

SFC-HKMA Joint Survey on the Sale of Non-exchange Traded Investment Products 2022

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**SECURITIES AND
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I. Background

1. The Securities and Futures Commission (**SFC**) and the Hong Kong Monetary Authority (**HKMA**) conducted an annual joint survey on the sale of non-exchange traded investment products by licensed corporations (**LCs**) and registered institutions (**RIs**) to non-professional investor clients, individual professional investors (**PIs**)¹ and certain corporate PIs for whom intermediaries cannot make use of a waiver of the suitability obligation². The survey covered the sale of investment products from 1 January to 31 December 2022 (**the reporting period**).
2. The survey was designed to collect information about the types and value of investment products sold. The information collected helps 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 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 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. The survey also did not cover certain structured products sold by RIs³.
5. LCs and RIs with respective total transactions amounting to \$1 billion or more and \$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 the details of the top five products ranked by transaction amount.
6. The survey was sent to 2,380 firms, including 2,269 LCs and 111 RIs, licensed or registered for Type 1, Type 4 or both regulated activities. Over 99% responded (**respondent firms**). A total of 308 LCs and 63 RIs (2021: 327 LCs and 63 RIs) reported that they had 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 (same as 2021) were regarded as large firms for the purpose of this survey. The large firms accounted for 95% (2021: 94%) of the aggregate transaction amount of all firms.

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

² 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.

³ 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 (Cap 571).

III. Key findings

Market outlook beyond a challenging 2022

7. During the reporting period, the respondent firms reported a total transaction amount⁴ of \$3,799 billion for investment products sold, down 24% from the previous year, which was largely in line with the decrease in turnover observed in other major stock markets⁵. Out of the total transaction amount, LCs accounted for 23% with RIs accounting for the remaining 77%. The decline was primarily attributed to the decrease in the sales of CIS (by \$607 billion), structured products (by \$464 billion) and debt securities (by \$170 billion). Firms generally cited lower risk appetite of clients and volatile markets during the reporting period, caused by expectations of interest rate hikes, global economic slowdown and stagflation, continuous impact of the pandemic, heightened geopolitical risks and headwinds in the property market of Mainland China, as the primary reasons for the decline.
8. Despite the decrease in total transaction amount, the overall manpower deployed by firms to conduct the sale of investment products remained largely stable. Over 65%⁶ of the firms reported either no change or an increase in the number of licensed representatives or relevant individuals engaged in the sale of investment products as compared to 2021. Some large firms which reported an increase in manpower commented that they had expanded their sales force to meet business needs.
9. Looking ahead to 2023, a large firm commented that clients remained cautious due to expectations of a slowing US economy, but it had increased communication with clients on rebuilding their portfolios and positioning amid easing interest rate hike concerns. Some large firms also observed that the investment momentum gradually picked up amid the reopening of borders in Asia towards the end of 2022 after a long period of pandemic lockdown.

Structured products, CIS and debt securities continued to dominate

10. Structured products continued to be the most common types of products sold by the respondent firms during 2022, representing 51% of the total transaction amount. CIS and debt securities followed, accounting for 23% and 17% respectively.
11. The overall transaction amount for structured products decreased by 19% to \$1,921 billion. The transaction amount of equity-linked products stood at \$1,022 billion, representing 53% of all the structured products sold in 2022, down from 70% in 2021. The major underlying equities of these products were stocks from the internet sector. Some investors shifted from equity-linked products to other product types such as currency-linked products due to weak sentiment in stock markets in 2022.

⁴ 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 was included as the transaction amount for switching transactions while rollovers, redemptions and position close-outs were not included.

⁵ See [Research Paper No. 72: A Review of the Global and Local Securities Markets in 2022 \(Featuring Market Turnover and Short Positions\)](#) issued by the SFC.

⁶ This figure excluded firms that newly reported the selling of investment products to investors during the reporting period.

12. The transaction amount of CIS declined by \$607 billion or 41% to \$884 billion in 2022. There was a notable shift of the proportion of transaction amount from bond funds, equity funds, etc. to money market funds which increased to 61% in 2022 from 33% in 2021. The shift reflected investors' lower risk appetite as they switched to funds which provided stable income and liquidity amid uncertain market conditions as well as rising interest rates.
13. The transaction amount for debt securities recorded a 21% decrease to \$648 billion in 2022. The decline was primarily attributed to lower sales of non-investment grade and unrated corporate bonds, which decreased by \$132 billion and \$91 billion, respectively. This decrease was partially offset by an increase in the sale of sovereign bonds, which rose by \$63 billion. Some large firms explained that investment sentiment was dampened in 2022 due to expectations of interest rate hikes and economic uncertainties. Consequently, some investors shifted their focus to sovereign bonds, such as HKSAR Government bonds (including Green Bonds and Silver Bonds), which were perceived to be of lower risks with more stable returns.

Investors transacted more online

14. There was an upward trend in the respondent firms' utilisation of online platforms for distributing investment products to investors. The number of firms distributing investment products online increased to 83 (55 LCs and 28 RIs) in 2022, representing a 19% increase from 2021 when 70 firms (48 LCs and 22 RIs) used online platforms in 2021. The transaction amount of online sales accounted for 7% (2021: 6%) of the aggregate transaction amount reported by these firms. CIS remained to be the predominant product type sold through online platforms, representing 83% (2021: 91%) of the total online sales. Online sales of debt securities represented 15% of the total online sales, up from 6% in 2021. Of all CIS investors, the proportion transacting online increased from 65% in 2021 to 72% in 2022.

Top 20 firms maintained majority of market share

15. The top 20 firms continued to dominate the sale of non-exchange traded investment products, accounting for 81% (2021: 82%) of the aggregate transaction amount.

