of the top players commented that the demand for money market funds was driven by more investors looking for assets which were higher quality and offered more liquidity during the pandemic. In addition, with the aid of online platforms which facilitated the distribution of investment products, more investors could put their short-term idle cash in liquid money market funds to improve investment returns. Around 75% of the top five bond funds reported by each of the large firms were authorised CIS.
34. Some top firms also observed that since the market rebounded in the second half of 2020, fund flows from money market funds and bond funds into equity funds gradually increased, especially into equity funds investing in technology, health-care and ESG related stocks.

Chart 4B: Top five CIS by fund type



Based on the top five CIS reported by 81 large firms

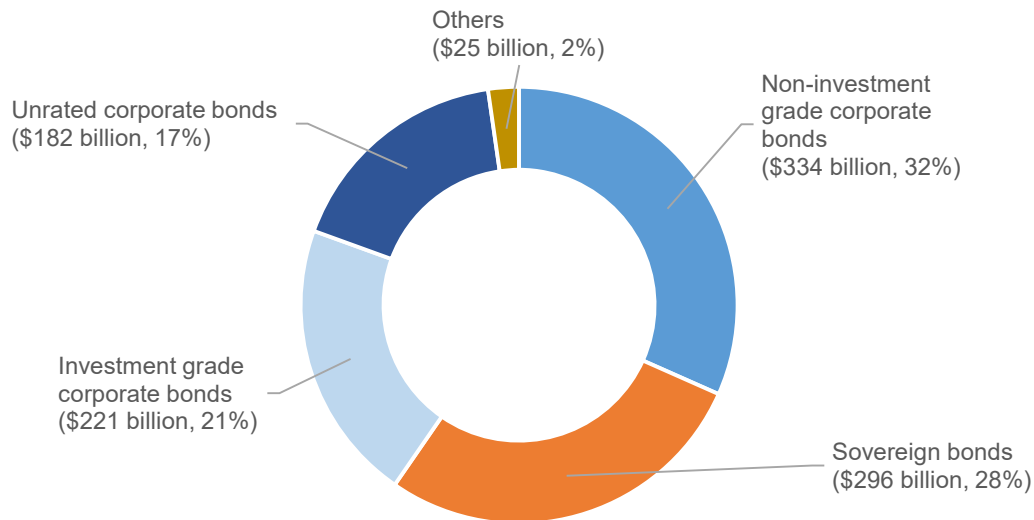
**c) Debt securities (total transaction amount: \$1,058 billion or 19%)**

35. The transaction amount for debt securities was \$1,058 billion, representing 19% of the aggregate transaction amount of all respondent firms. LCs and RIs respectively accounted for \$152 billion and \$906 billion of the transaction amount for debt securities.
36. The top 20 sellers of debt securities accounted for 84% of the total transaction amount in debt securities. A top firm noted a decrease in demand for debt securities due to the low-yield environment and bond issuers' heightened default risks.
37. About 70% of all debt securities transactions, amounting to \$737 billion, were corporate bonds, while 28%, or \$296 billion, were sovereign bonds. Most of the debt securities sold by RIs were either corporate bonds (66%) or sovereign bonds (32%), while LCs mainly sold corporate bonds (93%).

Table 3

Type of debt securities	LCs		RIs		Total	
	Transaction amount (\$ billion)	% of total	Transaction amount (\$ billion)	% of total	Transaction amount (\$ billion)	% of total
<b>Corporate bonds</b>						
- Investment grade	32	21%	189	21%	221	21%
- Non-investment grade	56	37%	278	31%	334	32%
- Unrated	54	35%	128	14%	182	17%
<b>Sub-total</b>	<b>142</b>	<b>93%</b>	<b>595</b>	<b>66%</b>	<b>737</b>	<b>70%</b>
<b>Sovereign bonds</b>	<b>7</b>	<b>5%</b>	<b>289</b>	<b>32%</b>	<b>296</b>	<b>28%</b>
<b>Others</b>	<b>3</b>	<b>2%</b>	<b>22</b>	<b>2%</b>	<b>25</b>	<b>2%</b>
<b>Total</b>	<b>152</b>	<b>100%</b>	<b>906</b>	<b>100%</b>	<b>1,058</b>	<b>100%</b>

