

# SFC-HKMA Joint Survey on the Sale of Non-exchange Traded Investment Products 2021

---

September 2022



## I. Background

1. The Securities and Futures Commission (**SFC**) and the Hong Kong Monetary Authority (**HKMA**) conducted their second annual joint survey of the sale of non-exchange traded investment products by licensed corporations (**LCs**) and registered institutions (**RIs**) to non-professional investor (**PI**) clients, individual PIs<sup>1</sup> and certain corporate PIs for whom intermediaries cannot make use of a waiver of the suitability obligation<sup>2</sup>. The survey covered the sale of investment products from 1 January to 31 December 2021 (**the reporting period**).
2. The survey was designed to collect information about the types and value of investment products sold. The information collected will help the SFC and HKMA better understand market trends, identify risks associated with the selling activities of intermediaries and coordinate their responses to address areas of common concern. We believe that the information would also be useful to market participants.

## II. Scope

3. The survey covered transactions of investors who opened accounts with LCs, RIs or the related companies of LCs or RIs outside Hong Kong and to whom investment products were sold by licensed representatives (for LCs) or relevant individuals (for RIs) in Hong Kong regardless of where the transactions were booked. Sales to sophisticated investors, including institutional PIs and other corporate PIs for whom intermediaries can rely on a waiver of the suitability obligation, were not covered in the survey.
4. The survey covered the sale of non-exchange traded investment products, such as collective investment schemes (**CIS**), debt securities, structured products, swaps and repos. The survey excluded leveraged foreign exchange products which were not structured products, insurance products, mandatory provident funds, pooled retirement funds, exchange-traded funds, futures contracts, listed securities, exchange-traded derivatives, paper gold schemes and certificates of deposit. The survey also did not cover certain structured products sold by RIs<sup>3</sup>.
5. LCs with total transactions amounting to \$1 billion or more and RIs with total transactions amounting to \$30 billion or more during the reporting period (collectively, **large firms**) were requested to provide further 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.
6. The survey was sent to 2,334 firms, including 2,223 LCs and 111 RIs, licensed or registered for Type 1, Type 4 or both regulated activities. Over 99% responded. A total of 327 LCs and 63 RIs (2020: 308 LCs and 64 RIs) reported that they sold investment products to investors during the reporting period. These firms included retail, private and corporate banks, investment advisors, securities brokers and international financial conglomerates. Among these firms, 63 LCs and 18 RIs (2020: 63 LCs and 18 RIs) were regarded as large firms for the purpose of this survey.

---

<sup>1</sup> Individuals falling under section 5 of the Securities and Futures (Professional Investor) Rules (Cap 571D) (**PI Rules**).

<sup>2</sup> Trust corporations, corporations or partnerships falling under sections 4, 6 and 7 of the PI Rules, other than those for which the intermediaries have been exempted from the suitability obligation under paragraph 15.4 of the Code of Conduct for Persons Licensed by or Registered with the SFC.

<sup>3</sup> Currency-linked instruments, interest rate-linked instruments, and currency and interest rate-linked instruments issued by authorised financial institutions as defined in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap 571).

### III. Key findings

#### Increased participation by firms and investors

7. The number of firms engaged in the sale of investment products increased by 5% to 390 (327 LCs and 63 RIs) in 2021 from 372 (308 LCs and 64 RIs) in 2020. The number of investors who completed at least one transaction also increased by about 5% to 775,812.
8. The total transaction amount<sup>4</sup> of investment products sold by the respondent firms in 2021 was \$5,015 billion, down 12% from 2020. Of the total, LCs accounted for 21% with RIs accounting for the remaining 79%. The decrease in total transaction amount was primarily attributable to the drop in sales of structured products (decreased by \$379 billion) and debt securities (decreased by \$240 billion). Firms generally commented that the drop was due to unfavourable market sentiment and volatile markets in 2021 caused by the continuous impact of the COVID-19 pandemic, heightened geopolitical risks and expectations of interest rate hikes.