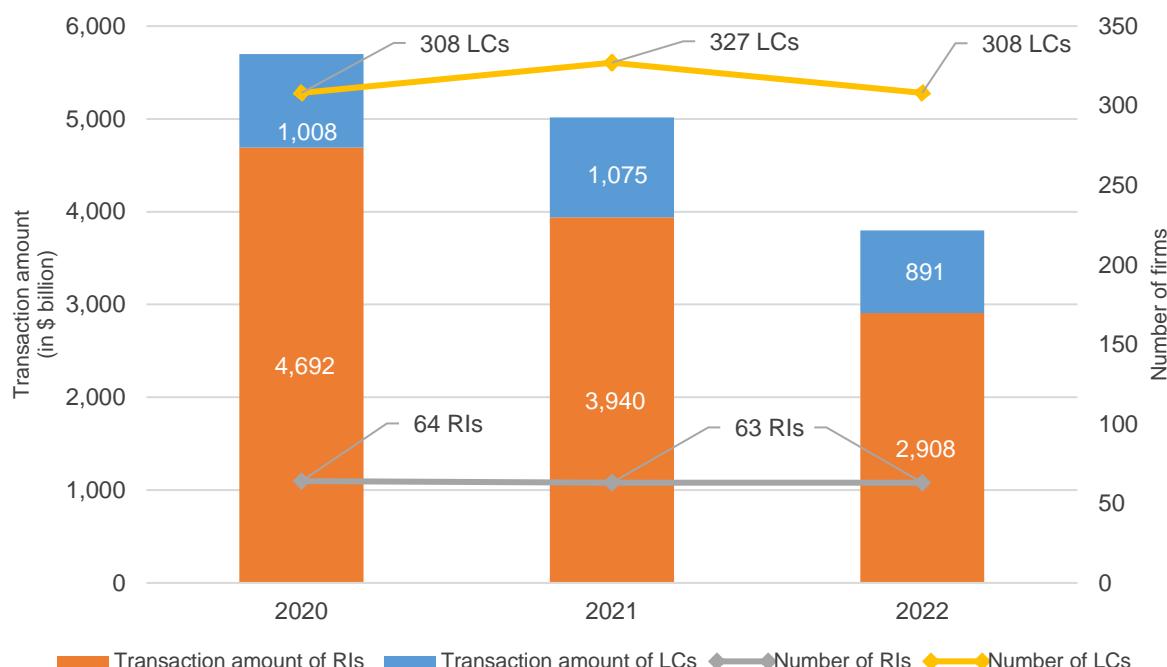
IV. Detailed findings

A. Analysis of aggregate transaction amount

Overview

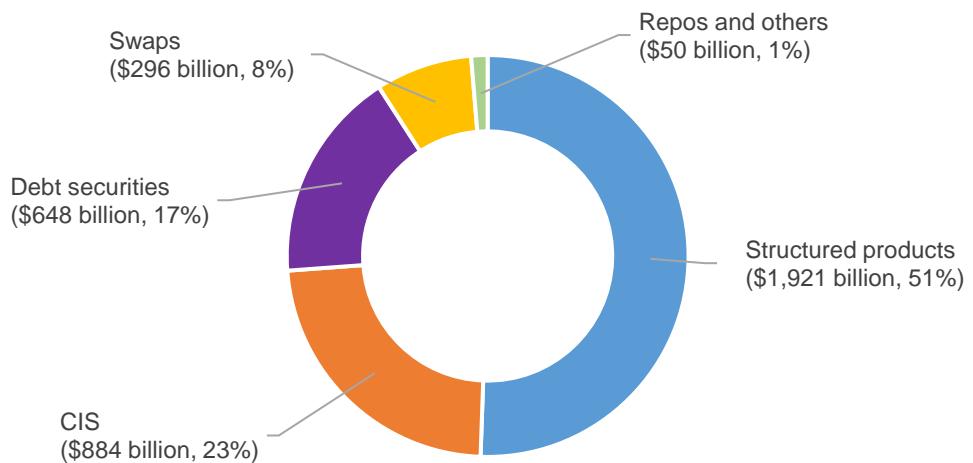
16. In 2022, the number of firms engaged in the sale of investment products in Hong Kong decreased by 5% to 371 firms (LCs: 308; RIs: 63), compared to 390 (LCs: 327; RIs: 63) in 2021. The total transaction amount reported by the respondent firms decreased by 24% to \$3,799 billion in 2022. LCs accounted for \$891 billion (2021: \$1,075 billion) of the total transaction amount in 2022 and RIs \$2,908 billion (2021: 3,940 billion).

Chart 1: Aggregate transaction amount and number of LCs and RIs engaged in the sale of investment products



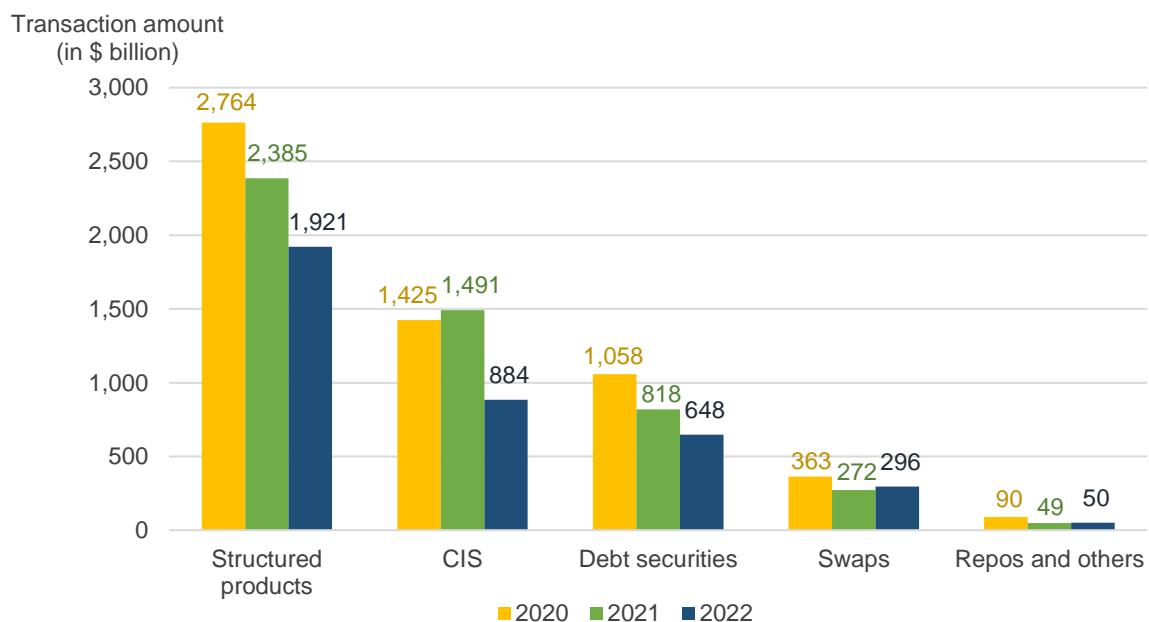
17. Despite the decrease in aggregate transaction amount, it was noteworthy that around 35%⁶ of firms recorded an increase in their transaction amount. Some large firms considered that this success could largely be attributed to their offering of personalised investment products to meet the preferences and needs of individual investors. By offering tailored solutions to clients, these large firms were able to withstand or even thrive in times of market challenges.
18. In terms of transaction amount, the predominant product type sold by LCs and RIs during the reporting period remained structured products (\$1,921 billion or 51%), followed by CIS (\$884 billion or 23%) and debt securities (\$648 billion or 17%).

Chart 2: Aggregate transaction amount by product type



19. The overall sales of investment products in 2022 decreased by \$1,216 billion (24%), primarily due to reductions in the sales of CIS (by \$607 billion), structured products (by \$464 billion) and debt securities (by \$170 billion). Some top players noted that investors displayed less interest in investment products due to unfavourable market sentiment and volatile market conditions resulting from concerns regarding interest rate hikes, stagflation concerns, continuous impact of the pandemic, heightened geopolitical risks and the Mainland's property market headwinds.

Chart 3: Transaction amount by product type (2020 - 2022)



20. Non-authorised products⁷ accounted for 87% (2021: 80%) of the aggregate transaction amount, of which 57% were structured products and 20% were debt securities. Authorised products⁸ constituted the remaining 13% (2021: 20%) of the aggregate transaction amount and 93% of them were CIS.

21. The majority of clients⁹ transacted in CIS (2022: 385,320; 2021: 523,470) and debt securities (2022: 447,926; 2021: 513,637). Nearly 90% of LCs' clients invested in CIS whereas 68% and 23% of RIs' clients invested in debt securities and CIS, respectively.

Table 1

Product types	Transaction amount and number of clients involved ^A						
	Authorised products		Non-authorised products		Total		
	Transaction amount (\$ billion)	Number of clients involved	Transaction amount (\$ billion)	Number of clients involved	Transaction amount \$ billion	% of total	Number of clients involved
CIS							
- LCs	221	230,760	91	8,570	312	8.2%	239,330
- RIs	257	133,140	315	12,850	572	15.1%	145,990
Sub-total	478	363,900	406	21,420	884	23.3%	385,320
Debt securities							
- LCs	-	-	183	17,846	183	4.8%	17,846
- RIs	-	-	465	430,080	465	12.3%	430,080
Sub-total	-	-	648	447,926	648	17.1%	447,926
Structured products							
- LCs	2	831	337	7,862	339	8.9%	8,693
- RIs	32	16,085	1,550	38,194	1,582	41.6%	54,279
Sub-total	34	16,916	1,887	46,056	1,921	50.5%	62,972
Swaps							
- LCs	-	-	26	109	26	0.7%	109
- RIs	-	-	270	714	270	7.1%	714
Sub-total	-	-	296	823	296	7.8%	823
Repos and others							
- LCs	-	-	31	786	31	0.8%	786
- RIs	-	-	19	218	19	0.5%	218
Sub-total	-	-	50	1,004	50	1.3%	1,004
All of the above							
- LCs	223	231,591	668	35,173	891	23.4%	266,764
- RIs	289	149,225	2,619	482,056	2,908	76.6%	631,281
Grand total	512	380,816	3,287	517,229	3,799	100%	898,045

^A See footnote 9

⁷ Non-authorised 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.

