

## Breakdown of SFC activity data

Table 1 Authorised unit trusts and mutual funds – by type

	As at 31.3.2020		As at 31.3.2019	
	Number	Total NAV (US\$ million)	Number	Total NAV (US\$ million)
Bond	465 (24.3%)	497,526 (36.4%)	474 (23.9%)	534,298 (34.2%)
Equity	945 (49.3%)	571,506 (41.8%)	1,005 (50.7%)	721,365 (46.2%)
Mixed <sup>1</sup>	184 (9.6%)	138,382 (10.1%)	181 (9.1%)	165,708 (10.6%)
Money market	43 (2.2%)	21,208 (1.6%)	44 (2.2%)	22,284 (1.4%)
Fund of funds	104 (5.4%)	17,908 (1.3%)	110 (5.5%)	22,581 (1.4%)
Index <sup>2</sup>	170 (8.9%)	119,204 (8.7%)	162 (8.2%)	96,164 (6.2%)
Guaranteed	3 (0.2%)	59 (0%)	3 (0.2%)	72 (0%)
Hedge	1 (0.1%)	142 (0%)	0 (0%)	0 (0%)
Other specialised <sup>3</sup>	0 (0%)	0 (0%)	5 (0.3%)	748 (0%)
Sub-total	1,915 (100%)	1,365,935 (100%) <sup>4</sup>	1,984 (100%) <sup>4</sup>	1,563,220 (100%)
Umbrella structures	220		232	
<b>Total</b>	<b>2,135</b>		<b>2,216</b>	

1 Previously presented as "Diversified".

2 Including leveraged and inverse products.

3 Including futures and options funds, structured funds and funds that invest in financial derivative instruments.

4 Percentages do not add up to total due to rounding.

Table 2 Authorised unit trusts and mutual funds – by origin

	As at 31.3.2020					As at 31.3.2019		
	Umbrella funds	Sub-funds	Single funds	Total	Total NAV (US\$ million)	Total	Total NAV (US\$ million)	
Hong Kong	142	543	77	762 (35.7%)	138,163 (10.1%)	789 (35.6%)	154,831 (9.9%)	
Luxembourg	46	985	1	1,032 (48.3%)	884,587 (64.8%)	1,064 (48%)	1,059,476 (67.8%)	
Ireland	23	197	2	222 (10.4%)	204,602 (15%)	218 (9.8%)	207,154 (13.3%)	
United Kingdom	3	10	24	37 (1.7%)	60,602 (4.4%)	53 (2.4%)	73,987 (4.7%)	
Mainland China	2	2	46	50 (2.3%)	18,496 (1.4%)	50 (2.3%)	19,615 (1.3%)	
Other Europe	0	0	0	0 (0%)	0 (0%)	3 (0.1%)	140 (0%)	
Bermuda	0	0	1	1 (0%)	142 (0%)	1 (0%)	153 (0%)	
Cayman Islands	4	17	5	26 (1.2%)	4,705 (0.3%)	30 (1.4%)	7,718 (0.5%)	
Others	0	0	5	5 (0.2%)	54,638 (4%)	8 (0.4%)	40,146 (2.6%)	
<b>Total</b>	<b>220</b>	<b>1,754</b>	<b>161</b>	<b>2,135 (100%)<sup>1</sup></b>	<b>1,365,935 (100%)</b>	<b>2,216 (100%)</b>	<b>1,563,220 (100%)<sup>1</sup></b>	

1 Percentages do not add up to total due to rounding.

Table 3 Takeovers activities

	2019/20	2018/19	2017/18
<b>Codes on Takeovers and Mergers and Share Buy-backs</b>			
General and partial offers under Code on Takeovers and Mergers	41	55	59
Privatisations	15	6	11
Whitewash waiver applications	13	21	41
Other applications under Code on Takeovers and Mergers <sup>1</sup>	281	275	289
Off-market and general offer share buy-backs	7	9	1
Other applications under Code on Share Buy-backs <sup>1</sup>	2	7	0
<b>Total</b>	<b>359</b>	<b>373</b>	<b>401</b>
<b>Executive Statements</b>			
Sanctions imposed with parties' agreement <sup>2</sup>	3	2	5
<b>Takeovers and Mergers Panel</b>			
Meetings for review of Codes on Takeovers and Mergers and Share Buy-backs	0	1	2
Hearings before the Panel (disciplinary and non-disciplinary)	2	0	1
Statements issued by the Panel <sup>3</sup>	2	0	1