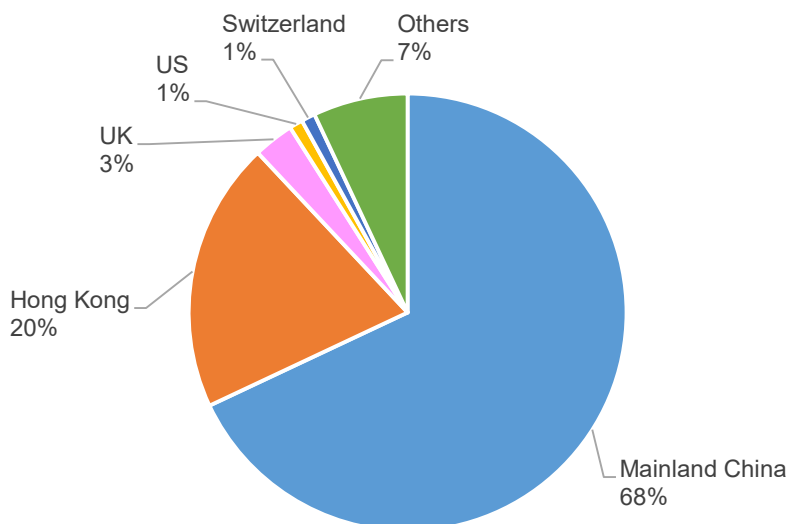
Chart 5A: Transaction amount for debt securities



**Corporate bonds**

- 38. Non-investment grade bonds and unrated bonds accounted for 45% and 25%, respectively, of all corporate bonds transactions, while investment grade bonds accounted for 30%. Some top sellers commented that investors who sought better returns in the low interest rate environment were more interested in non-investment grade corporate bonds which generally offered higher yields.
- 39. In terms of underlying country of risk<sup>8</sup> of the issuers of the top five corporate bonds reported by the large firms<sup>9</sup>, mainland China accounted for 68% of the transaction amount, followed by Hong Kong, which accounted for 20%.

Chart 5B: Issuers of top five corporate bonds by underlying country of risk



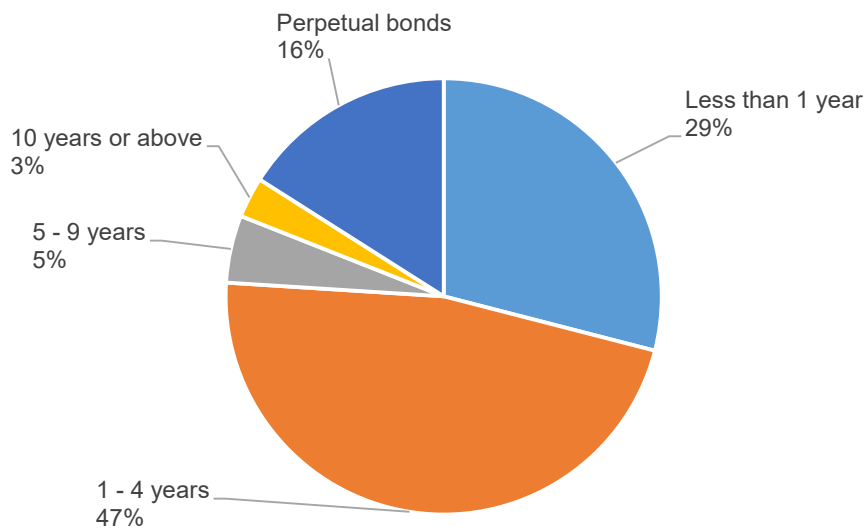
*Based on the top five corporate bonds reported by 81 large firms*

<sup>8</sup> The underlying country of risk and other information about these debt securities, eg, coupon rate and maturity date, were sourced from an external market data provider.

<sup>9</sup> This refers to the top five investment grade, non-investment grade and unrated corporate bonds by transaction amount reported by each large firm.

40. In terms of remaining tenor<sup>10</sup> of the top five corporate bonds, 24% had a tenor of five years or longer, 47% had a tenor of one to four years, and 29% had a tenor of less than one year.