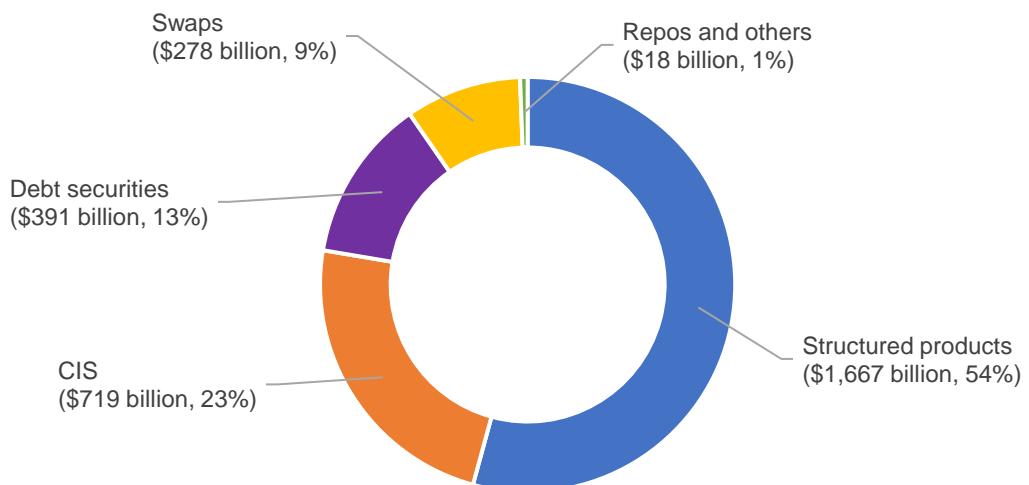
⁸ Authorised products are products for which offering documents have been authorised by the SFC. They can be marketed to the public in Hong Kong.

⁹ 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. On the other hand, a client may be counted more than once if that client transacted in more than one type of product.

Top 20 firms

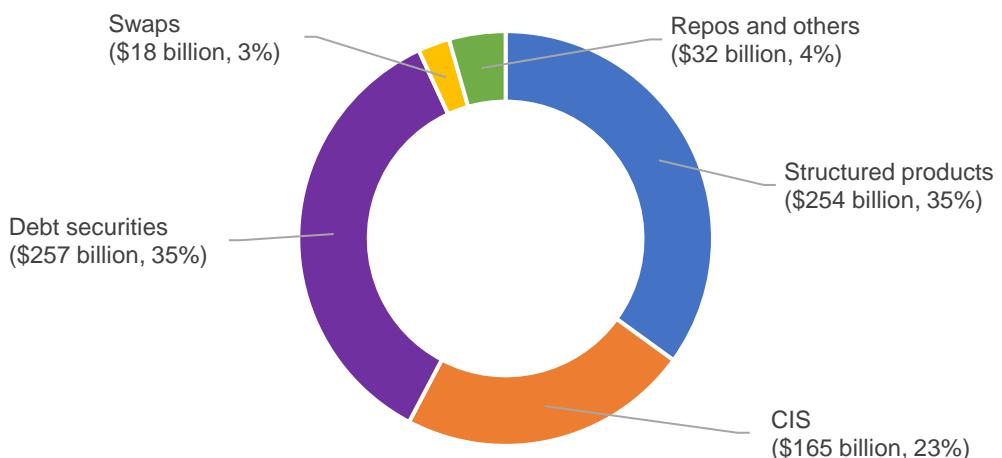
22. The top 20 firms accounted for \$3,073 billion or 81% (2021: \$4,104 billion or 82%) of the aggregate transaction amount during the reporting period. The remaining 19% was shared among the remaining 351 firms.
23. The principal products sold by the top 20 firms in terms of transaction amount were structured products (\$1,667 billion or 54%), followed by CIS (\$719 billion or 23%) and debt securities (\$391 billion or 13%).

Chart 4: Transaction amount by product type reported by top 20 firms



24. The majority of investment products sold by the remaining 351 firms were debt securities, structured products, CIS and representing 35%, 35% and 23%, respectively, of their aggregate transaction amount.

Chart 5: Transaction amount by product type reported by firms other than top 20 firms



B. Analysis of product type

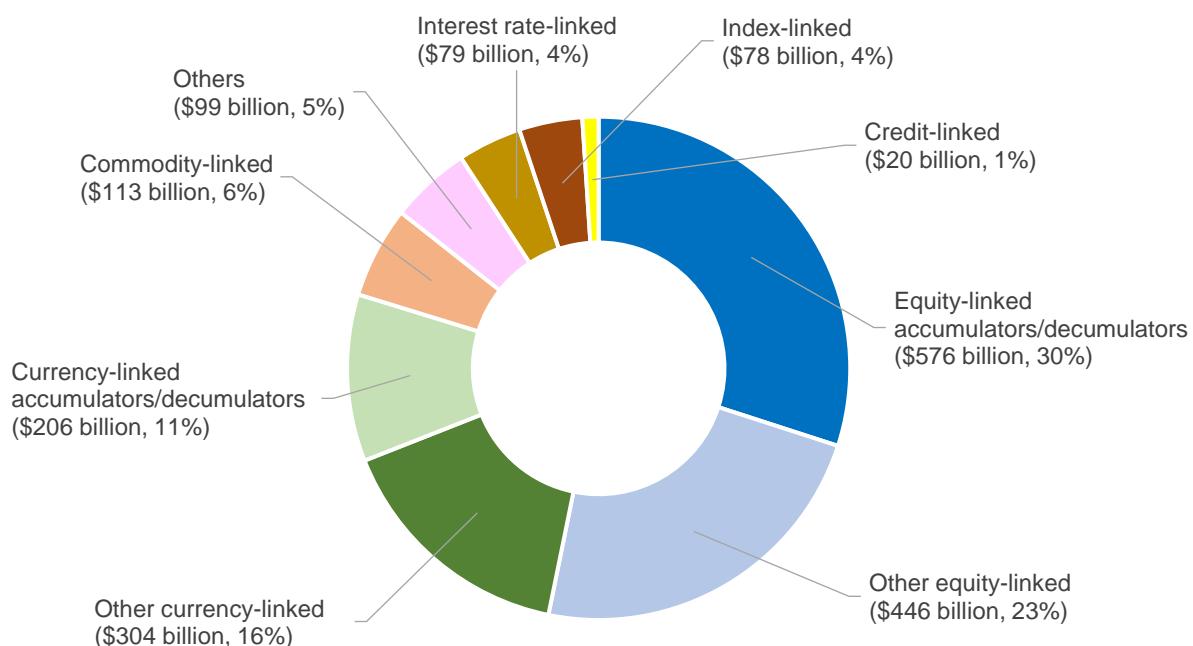
a) Structured products (total transaction amount: \$1,921 billion, or 51%)

25. The transaction amount of structured products in 2022 was \$1,921 billion, down 19% from 2021. Nevertheless, structured products remained the predominant product type, accounting for 51% of the aggregate transaction amount of all investment products. Of the total, 82% was contributed by RIIs with the remaining 18% contributed by LCs. The top 20 sellers accounted for 90% of the transaction amount for all structured products and continued to dominate the structured products market.

