



SECURITIES AND
FUTURES COMMISSION
證券及期貨事務監察委員會

Survey on Exempt Dealers and Exempt Investment Advisers that are not Authorised Institutions

**就並非為認可機構的
獲豁免交易商及獲豁免投資顧問
進行的問卷調查**

**Hong Kong
August 2002**

**香港
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1. EXECUTIVE SUMMARY

1.1 Scope

- (1) Under the new Securities and Futures Ordinance ('the Ordinance'), Exempt Dealers and Exempt Investment Advisers under the Securities Ordinance, not being authorised financial institutions, will be deemed to be licensed corporations during the two-year transitional period following the commencement of the Ordinance. To enable us to plan for the implementation of the Ordinance, the SFC conducted a Survey on these persons.
- (2) 74 questionnaires were issued, covering all exempt persons who are not authorised financial institutions. 52 (70%) responded to the Survey where 37 are exempt dealers and 18 are exempt investment advisers. 3 corporations have both exempt status.

1.2 Results on Firms

- (1) 32 (62%) respondents indicated their intention to apply to become licensed corporations. 9 expressed that they will not apply for a licence and the remaining 11 respondents have not decided whether to become licensed corporations under the new regime.
- (2) Among the 37 exempt dealers, 25 decided to apply for a licence under the new regime. However, only 13 of them will continue carrying on the business of dealing in securities under the new regime while most of the other 12 will engage in advisory activities.
- (3) For the 18 exempt investment advisers, 8 will not apply to become licensed corporations. Some of them are providing advices to group companies and such activity is carved out from the definition in the Securities and Futures Ordinance.
- (4) Among all exempt persons, 11 of them will carry on 2 regulated activities and 6 of them will carry on 3 regulated activities. Providing investment advice and asset management are the most popular activities among exempt investment advisers.

1.3 Results on Representatives

- (1) Respondents currently employed 697 representatives and 79 persons to supervise their regulated business. Most of them are already registered representatives with the SFC under the existing regime. Since the new Ordinance requires every person supervising regulated activities to be licensed as responsible officers, some of these 79 supervisors will need to apply with the SFC for such approval if they are not currently registered as supervisory directors.

