

Breakdown of SFC activity data

Table 1 Authorised unit trusts and mutual funds – by type

	As at 31.3.2019		As at 31.3.2018	
	Number	Total NAV (US\$ million)	Number	Total NAV (US\$ million)
Bond	474 (23.9%)	534,298 (34.2%)	449 (22.7%)	569,700 (33.9%)
Equity	1,005 (50.7%)	721,365 (46.2%)	1,030 (52.1%)	787,889 (46.9%)
Diversified	181 (9.1%)	165,708 (10.6%)	172 (8.7%)	180,353 (10.7%)
Money market	44 (2.2%)	22,284 (1.4%)	45 (2.3%)	20,905 (1.2%)
Fund of funds	110 (5.5%)	22,581 (1.4%)	116 (5.9%)	22,897 (1.4%)
Index ¹	162 (8.2%)	96,164 (6.2%)	157 (7.9%)	97,637 (5.8%)
Guaranteed	3 (0.2%)	72 (0%)	3 (0.2%)	105 (0%)
Hedge	0 (0%)	0 (0%)	1 (0.1%)	26 (0%)
Other specialised ²	5 (0.3%)	748 (0%)	5 (0.3%)	1,061 (0.1%)
Sub-total	1,984 (100%) ³	1,563,220 (100%)	1,978 (100%) ³	1,680,573 (100%)
Umbrella structures	232		237	
Total	2,216		2,215	

¹ Including leveraged and inverse products.

² Including futures and options funds, structured funds and funds that invest in financial derivative instruments.

³ These percentages do not add up to total due to rounding.

Table 2 Authorised unit trusts and mutual funds – by origin

	As at 31.3.2019				As at 31.3.2018		
	Umbrella funds	Sub-funds	Single funds	Total	Total NAV (US\$ million)	Total	Total NAV (US\$ million)
Hong Kong	149	558	82	789 (35.6%)	154,831 (9.9%)	758 (34.2%)	158,199 (9.4%)
Luxembourg	49	1,015	0	1,064 (48%)	1,059,476 (67.8%)	1,041 (47%)	1,105,904 (65.8%)
Ireland	22	194	2	218 (9.8%)	207,154 (13.3%)	239 (10.8%)	232,586 (13.8%)
United Kingdom	4	23	26	53 (2.4%)	73,987 (4.7%)	69 (3.1%)	109,340 (6.5%)
Mainland China	2	2	46	50 (2.3%)	19,615 (1.3%)	50 (2.3%)	20,855 (1.2%)
Other Europe	1	2	0	3 (0.1%)	140 (0%)	3 (0.1%)	137 (0%)
Bermuda	0	0	1	1 (0%)	153 (0%)	1 (0%)	173 (0%)
Cayman Islands	5	20	5	30 (1.4%)	7,718 (0.5%)	46 (2.1%)	9,033 (0.5%)
Others	0	0	8	8 (0.4%)	40,146 (2.6%)	8 (0.4%)	44,346 (2.6%)
Total	232	1,814	170	2,216 (100%)	1,563,220 (100%)¹	2,215 (100%)	1,680,573 (100%)¹

¹ These percentages do not add up to total due to rounding.

Table 3 Takeovers activities

	2018/19	2017/18	2016/17
Codes on Takeovers and Mergers and Share Buy-backs			
General and partial offers under Code on Takeovers and Mergers	55	59	73
Privatisations	6	11	13
Whitewash waiver applications	21	41	37
Other applications under Code on Takeovers and Mergers ¹	275	289	365
Off-market and general offer share buy-backs	9	1	4
Other applications under Code on Share Buy-backs ¹	7	0	2
Total	373	401	494
Executive Statements			
Sanctions imposed with parties' agreement ²	2	5	4
Takeovers and Mergers Panel			
Meetings for review of Codes on Takeovers and Mergers and Share Buy-backs	1	2	0
Hearings before the Panel (disciplinary and non-disciplinary)	0	1	2
Statements issued by the Panel ³	0	1	2

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.

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Table 4 Breaches noted during on-site inspections

	2018/19	2017/18	2016/17
Failure to comply with Securities and Futures (Financial Resources) Rules	9	12	13
Failure to safekeep client securities	32	38	58
Failure to maintain proper books and records	13	33	36
Failure to safekeep client money	28	59	62
Unlicensed dealing and other registration issues	17	23	13
Breach of licensing conditions	5	7	8
Breach of requirements of contract notes/statements of account/receipts	31	62	85
Failure to make filing/notification	1	2	8
Breach of margin requirements	8	5	6
Marketing malpractices	0	0	1
Illegal short selling of securities	0	0	1
Dealing malpractices	3	3	11
Breach of Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ¹	275	320	441
Breach of Corporate Finance Adviser Code of Conduct	8	8	18
Breach of Fund Manager Code of Conduct	67	93	82
Breach of regulation of online trading	3	4	8
Non-compliance with anti-money laundering guidelines	201	175	201
Breach of other rules and regulations of the Exchanges ²	12	17	14
Internal control weaknesses ³	443	535	598
Others	80	80	91
Total	1,236	1,476	1,755

¹ Commonly related to risk management, record keeping, client agreements, safeguarding of client assets and management responsibilities.

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, amongst other weaknesses.