Table 2

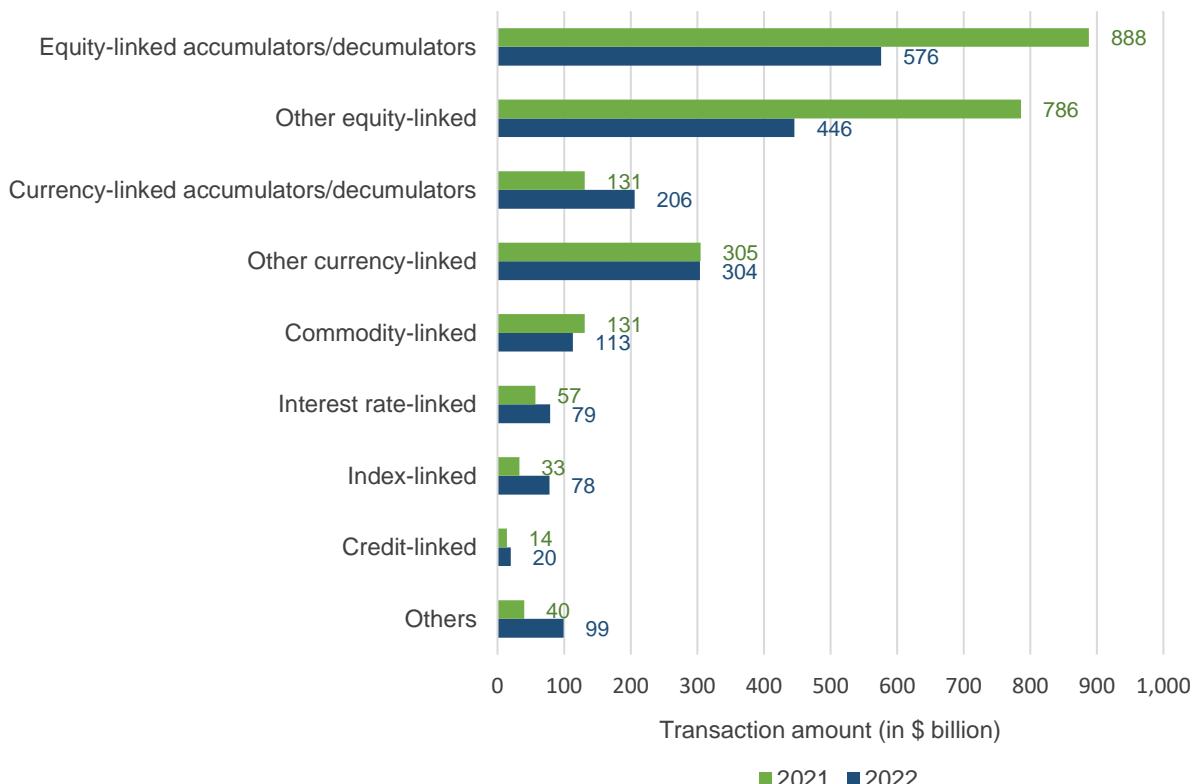
Type of structured product	LCs		RIIs		Total	
	Transaction amount (\$ billion)	% of total	Transaction amount (\$ billion)	% of total	Transaction amount (\$ billion)	% of total
Equity-linked						
- accumulators/decumulators	95	28%	481	30%	576	30%
- others	55	16%	391	25%	446	23%
Sub-total	150	44%	872	55%	1,022	53%
Currency-linked						
- accumulators/decumulators	36	11%	170	11%	206	11%
- others	39	11%	265	17%	304	16%
Sub-total	75	22%	435	28%	510	27%
Commodity-linked	5	2%	108	7%	113	6%
Interest rate-linked	18	5%	61	4%	79	4%
Index-linked	15	4%	63	4%	78	4%
Credit-linked	2	1%	18	1%	20	1%
Others (including hybrid-linked)	74	22%	25	1%	99	5%
Total	339	100%	1,582	100%	1,921	100%

Chart 6: Transaction amount of structured products



26. The transaction amount of structured products decreased by \$464 billion, primarily due to lower sales of equity-linked products (by \$652 billion), partially offset by the increase in the sale of currency-linked products (by \$74 billion).

Chart 7: Transaction amount of structured products (2022 vs 2021)

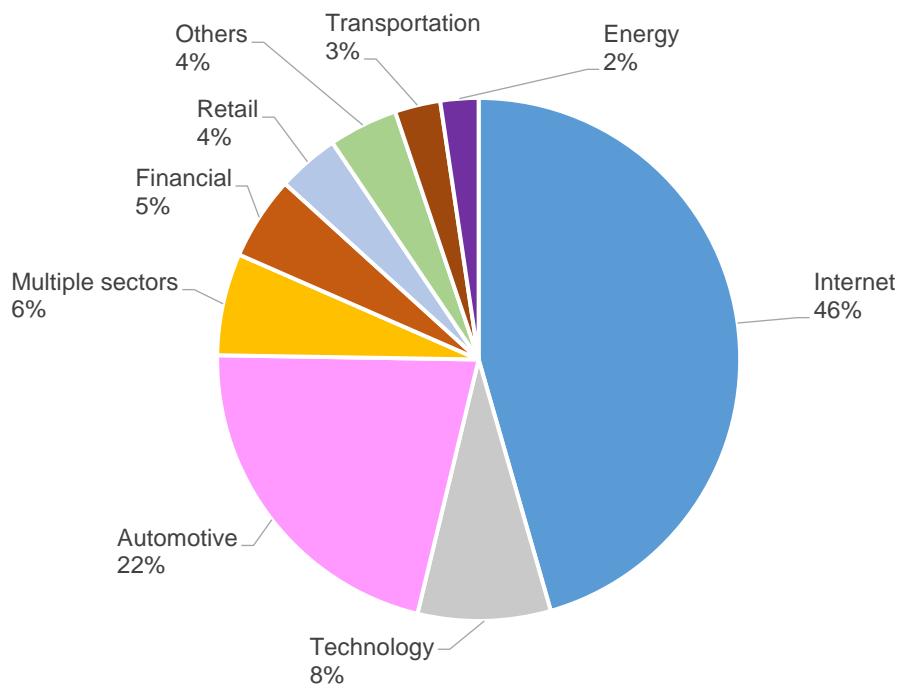


Equity-linked products

27. Equity-linked products remained the most popular structured products sold in 2022 despite a 39% decline in their transaction amount to \$1,022 billion, of which 85% were sold by RIIs and the remaining by LCs. Of all the structured products sold in 2022, the proportion of transaction amount in equity-linked products dropped to 53% (2021: 70%).
28. Some large firms attributed the decrease in client activities to investors' low risk appetite during the reporting period. Globally, stock markets had been under pressure since the beginning of 2022 as sentiment was hurt by a combination of factors including expectations of interest rate hikes and worries about a global economic slowdown and stagflation, leading clients to switch from products targeting capital appreciation such as equity-linked products to yield generation and low-risk products such as sovereign bonds.
29. A large firm also commented that the decrease was largely associated with the poor performance in stock markets. For example, Hang Seng Index and Hang Seng China Enterprises Index dropped by around 37% and 40% respectively during the first ten months of the year. Although the markets recouped some of the losses in the fourth quarter, the two indexes fell 15% and 19% year-on-year. Other major indexes such as the S&P 500 Index and Nasdaq Composite Index also recorded year-on-year losses of 19% and 33% respectively. Investors became much more risk-averse and shifted their investment preference from products that were highly correlated to the underlying stock performance to products that could offer decent interest returns.

30. Among the top five equity-linked products reported by the 81 large firms, while client interest in internet and technology sectors remained strong (2022: 54%, 2021: 53%), the automotive sector gained popularity in 2022 as underlying stocks for equity-linked products (2022: 22%, 2021: 11%).