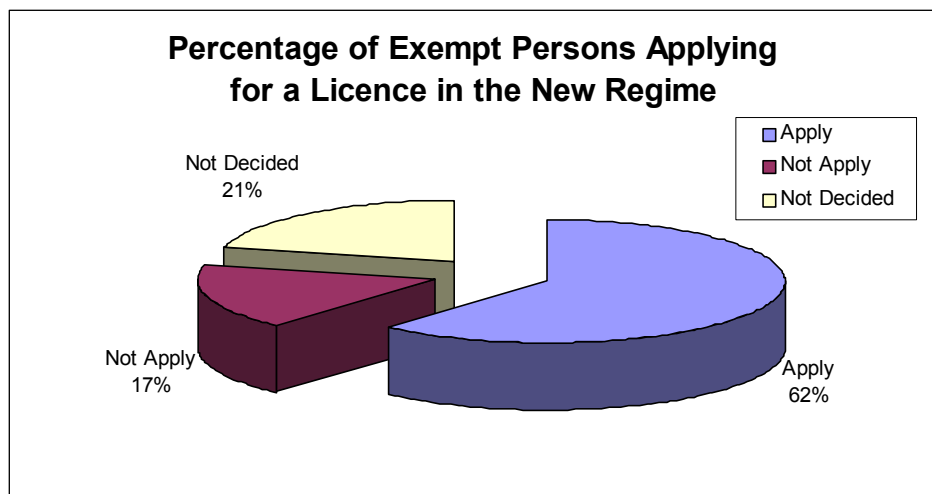
2. KEY FINDINGS

2.1 Introduction

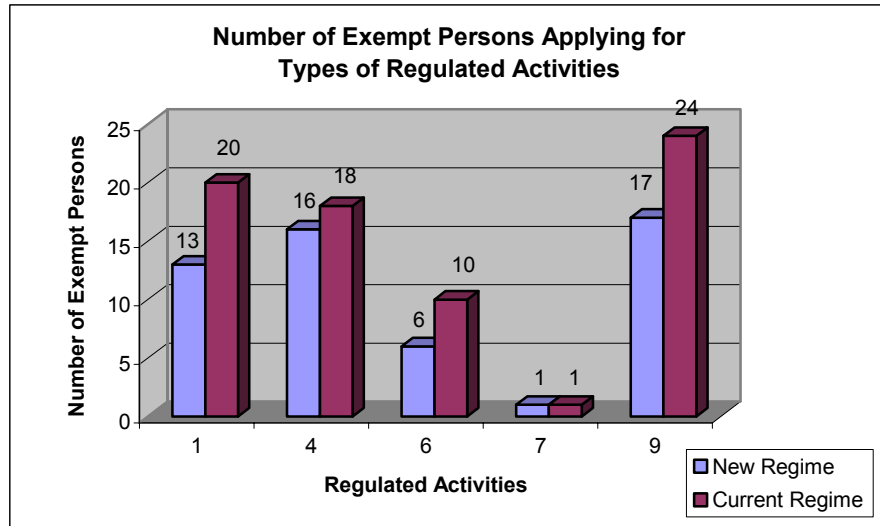
- (1) 74 questionnaires were issued, covering all exempt persons who are not authorized financial institutions. 52 (70%) responded to the Survey where 37 are exempt dealers and 18 are exempt investment advisers. 3 corporations have both exempt status.

2.2 Summary of Major Findings

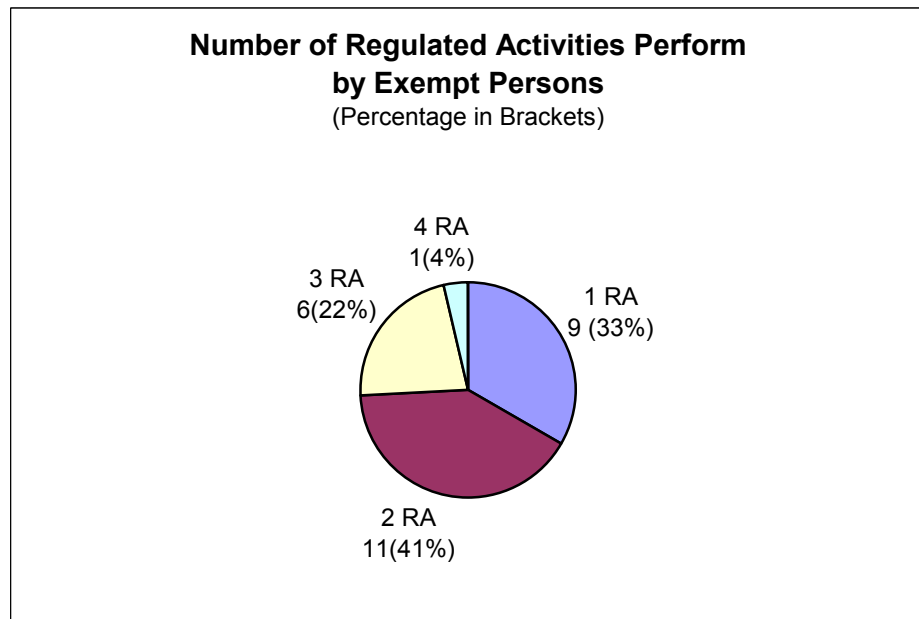
- (1) 32 (62%) respondents indicated their intention to apply to become licensed corporations. 9 expressed that they will not apply for a licence and the remaining 11 respondents have not decided whether to become licensed corporations under the new regime.



- (2) The diagram below illustrates the number of exempt persons applying for Type 1, 4, 6, 7 or 9 regulated activities. Most of the exempt persons currently carrying on a regulated activity will continue to do so under the new regime.