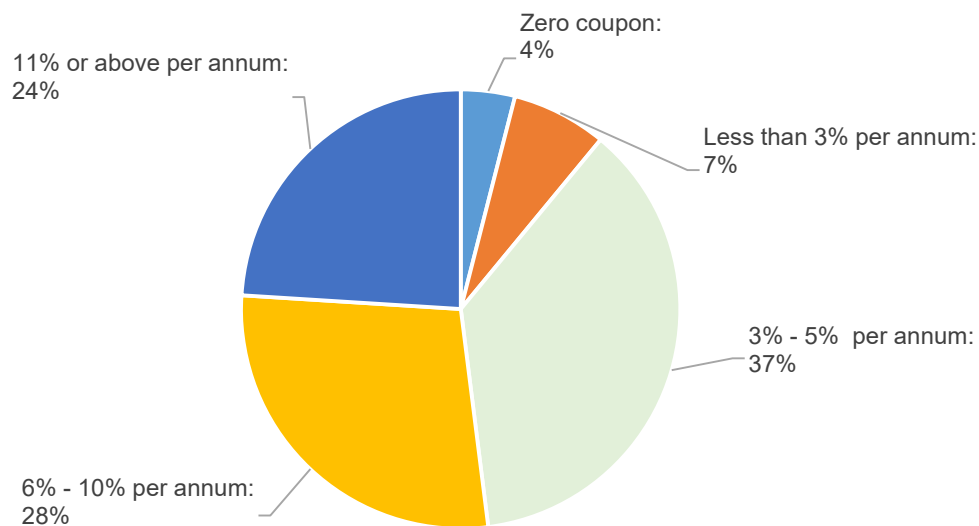
Chart 5C: Remaining tenor of top five corporate bonds



Based on the top five corporate bonds reported by 81 large firms

41. Of the top five corporate bonds, 37% had a coupon rate of 3%-5% per annum while 28% had a coupon rate of 6%-10% per annum. About one-fourth of the top five corporate bonds had a relatively high coupon rate of 11% or more per annum and most of those were non-investment grade bonds.

Chart 5D: Coupon rate range of top five corporate bonds



Based on the top five corporate bonds reported by 81 large firms

<sup>10</sup> Remaining tenor refers to the time to the maturity date of a bond calculated from 31 December 2020. Bonds with a maturity date before 31 December 2020 were grouped under “less than 1 year” of remaining tenor.

### *Sovereign bonds*

42. The aggregate transaction amount for sovereign bonds was \$296 billion, representing 28% of all debt securities transactions. LCs and RIs respectively accounted for \$7 billion and \$289 billion of the transaction amount in sovereign bonds.
43. Among the top five sovereign bonds reported by the large firms, 46% were Hong Kong government bonds (including iBonds and Silver Bonds), and 21% and 16% were Chinese and Japanese government bonds, respectively.
44. As of 31 December 2020, 89% of the top five sovereign bonds had a remaining tenor of four years or less. 58% of the top five sovereign bonds had a coupon rate of less than 3% per annum, 31% had a coupon rate between 3%-5% per annum and 10% were zero coupon bonds.

### *Chapter 37 bonds<sup>11</sup>*

45. The aggregate transaction amount for Chapter 37 bonds was \$165 billion, representing 16% of all debt securities transactions. Most of the top five Chapter 37 bonds reported by the large firms were issued by companies based in either mainland China (66%) or Hong Kong (29%).

### *Debt securities with non-viability loss absorption features (NVLA Bonds)<sup>12</sup>*

46. The aggregate transaction amount for NVLA Bonds was \$81 billion, representing 8% of all debt securities transactions. Among the top five NVLA Bonds reported by the large firms, 58% had an equity conversion feature. Other features included permanent write down (24%) and temporary write down<sup>13</sup> (15%). Most of the top five NVLA Bonds were perpetual bonds (91%), and 69% had a coupon rate of 3%-5% per annum.