Chart 8: Industry sector of underlying equities of top five equity-linked products

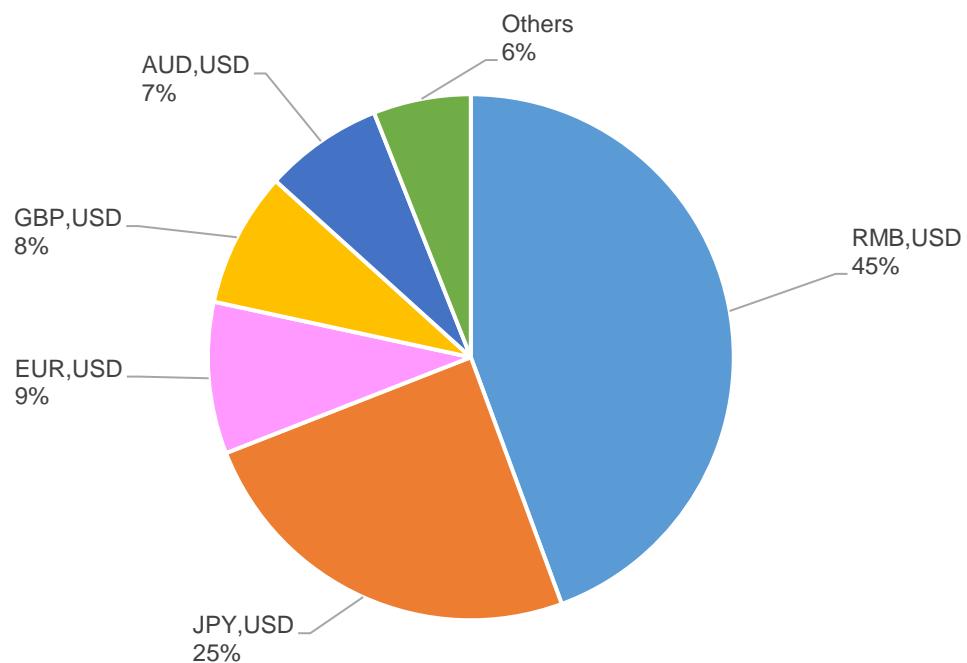


Based on the top five equity-linked products reported by 81 large firms

Currency-linked products

31. The transaction amount for currency-linked products increased by 17% in 2022 to \$510 billion and was the second most popular structured products. Of the transaction amount in 2022, 85% was sold by RIIs and 15% by LCs. Some large firms commented that investors generally invested in currency-linked products for hedging purposes to protect their portfolios against the currency risk. The poor performance of equities and fixed income also incentivised investors to invest in currency-linked products for diversification and potential profitability.
32. Based on the top five currency-linked products reported by the large firms, the share of products linked to the renminbi (RMB) and US dollar (USD) remained stable at 45% (2021: 47%).

Chart 9: Underlying currency pairs of top five currency-linked products



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

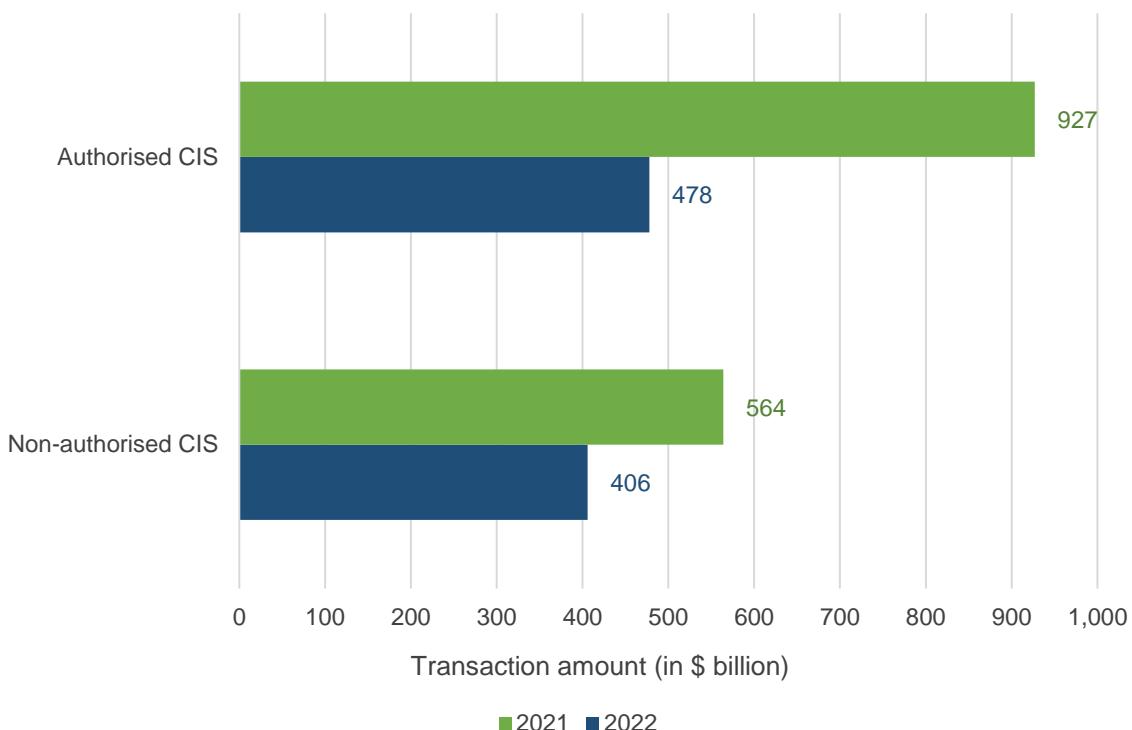
Commodity-linked products

- 33. The transaction amount for commodity-linked products declined by 14% to \$113 billion. Of the total, 96% was sold by RIIs and the rest by LCs.
- 34. Gold-linked products remained the most popular product type. Of the top five commodity-linked products reported by the large firms in 2022, over 90% were linked to gold, similar to 2021. A large firm noted that the increased volatility in the price of gold provided yield enhancement opportunities. Gold prices were pushed higher again in late 2022 on the back of concerns about an economic recession and geopolitical risks.

b) CIS (total transaction amount: \$884 billion, or 23%)

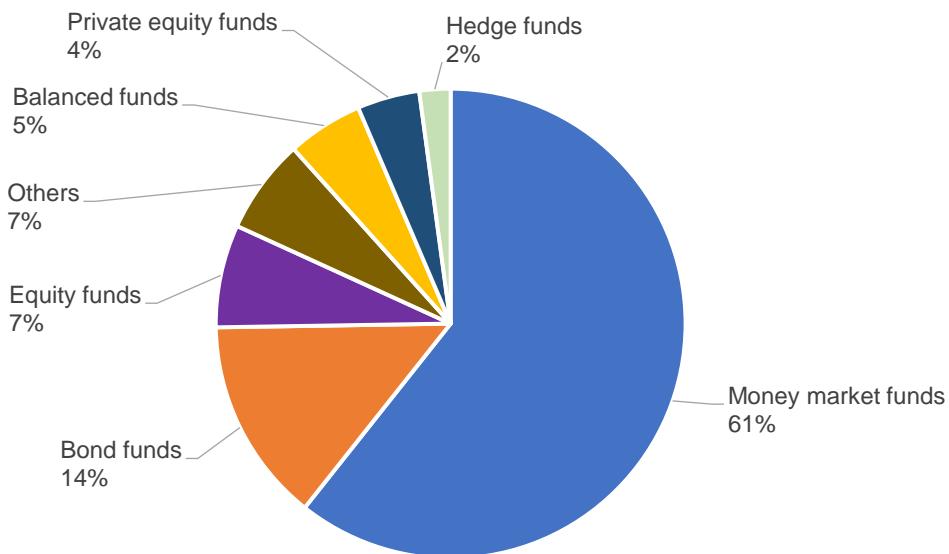
- 35. The total transaction amount for CIS was \$884 billion, down 41% from 2021. RIIs and LCs accounted for 65% and 35% of the total transaction amount of CIS, respectively. The top 20 sellers of CIS contributed 86% (2021: 83%) of the total.
- 36. Investments in CIS represented 23% of the aggregate. The number of LCs' clients and RIIs' clients investing in CIS was 239,330 and 145,990 respectively in 2022. Most of these clients were non-PI clients who purchased authorised CIS. Of all CIS investors, 72% transacted on online platforms, up from 65% in 2021. Online CIS sales also increased from 18% in 2021 to 24% of the total transaction amount of all CIS sold in 2022.
- 37. The decline in the overall sale of CIS was driven by a 48% decrease in authorised CIS to \$478 billion and a 28% decrease in non-authorised CIS to \$406 billion in 2022. A large firm observed that negative returns in both equity and fixed income investments affected the fund performance and lowered investors' interest in equity funds and bond funds. Some large firms also observed that their clients had lower risk appetite under a combination of macro factors as mentioned in paragraph 19 above.