1 Including stand-alone applications and those made during the course of a code-related transaction.

2 Pursuant to section 12.3 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.

3 Pursuant to section 16.1 of the Introduction to the Codes on Takeovers and Mergers and Share Buy-backs.

## Breakdown of SFC activity data

**Table 4 Breaches noted during on-site inspections**

	2019/20	2018/19	2017/18
Failure to comply with Securities and Futures (Financial Resources) Rules	9	9	12
Failure to safekeep client securities	31	32	38
Failure to maintain proper books and records	19	13	33
Failure to safekeep client money	42	28	59
Unlicensed dealing and other registration issues	14	17	23
Breach of licensing conditions	3	5	7
Breach of requirements of contract notes/statements of account/receipts	33	31	62
Failure to make filing/notification	5	1	2
Breach of margin requirements	5	8	5
Dealing malpractices	5	3	3
Breach of Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission <sup>1</sup>	273	275	320
Breach of Corporate Finance Adviser Code of Conduct	7	8	8
Breach of Fund Manager Code of Conduct	79	67	93
Breach of regulation of online trading	7	3	4
Non-compliance with anti-money laundering guidelines	331	201	175
Breach of other rules and regulations of the Exchanges <sup>2</sup>	11	12	17
Internal control weaknesses <sup>3</sup>	451	443	535
Others	164	80	80
<b>Total</b>	<b>1,489</b>	<b>1,236</b>	<b>1,476</b>

1 Commonly related to risk management, client agreements, safeguarding of client assets and information for or about clients.

2 The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited.

3 Comprised deficiencies in management review and supervision, operational controls over the handling of client accounts, segregation of duties, information management, adequacy of audit trail for internal control purposes, among other weaknesses.

**Table 5 Successful prosecutions**

Defendants	Date of conviction	Fine / Penalty	Investigation costs awarded
<b>Insider dealing</b>			
YIU Ka Lun Ken	5.11.2019	\$165,000 and imprisonment for two months and two weeks	\$147,560
<b>Market manipulation</b>			
TSOI Wan	23.5.2019	\$60,000	–
<b>Provision of false/misleading statements</b>			
CHAN Wai Chuen	11.4.2019	\$60,000	\$15,151

Note: Cases with fines below \$10,000 are not shown in this table.

Table 6 Other public disciplinary actions

Name	Date	Conduct	Action
SHIU Kin Keung Sammy	31.3.2020	Illegal short selling and regulatory breaches regarding cross trades	Banned from re-entering the industry for 28 months
WAT Hin Pong	31.3.2020	Failing to monitor staff dealings and supervise the operation of clients' discretionary accounts	Licence suspended for seven months
CHAN Tan Lo	19.3.2020	Overcharging clients in bond transactions and failing to provide accurate transaction information	Banned from re-entering the industry for 14 months
TSE Christopher	6.2.2020	Trading through his father's account without informing his employer and trading in a stock on the employer's restricted list	Banned from re-entering the industry for 12 months
SHIU Yau Wah	29.1.2020	Conducting trades for a client account on a discretionary basis without written authorisation	Licence suspended for five months
SONG Baojun	6.11.2019	Failing to obtain a client's specific authorisation before conducting unit trust transactions and advise the client to adopt a lower-cost option for other transactions	Banned from re-entering the industry for 12 months
NG Lok Kan, Vincent	2.10.2019	Unauthorised use of a client's account to push up a warrant's price when disposing of his holdings in the warrant	Banned from re-entering the industry for 30 months
CHEUNG Chiu Hung, Jacky	12.9.2019	Unauthorised transactions in a customer's accounts and forging a customer's signature	Banned from re-entering the industry for 24 months
LEE Kwok Tung, Samuel	19.8.2019	Impersonating a client to confirm trade orders	Banned from re-entering the industry for eight months
LAM Wai Kwong, Alfred and WONG Eva	15.7.2019	Failure to diligently supervise account executives and implement effective controls on short selling	Licences suspended for six months
HUI Kwok Piu	15.7.2019	Illegal short selling	Licence suspended for 16 months
SONG Peng	12.7.2019	Effecting transactions in a client's accounts without written authorisation and his employer's knowledge and approval	Banned from re-entering the industry for 10 months
WONG Ka Hang	28.5.2019	Accepting a third party's instructions to trade in a client's account without written authorisation	Banned from re-entering the industry for nine months
WANG Can	16.5.2019	Failure to comply with the firm's staff dealing policy	Banned from re-entering the industry for 30 months and fined \$7,800

Note: See Enforcement on pages 65-72 for details of the most significant disciplinary actions.