### **d) Swaps (total transaction amount: \$363 billion, or 6%)**

47. The aggregate transaction amount for swaps was \$363 billion, of which RIs accounted for \$324 billion and LCs accounted for the rest. The top five swaps reported by the large firms included currency swaps which linked to the US dollar, euro, British pound, Australian dollar and Japanese yen, total return swaps on bonds and listed equities as well as commodity swaps on gold.

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<sup>11</sup> This refers to bonds offered for subscription and listed under Chapter 37 of the Main Board Listing Rules.

<sup>12</sup> These debt securities are often attached with conversion options or loss absorption features which are triggered when the issuer's regulatory capital ratio drops to a certain level or when specific government or regulatory action occurs in the event the issuer faces financial difficulties (ie, non-viability events).

<sup>13</sup> In a temporary write-down, the principal amount of the bond would be written down fully or partially when a triggering event occurs. However, if the issuer's financial position subsequently improved and met certain requirements, the principal amount of the bond could be fully or partially reinstated.

## C. Outstanding positions

48. Among the 308 LCs and 64 RIs which sold non-exchange traded investment products during the reporting period, 247 LCs and 62 RIs or their related companies held outstanding positions<sup>14</sup> of \$4,642 billion on behalf of their clients or as contracting parties as of 31 December 2020.

49. The outstanding positions of the 247 LCs and the 62 RIs amounted to \$1,431 billion and \$3,211 billion, respectively. The majority of the outstanding positions included CIS (\$2,471 billion or 53%) and debt securities (\$1,418 billion or 31%). The top 20 firms (in terms of transaction amount) accounted for 70% of the total outstanding positions.

Table 4

Product types	Outstanding positions on 31 December 2020 and number of clients involved <sup>^</sup>						
	Authorised products		Non-authorised products		Total		
	Amount of outstanding positions (\$ billion)	Number of clients involved	Amount of outstanding positions (\$ billion)	Number of clients involved	Amount of outstanding positions		Number of clients involved
					\$ billion	% of total	
<b>CIS</b>							
- LCs	308	104,005	810	14,535	1,118	24.1%	118,540
- RIs	894	457,386	459	26,201	1,353	29.1%	483,587
<b>Sub-total</b>	<b>1,202</b>	<b>561,391</b>	<b>1,269</b>	<b>40,736</b>	<b>2,471</b>	<b>53.2%</b>	<b>602,127</b>
<b>Debt securities</b>							
- LCs	-	-	226	22,260	226	4.9%	22,260
- RIs	-	-	1,192	436,468	1,192	25.7%	436,468
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>1,418</b>	<b>458,728</b>	<b>1,418</b>	<b>30.6%</b>	<b>458,728</b>
<b>Structured products</b>							
- LCs	1	575	76	3,106	77	1.7%	3,681
- RIs	18	10,754	559	20,236	577	12.4%	30,990
<b>Sub-total</b>	<b>19</b>	<b>11,329</b>	<b>635</b>	<b>23,342</b>	<b>654</b>	<b>14.1%</b>	<b>34,671</b>
<b>Swaps</b>							
- LCs	-	-	2	68	2	< 0.1%	68
- RIs	-	-	74	596	74	1.6%	596
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>664</b>	<b>76</b>	<b>1.6%</b>	<b>664</b>
<b>Repos and others</b>							
- LCs	-	-	8	536	8	0.2%	536
- RIs	-	-	15	333	15	0.3%	333
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>869</b>	<b>23</b>	<b>0.5%</b>	<b>869</b>
<b>All of the above</b>							
- LCs	309	104,580	1,122	40,505	1,431	30.8%	145,085
- RIs	912	468,140	2,299	483,834	3,211	69.2%	951,974
<b>Grand Total</b>	<b>1,221</b>	<b>572,720</b>	<b>3,421</b>	<b>524,339</b>	<b>4,642</b>	<b>100%</b>	<b>1,097,059</b>

<sup>^</sup> See footnote 7.