Chart 10: Transaction amount of CIS (2022 vs 2021)



38. Based on the top five CIS reported by the large firms, the most popular fund types remained money market funds and bond funds. Notable changes were observed in the proportion of different fund types compared to 2021, with decreases in the proportions of bond funds (2022: 14%, 2021: 23%), equity funds (2022: 7%, 2021: 14%), balanced funds (2022: 5%, 2021: 11%), private equity funds (2022: 4%, 2021: 7%) and hedge funds (2022: 2%, 2021: 3%). Conversely, the proportion of money market funds nearly doubled to 61% in 2022 from 33% in 2021. This shift was attributed to investors' preference for stable income and liquidity amidst market uncertainties and volatility as well as rising interest rates. Some large firms also commented that investors favoured money market funds over fixed deposits for better liquidity and flexibility.

Chart 11: Top five CIS by fund type



Based on the top five CIS reported by 81 large firms

c) Debt securities (total transaction amount: \$648 billion, or 17%)

39. The transaction amount of debt securities decreased by 21% to \$648 billion. RIIs and LCs accounted for 72% and 28%, respectively. By the number of clients, debt securities became the most popular investment product type in 2022 (as shown in Table 1).
40. The top 20 sellers of debt securities accounted for 76% of the total transaction amount in these securities. Some large firms commented that the softer demand for debt securities was mainly caused by unfavourable market sentiment and increased volatility given expectations of interest rate hikes and the Mainland's property market headwinds. Worried about the rising default and liquidity risks, investors became more cautious and preferred bonds with higher credit ratings and shorter tenors.
41. Corporate bonds remained the most common type of debt securities sold, with a transaction amount of \$426 billion, representing 66% (2021: 82%) of all debt securities transactions. Notably, investors' interest shifted from corporate bonds to sovereign bonds. Sales of sovereign bonds amounted to \$188 billion and accounted for 29% of total debt securities sold, up from 15% in 2021. Most of the debt securities sold by RIIs were corporate bonds (57%) and sovereign bonds (36%), while LCs mainly sold corporate bonds (87%).

Table 3

Type of debt securities	LCs		RIs		Total	
	Transaction amount (\$ billion)	% of total	Transaction amount (\$ billion)	% of total	Transaction amount (\$ billion)	% of total
Corporate bonds						
- Investment grade	43	24%	134	29%	177	28%
- Non-investment grade	39	21%	60	13%	99	15%
- Unrated	77	42%	73	15%	150	23%
Sub-total	159	87%	267	57%	426	66%
Sovereign bonds	23	12%	165	36%	188	29%
Others	1	1%	33	7%	34	5%
Total	183	100%	465	100%	648	100%

Chart 12: Transaction amount of debt securities

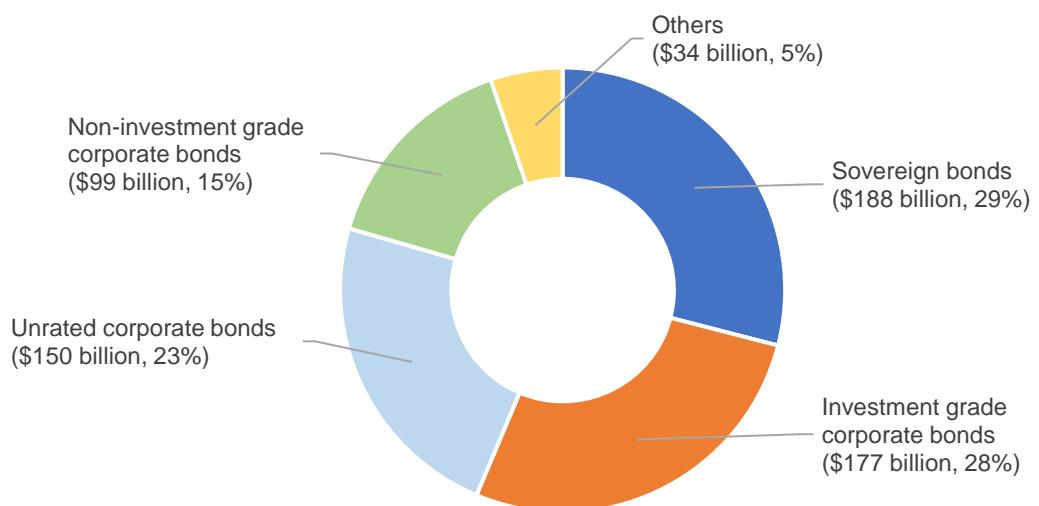
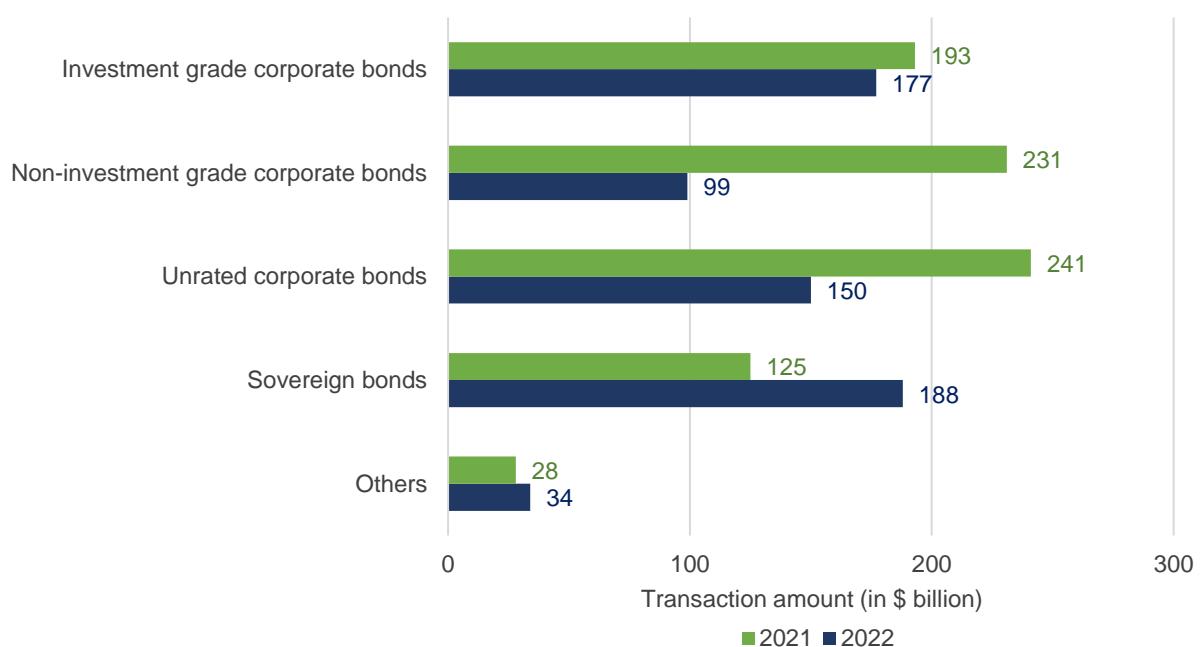