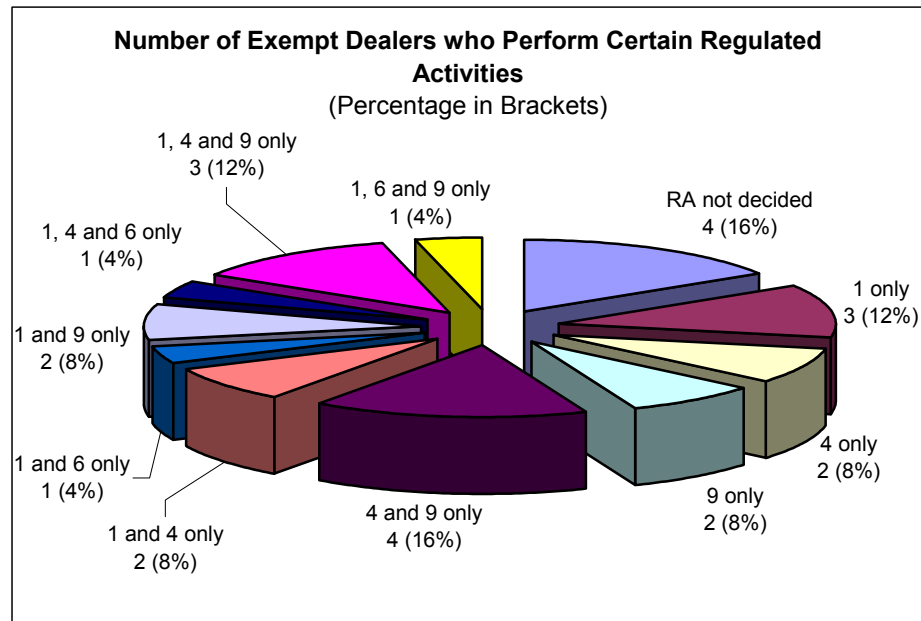


- (3) Most of the respondents indicated that they will apply for 1 or 2 types of regulated activities. Those who chose 2 activities will mostly apply for the regulated activities of advising on securities (Type 4) and asset management (Type 9).



Exempt Dealers

- (4) Exempt dealers are categorised into different groups performing different combinations of regulated activities (excluding Type 7 regulated activity) in the diagram below.



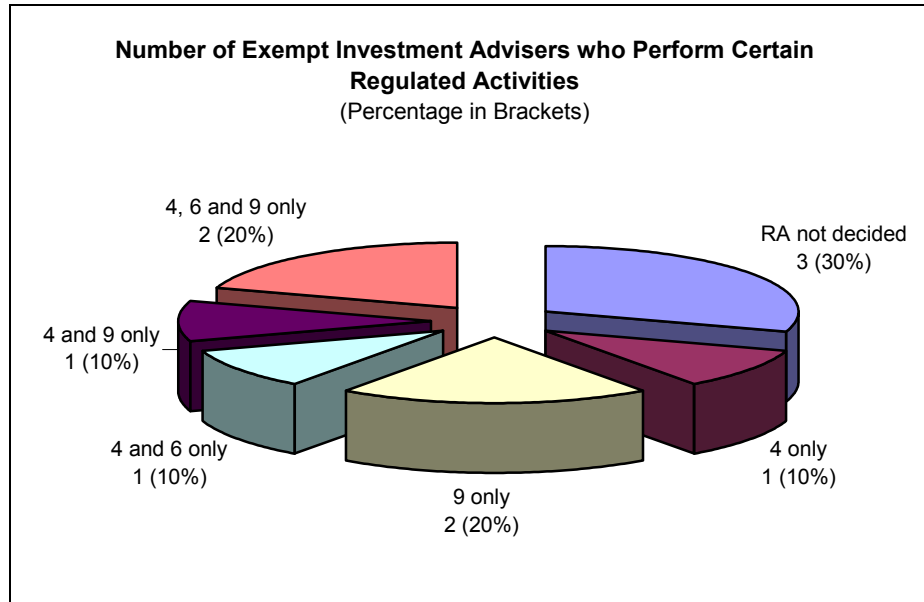
- (5) Among the 37 exempt dealers, 25 decided to apply for a licence under the new regime. However, only 13 of them will continue carrying on the business in dealing in securities under the new regime. Most of the other 12 respondents will engage in advisory activities of which 5 are already registered as investment adviser and / or commodity trading advisers.
- (6) Beside Type 1 regulated activity, 12 indicated that they will give investment advice and another 12 exempt dealers will provide asset management. Among these exempt dealers, 7 and 10 are investment advisers respectively under the current regime.

Type 7 Regulated Activity

- (7) One firm indicated that it is currently providing automated trading services. However, it has not decided whether it will continue to do so. Another firm on the other hand has intended to undertake Type 7 regulated activity.

Exempt Investment Advisers

- (8) Exempt investment advisers are also categorised into different groups performing different combinations of regulated activities (excluding Type 7 regulated activity) in the diagram below.



- (9) For the 18 exempt investment advisers, 8 will not apply to become licensed corporations. Some of them are providing investment advice to their groups and such activity is carved out from the definition in the Securities and Futures Ordinance. These parties therefore will not seek to be licensed.
- (10) Type 4 and Type 9 regulated activities are the most popular activities. 7 out of 10 responded exempt investment advisers will apply for these activities.

Representatives

- (11) 38 exempt persons provided the number of their representatives and persons who supervise their regulated business. 79 supervisors and 697 representatives are employed by the respondents. 6 large firms have more than 10 representatives providing regulated activities.

- (12) The remaining 32 exempt persons (excluding those who did not provide any figures) employ 10 or fewer representatives. On average, they employ 4 representatives and 2 supervisors.