Table 5 Successful prosecutions

Defendants	Date of conviction	Fine (\$) / Penalty	Investigation costs awarded (\$)
Insider dealing			
AU-YEUNG Siu Pang	19.2.2019	120,000 and four-month imprisonment	33,365
Provision of false/misleading statements			
DBA Telecommunication (Asia) Holdings Limited	28.6.2018	20,000	15,151
Short selling			
HUI Kwok Piu	26.7.2018	231,000	23,564
Provision of false/misleading representation to the SFC			
LUI Ho Yeung	11.5.2018	12,000	12,301

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

Table 6 Other public disciplinary actions

Company / Name	Date	Conduct	Action
NG Wing Leung, Stephen and CHAN Yee Lee, George	24.4.2018	Failure to comply with the employee account dealing requirements under the Fund Manager Code of Conduct	Reprimanded and each fined \$100,000
LAU Ki Fung	12.6.2018	Failure to keep proper records of order instructions from clients	Reprimanded and fined \$80,000
POON Chun Hing	18.7.2018	Provided false and misleading information to his client and the SFC as well as conducted transactions through an unlicensed corporation	Banned from re-entering the industry for 30 months
KWOK Lai Kwan, Fonia	27.8.2018	Conviction for unlicensed asset management	Banned from re-entering the industry for 12 months
NGO Wing Chun	20.9.2018	Unauthorised transfer of customer data	Banned from re-entering the industry for 12 months
LAM Wai Kit and CHAN Ho Wai	10.12.2018	Failure to exercise due skill, care and diligence in handling research reports and ensure the maintenance of appropriate standards of conduct and adherence to proper procedures by FT Securities Limited	Licences suspended for nine months
W. Falcon Asset Management (Asia) Limited	4.2.2019	Window-dressed its liquid capital, breached the terms of a restriction notice and failure to provide timely notification of the resignation of its director who engineered the window-dressing scheme	Licence revoked

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

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Table 7 Other enforcement actions

	2018/19	2017/18	2016/17
S179 ¹ inquiries commenced	26	24	27
S181 ² inquiries commenced (number of letters sent)	294 (9,074)	261 (8,461)	301 (8,960)
S182 ³ directions issued	231	274	407
Rule 8 directions ⁴ issued	4	12	4
Show cause letters ⁴ issued	2	11	3
Cases with search warrants executed	30	22	34
Compliance advice letters issued	234	277	548
Criminal, Civil and Market Misconduct Tribunal (MMT) proceedings			
(a) Insider dealing			
Individuals/corporations summonsed (summons laid)	1 (5)	4 (7)	0 (0)
Individuals/corporations involved in ongoing civil proceedings	11	13	16
Individuals/corporations involved in ongoing MMT proceedings	5	0	0
(b) Market manipulation			
Individuals/corporations involved in ongoing MMT proceedings	0	3	3
(c) Others			
Individuals/corporations summonsed (summons laid)	4 (37)	10 (47)	10 (46)
Individuals/corporations involved in ongoing civil proceedings	90	84	110
Individuals/corporations involved in ongoing MMT proceedings	25	13	26
Disciplinary enquiry			
Notices of Proposed Disciplinary Action ⁵ issued	22	29	49
Notices of Decision ⁶ issued (including S201 ⁷ agreement)	34	32	56
SFAT hearings			
Applications to SFAT	4	4	1
Applications/hearings completed	5	3	4

¹ Section 179 of the 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 industry¹

	As at 31.12.2018	As at 31.12.2017	As at 31.12.2016
Securities dealers and securities margin financiers	1,312	1,222	1,104
Active cash clients ²	1,410,319	1,320,332	1,289,563
Active margin clients ²	463,970	337,599	267,132
Active clients	1,874,289	1,657,931	1,556,695
Balance sheet	(\$ million)	(\$ million)	(\$ million)
Cash in hand and at bank ³	515,715	515,547	446,465
Amounts receivable from margin clients ⁴	180,800	205,977	171,633
Amounts receivable from clients and other dealers arising from dealing in securities	158,495	164,226	125,471
Proprietary positions	89,096	139,502	110,756
Other assets	282,426	312,152	224,196
Total assets	1,226,532	1,337,404	1,078,521
Amounts payable to clients and other dealers arising from dealing in securities	531,638	568,641	481,339
Total borrowings from financial institutions	111,396	170,411	86,731
Short positions held for own account	38,285	62,161	33,194
Other liabilities	148,483	164,033	143,941
Total shareholders' funds	396,730	372,158	333,316
Total liabilities and shareholders' funds	1,226,532	1,337,404	1,078,521
	12 months to 31.12.2018 (\$ million)	12 months to 31.12.2017 (\$ million)	12 months to 31.12.2016 (\$ million)
Profit and loss			
Total value of transactions ⁵	89,678,389	73,901,390	63,495,134
Net securities commission income	24,197	23,079	18,739
Gross interest income	22,471	17,259	14,026
Other income ⁶	114,637	107,079	98,344
Total operating income	161,305	147,417	131,109
Total overheads and interest expense	137,757	123,878	116,978
Total operating profit	23,548	23,539	14,131
Net profit on proprietary trading	14,783	11,667	6,893
Net profit for the period	38,331	35,206	21,024

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. Figures reported by an overseas incorporated licensed corporation that carries out its principal business activities outside Hong Kong and operates in Hong Kong as a branch office were excluded.

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

³ Cash in hand and at bank include trust monies held on behalf of clients which totalled \$285,686 million (31.12.2017: \$286,461 million).

⁴ As at 31.12.2018, the average collateral coverage was 3.7 times (as at 31.12.2017: 4.1 times). It represents the number of times the aggregate market value of securities collateral deposited by margin clients over the total amount of margin loan 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 Comprises fund management fee income, corporate finance income, inter-company management fee income and others.