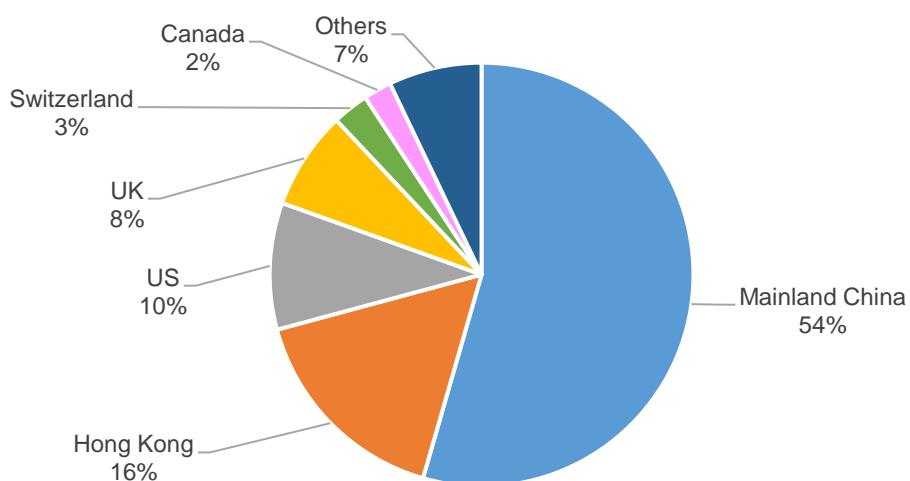
Chart 13: Transaction amount of debt securities (2022 vs 2021)



Corporate bonds

42. The transaction amount of investment grade corporate bonds declined mildly by 8% to \$177 billion (2021: \$193 billion) while non-investment grade and unrated corporate bonds fell more sharply by 57% to \$99 billion and 38% to \$150 billion respectively (2021: \$231 billion and \$241 billion). This was in line with firms' comment that investors preferred bonds with higher credit ratings mentioned in paragraph 40 above.
43. In terms of the underlying country / jurisdiction of risk¹⁰ of the issuers of the top five corporate bonds reported by the large firms¹¹, Mainland China accounted for 54% (2021: 53%) of the transaction amount, followed by 16% for Hong Kong (2021: 37%) and 10% for the US (2021: 2%). In terms of issuers' industries, financial and real estate sectors accounted for 52% and 30% (2021: 50% and 38%), respectively.

Chart 14: Issuers of top five corporate bonds
by underlying country / jurisdiction of risk



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

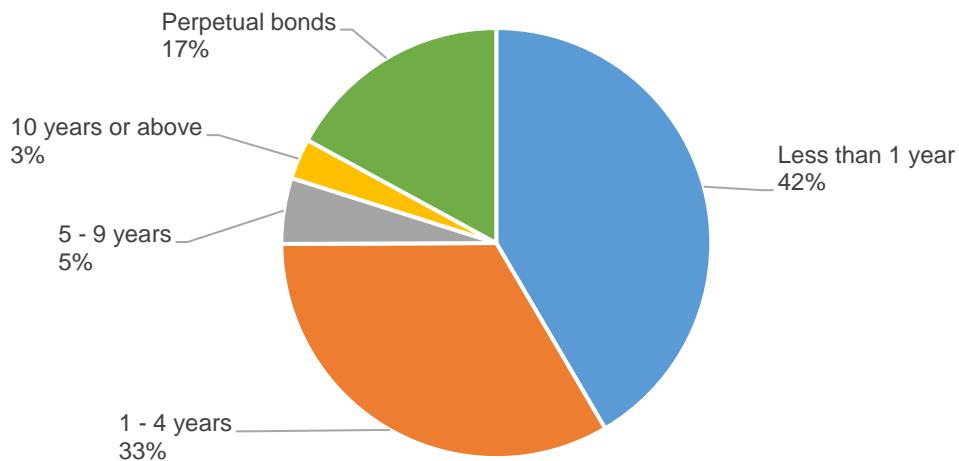
44. In terms of the remaining tenors¹² of the top five corporate bonds, 42% had less than one year, 33% had one to four years and 25% had five years or longer.

¹⁰ The underlying country / jurisdiction of risk and other information about these debt securities, eg, coupon rate and maturity date, were sourced from an external market data provider.

¹¹ This refers to the top five investment grade, non-investment grade and unrated corporate bonds by transaction amount reported by each large firm.

¹² Remaining tenor refers to the time to the maturity date of a bond calculated from 31 December 2022. Bonds with a maturity date on or before 31 December 2022 were grouped under “less than 1 year” of the remaining tenor.

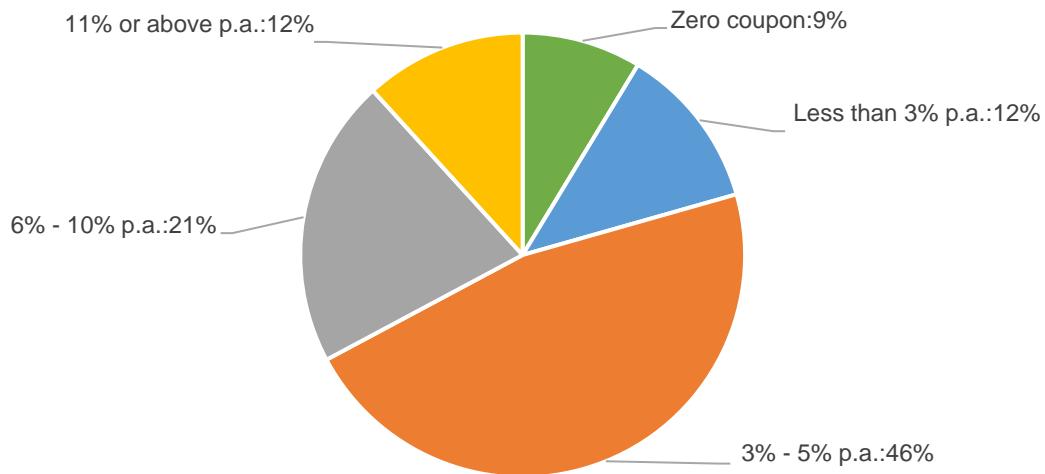
Chart 15: Remaining tenors of top five corporate bonds



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

45. Of the top five corporate bonds, 46% and 21% had coupon rates of 3-5% and 6-10% per annum. The share of corporate bonds with coupon rates in those two brackets was up from 34% and 17% respectively in 2021, reflecting a rising interest rates environment. On the other hand, corporate bonds with a coupon rate of less than 3% per annum dropped to 12% from 32% in 2021.

Chart 16: Coupon rates of top five corporate bonds



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

Sovereign bonds

46. The aggregate transaction amount for sovereign bonds increased by 50% to \$188 billion in 2022, which aligned with the comments of some large firms mentioned in paragraph 40 above. The increase in transactions was mainly attributable to US and HKSAR Government bonds, partially offset by a decrease in the government bonds of Mainland China.

47. Among the top five sovereign bonds reported by the large firms, HKSAR Government bonds (including Green Bonds and Silver Bonds) remained the most popular, accounting for 52% (2021: 49%), followed by US government bonds of 35% (2021: 5%).
48. As of 31 December 2022, 32% of the top five sovereign bonds had a tenor of less than one year, while 57% had one to four years, compared to 15% and 63% respectively in 2021. In terms of coupon rates per annum, 46% of the top five sovereign bonds had coupon rates of 3-5%, 32% had less than 3% and 22% were zero coupon bonds.

Chapter 37 bonds¹³

49. The aggregate transaction amount for Chapter 37 bonds fell by 40% to \$90 billion in 2022, when it represented 14% 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 (64%) or Hong Kong (34%).