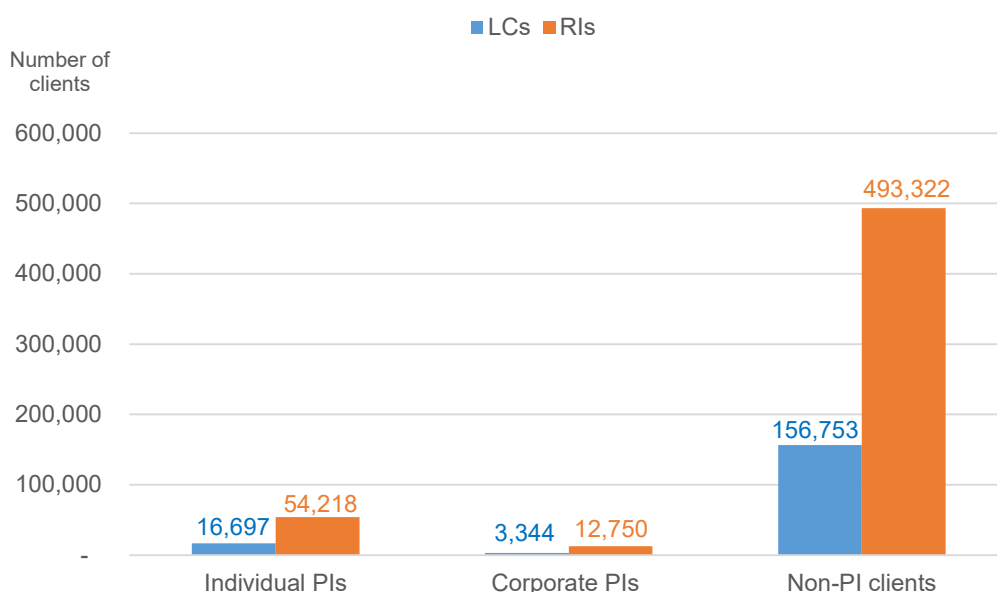
<sup>14</sup> In this survey, the amount of outstanding positions for CIS, debt securities and structured notes means the market value of outstanding positions or contracts as of the end of the reporting period. For other products, it means the maximum outstanding exposure, taking into account the number of remaining settlements and leveraged effect, if any.

## D. Clientele

50. A total of 737,084 clients completed at least one transaction in investment products during the reporting period. 176,794 were clients of LCs and 560,290 were clients of RIs.

51. Most of the clients were non-PI clients (650,075 or 88%) and by amount the large part of their transactions were in CIS, according to the information reported by the large firms.

Chart 6: Number of clients with at least one transaction



52. The proportion of LCs' clients with a place of residence or principal place of business in Hong Kong or the mainland China were roughly the same (46%). The majority of RIs' clients (90%) had a place of residence or principal place of business in Hong Kong.

## E. Distribution channels

53. A total of 58 firms (39 LCs and 19 RIs), about 16% of the respondent firms, reported that they used online platforms to distribute non-exchange traded investment products to investors. The transaction amount of online sales was \$286 billion which accounted for 5% of the aggregate transaction amount reported by all respondent firms, with LCs accounting for \$150 billion and RIs accounting for \$136 billion.

54. The use of online platforms was more common in the distribution of CIS, with these transactions amounting to \$263 billion, 92% of total online sales.

## F. Investment product issuers

55. Respondent firms were requested to report the top five issuers of the investment products they sold during the reporting period. These transactions amounted to \$3,672 billion, of which products issued by six global financial groups accounted for 66% (\$2,437 billion). The other product issuers included other financial institutions and corporations as well as government bodies.



56. Of the \$2,437 billion of products issued by the six global financial groups, \$2,127 billion (87%) were sold by their related companies which were respondent firms of this survey and were among the top 20 firms by transaction amount.

## G. Manpower

57. As of 31 December 2020, 5,111 licensed representatives (for LCs) and 13,350 relevant individuals (for RIs) were involved in the sale of non-exchange traded investment products.

58. 39 RIs (61%) reported having one hundred or fewer relevant individuals engaged in the sale of non-exchange traded investment products, whereas six RIs (9%) reported having more than 500.

59. 199 LCs (65%) reported having five or fewer licensed representatives engaged in the sale of non-exchange traded investment products, whereas 14 LCs (5%) reported having over 100.

Chart 7: Manpower engaged in the sale of non-exchange traded investment products

