

# Products

## Authorisations

During the quarter ended 30 June, we authorised 41 unit trusts and mutual funds including 28 funds domiciled in Hong Kong and 24 unlisted structured investment products for public offering in Hong Kong.

## Mutual Recognition of Funds

Under the Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme, as of 30 June, we had authorised a total of 51 Mainland funds (including two umbrella funds), and the China Securities Regulatory Commission had approved 29 Hong Kong funds.

As of 30 June, the cumulative net subscription for Mainland funds was about RMB330.37 million and that for Hong Kong funds was about RMB16.93 billion. During the quarter, Mainland funds recorded a net subscription of about RMB6.18 million, down from RMB59.02 million in the previous quarter. Hong Kong funds recorded a net subscription of about RMB1.65 billion this quarter, compared to a net redemption of RMB906.61 million last quarter.

## REIT regime

In June, we launched a two-month consultation on proposed enhancements to the Code on Real Estate Investment Trusts (REITs) to provide Hong Kong REITs with more flexibility in making investments. Key proposals include allowing minority holdings in portfolio properties, providing more flexibility to invest in property development projects and increasing the borrowing limit from 45% to 50% of gross asset value. We also proposed to broadly align the requirements for REITs' connected party and notifiable transactions with the requirements for listed companies.

## ETF market making

We have been working with The Stock Exchange of Hong Kong Limited (SEHK) to enhance the exchange-traded fund (ETF) market making regime. The continuous quoting regime for ETF market making and revised spread table for ETF trades were implemented in June.

In response to a temporary disruption of ETF market making arrangements due to the COVID-19 outbreak, we issued a circular to remind ETF managers to closely monitor the secondary market trading and liquidity of ETFs as well as to urge market makers to have proper business contingency plans in place to deal with operational disruptions.

## Futures-based ETFs

In view of the unprecedented volatility in overseas crude oil futures markets in April, we issued a circular to remind managers of futures-based ETFs to remain vigilant to extreme market movements and intermediaries to ensure compliance with conduct requirements when providing trading services for futures-based ETFs. In addition, we worked with the Investor and Financial Education Council to step up investor education relating to commodities futures ETF products.

## Leveraged and inverse products

To provide investors with more short-term trading and hedging tools for Mainland equities, we announced that we would accept applications for authorisation of swap-based leveraged and inverse products tracking Mainland equity indices with a leverage factor up to two-times (2x) or negative one-time (-1x).

Separately, the first gold futures leveraged 2x product in Hong Kong was listed on SEHK in June.

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### Authorised collective investment schemes

	As at 30.6.2020	As at 31.3.2020	Change (%)	As at 30.6.2019	YoY change (%)
Unit trusts and mutual funds – Hong Kong domiciled	781	762	2.5	792	-1.4
Unit trusts and mutual funds – non-Hong Kong domiciled	1,371	1,373	-0.1	1,426	-3.9
Investment-linked assurance schemes	299	299	0	299	0
Pooled retirement funds	33	33	0	34	-2.9
Mandatory provident fund (MPF) schemes	27	29	-6.9	31	-12.9
MPF pooled investment funds	206	206	0	192	7.3
Others	26 <sup>a</sup>	26	0	25	4
<b>Total</b>	<b>2,743</b>	<b>2,728</b>	<b>0.5</b>	<b>2,799</b>	<b>-2</b>

a Comprising 14 paper gold schemes and 12 REITs.

### Unlisted structured investment products

	Quarter ended 30.6.2020	Quarter ended 31.3.2020	Change (%)	Quarter ended 30.6.2019	YoY change (%)
Unlisted structured investment products <sup>a</sup>	24	30	-20	18	33.3
Authorisations granted under section 105 of the Securities and Futures Ordinance <sup>b</sup>	22	32	-31.3	18	22.2

a On a “one product per key facts statement” basis, the number of unlisted structured investment products authorised during the period, including equity-linked investments and deposits.

b Offering documents and advertisements of unlisted structured investment products offered to the Hong Kong public.

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### SFC-authorized renminbi investment products

	As at 30.6.2020
<b>Unlisted products</b>	
Unlisted funds primarily investing in the onshore Mainland securities markets <sup>a</sup> or offshore renminbi bonds, fixed income instruments or other securities	54
Unlisted funds (non-renminbi denominated) with renminbi share classes	240
Paper gold schemes with renminbi features	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	51
Unlisted structured investment products issued in renminbi <sup>b</sup>	152
<b>Listed products</b>	
ETFs primarily investing in the onshore Mainland securities markets <sup>a</sup> or offshore renminbi bonds, fixed income instruments or other securities	30
ETFs (non-renminbi denominated) with renminbi trading counters	18
Renminbi gold ETFs <sup>c</sup>	1
Renminbi REITs	1

a Refers to onshore Mainland investments through the Renminbi Qualified Foreign Institutional Investor, Stock Connect, Bond Connect and the China Interbank Bond Market.

b The number is on a "one product per key facts statement" basis.

c Only includes gold ETF denominated in renminbi.