Debt securities with non-viability loss absorption features (NVLA Bonds)¹⁴

50. The aggregate transaction amount for NVLA Bonds was \$72 billion in 2022, when it made up 11% of all debt securities transactions. Among the top five NVLA Bonds reported by the large firms, 44% had an equity conversion feature. Other features included permanent write-down (25%) and temporary write-down¹⁵ (12%). About 68% of the top five NVLA Bonds were perpetual bonds, and 66% and 33% had coupon rates of 3-5% and 6-10% per annum respectively.

d) Swaps (total transaction amount: \$296 billion, or 8%)

51. The aggregate transaction amount for swaps increased by 9% to \$296 billion in 2022, with RIs accounting for 91% and LCs accounting for the remaining. Based on the top five swaps reported by the large firms, 86% were currency swaps, while the rest included commodity swaps on gold, total return swaps and equity swaps on listed equities.

¹³ This refers to bonds offered for subscription and listed under Chapter 37 of the Main Board Listing Rules.

¹⁴ 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).

¹⁵ 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

52. Among the 308 LCs and 63 RIs which sold investment products during the reporting period, 249 LCs and 61 RIs or their related companies held outstanding positions on behalf of their clients or as contracting parties as of 31 December 2022. The amount of outstanding positions¹⁶ was \$3,429 billion, of which LCs and RIs contributed 26% and 74% respectively. Among the outstanding positions, 52% were CIS and 28% were debt securities. The top 20 firms (in terms of transaction amount) accounted for 79% of the total outstanding positions.

Table 4

Product types	Outstanding positions on 31 December 2022 and number of clients involved [▲]						
	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 \$ billion	% of total	Number of clients involved
CIS							
- LCs	202	267,394	389	24,857	591	17.2%	292,251
- RIs	629	534,119	547	27,122	1,176	34.3%	561,241
Sub-total	831	801,513	936	51,979	1,767	51.5%	853,492
Debt securities							
- LCs	-	-	199	28,175	199	5.8%	28,175
- RIs	-	-	750	805,199	750	21.9%	805,199
Sub-total	-	-	949	833,374	949	27.7%	833,374
Structured products							
- LCs	1	352	104	4,858	105	3.1%	5,210
- RIs	9	7,541	432	30,622	441	12.8%	38,163
Sub-total	10	7,893	536	35,480	546	15.9%	43,373
Swaps							
- LCs	-	-	3	80	3	0.1%	80
- RIs	-	-	137	735	137	4.0%	735
Sub-total	-	-	140	815	140	4.1%	815
Repos and others							
- LCs	-	-	5	569	5	0.1%	569
- RIs	-	-	22	235	22	0.7%	235
Sub-total	-	-	27	804	27	0.8%	804
All of the above							
- LCs	203	267,746	700	58,539	903	26.3%	326,285
- RIs	638	541,660	1,888	863,913	2,526	73.7%	1,405,573
Grand total	841	809,406	2,588	922,452	3,429	100%	1,731,858

[▲] See footnote 9

D. Clientele

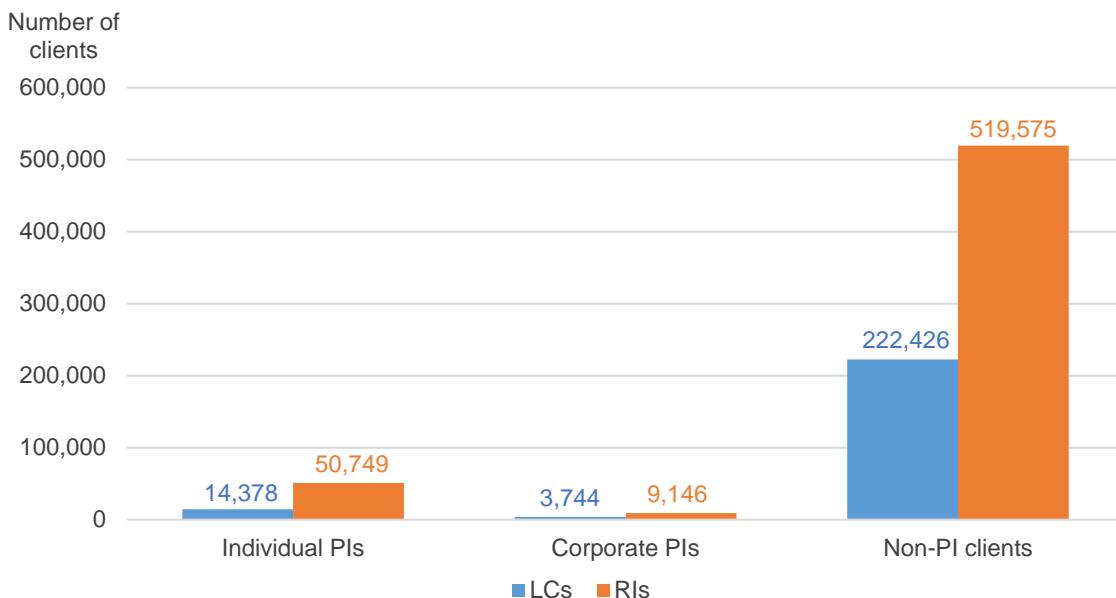
53. A total of 820,018 clients¹⁷ completed at least one transaction in investment products in 2022, down 16% from 980,821¹⁸ in 2021. Of the total number of clients, 29% were clients of LCs and the remaining were clients of RIs (2021: 27% and 73%, respectively); 90% of the clients (2021: 91%) were non-PI clients who mostly invested in CIS, according to reports by the large firms.

¹⁶ In this survey, the amount of outstanding positions for CIS, debt securities and structured notes refers to the market value of outstanding positions or contracts as of the end of the reporting period. For other products, it refers to the maximum outstanding exposure, taking into account the number of remaining settlements and leveraged effect, if any.

¹⁷ 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.

¹⁸ The 2021 figure is restated due to a revision of figures by a large firm.

Chart 17: Number of clients with at least one transaction



E. Distribution channels

54. There was an upward trend in the respondent firms' utilisation of online platforms for distributing investment products to investors, increasing to 83 firms (55 LCs and 28 RIs) in 2022, representing a 19% increase from 2021 when 70 firms (48 LCs and 22 RIs) used online platforms. Of the transaction amount for online sales, LCs accounted for 64% and RIs accounted for 36%.
55. Online sales accounted for 7% (2021: 6%) of the aggregate transaction amount reported by all respondent firms. CIS remained the most common product type distributed through the use of online platforms, representing 83% (2021: 91%) of total online sales, followed by debt securities at 15%, up from 6% in 2021.

F. Investment product issuers

56. Respondent firms were requested to report the top five issuers of the investment products they had sold during the reporting period. These transactions amounted to \$2,293 billion, of which the products issued by six global financial groups accounted for \$1,271 billion or 55% (2021: 57%). Other product issuers included other financial institutions and corporations as well as government bodies.
57. Of the \$1,271 billion in the products issued by the six global financial groups, \$1,043 billion or 82% (2021: 80%) 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

58. Despite the challenging market environment in 2022, respondent firms maintained a largely stable level of manpower to support their distribution of investment products. The total number of sales force in 2022 was 17,917 (2021: 18,346), comprising 4,995 licensed representatives for LCs (2021: 5,455) and 12,922 relevant individuals for RIIs (2021: 12,891).
59. Over 65%⁶ of these firms reported either no change or an increase in the number of licensed representatives or relevant individuals engaged in the sale of investment products as compared to 2021. Some large firms which reported an increase in manpower commented that they had expanded their sales force to meet business needs.
60. 33 RIIs (52%) reported a sales force of 100 or fewer relevant individuals engaged in the sale of investment products, whereas six RIIs (10%) reported having more than 500.
61. 201 LCs (65%) reported having five or fewer licensed representatives engaged in the sale of investment products, whereas 13 LCs (4%) reported having over 100.

Chart 18: Manpower engaged in the sale of investment products