## Breakdown of SFC activity data

**Table 7 Other enforcement actions**

	2019/20	2018/19	2017/18
S179 <sup>1</sup> inquiries commenced	31	26	24
S181 <sup>2</sup> inquiries commenced (number of letters sent)	231 (8,767)	294 (9,074)	261 (8,461)
S182 <sup>3</sup> directions issued	187	231	274
Rule 8 directions <sup>4</sup> issued	1	4	12
Show cause letters <sup>4</sup> issued	0	2	11
Cases with search warrants executed	17	30	22
Compliance advice letters issued	218	234	277
Criminal, Civil and Market Misconduct Tribunal (MMT) proceedings			
(a) Insider dealing			
Individuals/corporations summonsed (summons laid)	1 (2)	1 (5)	4 (7)
Individuals/corporations involved in ongoing civil proceedings	11	11	13
Individuals/corporations involved in ongoing MMT proceedings	7	5	0
(b) Market manipulation			
Individuals/corporations summonsed (summons laid)	1 (3)	0 (0)	0 (0)
Individuals/corporations involved in ongoing civil proceedings	18	0	0
Individuals/corporations involved in ongoing MMT proceedings	0	0	3
(c) Others			
Individuals/corporations summonsed (summons laid)	5 (5)	4 (37)	10 (47)
Individuals/corporations involved in ongoing civil proceedings	129	90	84
Individuals/corporations involved in ongoing MMT proceedings	27	25	13
Disciplinary enquiry			
Notices of Proposed Disciplinary Action <sup>5</sup> issued	35	22	29
Notices of Decision <sup>6</sup> issued (including S201 <sup>7</sup> agreement)	46	34	32
Securities and Futures Appeals Tribunal (SFAT) hearings			
Applications to SFAT	3	4	4
Applications/hearings completed	2	5	3

1 Section 179 of the Securities and Futures Ordinance (SFO) gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

2 Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including the identity information of the ultimate clients, the particulars and instructions relating to the transactions.

3 Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

4 A Rule 8 direction is issued by the SFC pursuant to Section 8 of the Securities and Futures (Stock Market Listing) Rules, directing The Stock Exchange of Hong Kong Limited (SEHK) to suspend trading in the shares of a listed company on grounds that the market is misinformed, disorderly or unfair. A show cause letter is sent by the SFC to inform a listed company that it is minded to exercise its power under the aforesaid Rules to direct SEHK to suspend trading in the shares of the company, in the absence of a satisfactory explanation.

5 A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

6 A notice that sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

7 Section 201 of the SFO gives the SFC the power to resolve disciplinary proceedings by agreement when the SFC considers it appropriate to do so in the interest of the investing public or in the public interest.

Table 8 Statistical information and financial position of the Hong Kong securities industry<sup>1</sup>

	As at 31.12.2019	As at 31.12.2018	As at 31.12.2017
Securities dealers and securities margin financiers	1,379	1,312	1,222
Active cash clients <sup>2</sup>	1,423,007	1,410,319	1,320,332
Active margin clients <sup>2</sup>	601,842	463,970	337,599
Active clients	2,024,849	1,874,289	1,657,931
<b>Balance sheet</b>	<b>(\$ million)</b>	<b>(\$ million)</b>	<b>(\$ million)</b>
Cash in hand and at bank <sup>3</sup>	505,627	515,715	515,547
Amounts receivable from margin clients <sup>4</sup>	165,919	180,800	205,977
Amounts receivable from clients and other dealers arising from dealing in securities	186,361	158,495	164,226
Proprietary positions	133,663	89,096	139,502
Other assets	331,341	282,426	312,152
Total assets	1,322,911	1,226,532	1,337,404
Amounts payable to clients and other dealers arising from dealing in securities	580,610	531,638	568,641
Total borrowings from financial institutions	119,934	111,396	170,411
Short positions held for own account	47,175	38,285	62,161
Other liabilities	159,784	148,483	164,033
Total shareholders' funds	415,408	396,730	372,158
Total liabilities and shareholders' funds	1,322,911	1,226,532	1,337,404
	12 months to 31.12.2019 (\$ million)	12 months to 31.12.2018 (\$ million)	12 months to 31.12.2017 (\$ million)
<b>Profit and loss</b>			
Total value of transactions <sup>5</sup>	85,831,384	89,678,389	73,901,390
Net securities commission income	19,901	24,197	23,079
Gross interest income	23,172	22,471	17,259
Other income <sup>6</sup>	118,809	114,637	107,079
Total operating income	161,882	161,305	147,417
Total overheads and interest expense	149,920	137,757	123,878
Total operating profit	11,962	23,548	23,539
Net profit on proprietary trading	13,201	14,783	11,667
Net profit for the period	25,163	38,331	35,206

1 Data were extracted from the monthly financial returns submitted under the Securities and Futures (Financial Resources) Rules by corporations licensed for dealing in securities or securities margin financing.

2 Active clients refer to clients for whom the licensed corporation is required to prepare and deliver monthly statements of account in respect of the relevant reporting month in accordance with the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules.

3 Cash in hand and at bank includes \$288,016 million in trust monies held on behalf of clients (31.12.2018: \$285,686 million).

4 As at 31.12.2019, the average collateral coverage was 3.9 times (as at 31.12.2018: 3.7 times). It represents the number of times the aggregate market value of securities collateral deposited by margin clients covers the total amount of margin loans due from these clients on a given date on an industry-wide basis.

5 The total value of transactions includes trading in equities, bonds and other securities in Hong Kong and overseas.

6 Other income comprises inter-company management fee income, advisory fees, asset management fees, underwriting fees and corporate finance income.