

SFC-HKMA joint survey shows strong rebound in sales of investment products in 2023

The following is issued on behalf of the Hong Kong Monetary Authority:

A joint survey (Annex) by the Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA) on the sales of non-exchange-traded investment products by licensed corporations (LCs) and registered institutions (RIs) (Note 1) showed a 14 per cent increase in total transaction to \$4,338 billion (Note 2) in 2023 from \$3,799 billion in 2022.

Respondent firms saw an improvement in overall market sentiment in 2023 amid market recovery from the pandemic, easing of inflationary pressures and anticipation of the end of the monetary tightening cycle in major economies. Against this backdrop, the number of firms engaged in the sale of investment products grew to 380 in 2023 from 371 in 2022. About 68 per cent of these firms reported year-on-year increases in transaction amount, and about 29 per cent of them expanded their sales force by 50 per cent or more to meet growing business needs. The number of participating clients also grew by 15 per cent to over 940 000 (Note 3).

The solid sales growth of investment products was fuelled largely by an increase in the sales of collective investment schemes (CIS) (up \$394 billion), debt securities (up \$80 billion) and structured products (up \$59 billion).

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According to the survey, sales of money market funds increased in 2023 and accounted for 76 per cent of the total transaction amount of the top five CIS reported by the large firms (Note 4), up from 61 per cent in 2022. Sales of sovereign bonds also rose, representing 44 per cent of total debt securities sold in 2023, up from 29 per cent in 2022. The rise in popularity of money market funds and sovereign bonds was attributable to investors' preference for lower risk products with more stable yields amid the persistent high interest rate environment.

"The survey findings reflect a notable recovery in Hong Kong's investment market, demonstrating the resilience of the securities sector, and the growth across various product segments has highlighted the industry's adaptability and commitment to meeting investor needs," said the SFC's Executive Director of Intermediaries, Dr Eric Yip. "The SFC remains committed to fostering stability and growth of the financial market while ensuring that investor interests are protected."

"The survey shows an upward trend in the sales of a wide range of product types and increased participation by investors in Hong Kong's investment market, indicating a recovery of the investment market and investors' interest in 2023," said the Executive Director (Banking Conduct)

of the HKMA, Mr Alan Au. "The survey also provides valuable insights for regulators in formulating policy and carrying out supervisory work related to investor protection."

Other major observations from the survey included:

- Structured products continued to be the top product type sold by the respondent firms, representing 46 per cent (\$1,980 billion) of the total transaction amount in 2023. CIS and debt securities rounded out the top three spots, accounting for 29 per cent (\$1,278 billion) and 17 per cent (\$728 billion) respectively.
- The transaction amount of equity-linked products stood at \$1,206 billion, representing 61 per cent of all structured products sold in 2023, up from 53 per cent in 2022. The major underlying equities of the top five products sold by the large firms were from the internet (29 per cent), automotive (27 per cent) and technology (20 per cent) sectors.
- There was an upward trend in utilising online platforms for distributing investment products. The number of firms distributing investment products online increased by 11 per cent to 92 in 2023, up from 83 in 2022. Online sales accounted for 12 per cent of the aggregate transaction amount of all respondent firms, as compared to 7 per cent in 2022. CIS represented 72 per cent of all online sales, followed by debt securities, which accounted for 25 per cent.

Note 1: The annual survey questionnaires were sent to 2 310 LCs and 112 RIs licensed or registered for Type 1 (dealing in securities), Type 4 (advising on securities) or both regulated activities, and were answered by more than 99 per cent of these firms. The survey covered the sale of non-exchange-traded investment products from January 1 to December 31, 2023 (the reporting period), by respondent firms to non-professional investor clients, individual professional investors (PIs) and certain corporate PIs.

Note 2: The transaction amount refers to the amount paid or payable by investors for investment products. For structured products and derivative products, the transaction amount refers to the maximum exposure of the contracts at the point of sale. Respondent firms were requested to report only one side of the transaction. Rollovers, redemptions and position close-outs were not included.

Note 3: The number of participating clients refer to clients who completed at least one transaction in non-exchange-traded investment products during the reporting period. The number of clients of LCs and RIs were 341 124 and 605 399, respectively.

Note 4: Large firms refer to LCs and RIs with respective total transactions

of \$1 billion or more and \$30 billion or more during the reporting period. They were requested to provide 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.