#### Equity-linked products and authorised CIS gained popularity

9. The most common types of products sold by the respondent firms during 2021 remained structured products (\$2,385 billion or 48%), followed by CIS (\$1,491 billion or 30%) and debt securities (\$818 billion or 16%).
10. Despite the decrease in the overall transaction amount for structured products, sales of equity-linked products increased 5% year-on-year to \$1,674 billion due to the buoyant performance of most major stock markets during the first half of 2021. The major underlying equities of these products remained stocks from the internet and technology sectors, which became increasingly popular since the pandemic began.
11. The transaction amount of CIS increased by \$66 billion or 5% year-on-year to \$1,491 billion in 2021, mainly due to the increase in the sale of authorised CIS. Money market funds and bond funds remained the most popular, although there was a mild shift from these funds to equity funds, balanced funds and private equity funds during the reporting period.
12. The aggregate transaction amount for debt securities decreased by 23% to \$818 billion in 2021. Investors' demand for bonds issued by Mainland property developers slackened, given their uncertain outlook and as some investors shifted to bonds issued by financial institutions.

#### More firms sold investment products through online platforms

13. In 2021, 70 firms (48 LCs and 22 RIs) used online platforms to distribute products to investors, an increase of 21% when compared to 58 firms (39 LCs and 19 RIs) a year earlier. The transaction amount of online sales totalled \$295 billion, accounting for 6% (2020: 5%) of the aggregate transaction amount reported. Similar to the last survey, CIS was the predominant product type sold through online platforms. Of all CIS investors, the proportion of investors transacting online increased from 54% to 65%.

#### Top 20 firms continued to dominate market share

14. The top 20 firms continued to dominate the sale of non-exchange traded investment products, accounting for 82% (2020: 85%) of the aggregate transaction amount.

---

<sup>4</sup> Transaction amount refers to the total amount paid or payable by investors for investment products. For structured products and derivative products, the transaction amount means the maximum exposure of the contracts at the point of sale. Respondent firms were requested to report only one side of the transaction. For example, only the buy order should be included as the transaction amount for switching transactions while rollovers, redemptions and position close-outs should not be included.

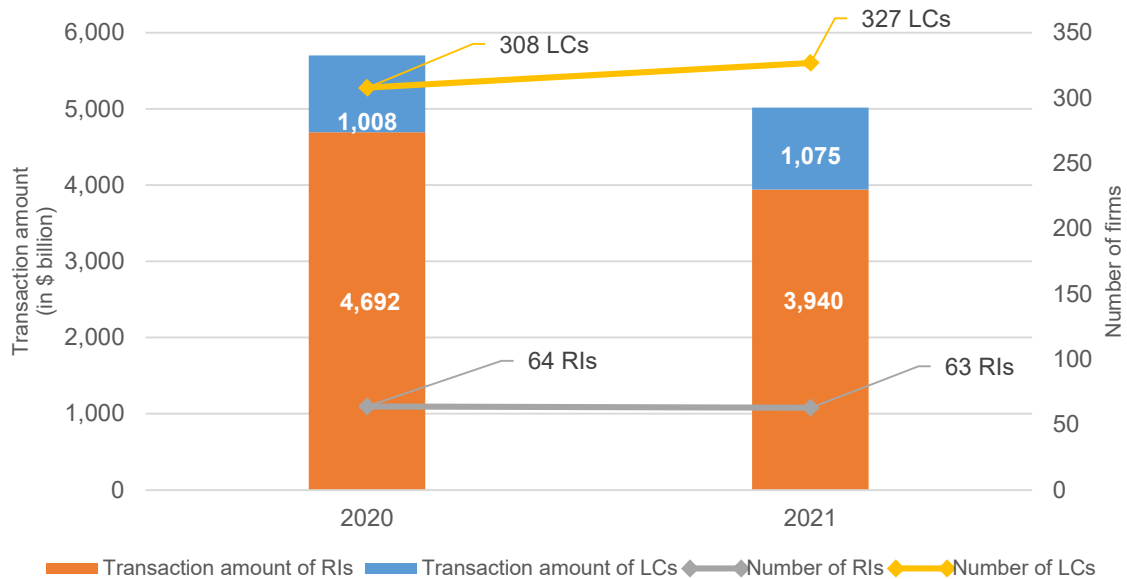
## IV. Detailed findings

### A. Analysis of aggregate transaction amount

#### Overview

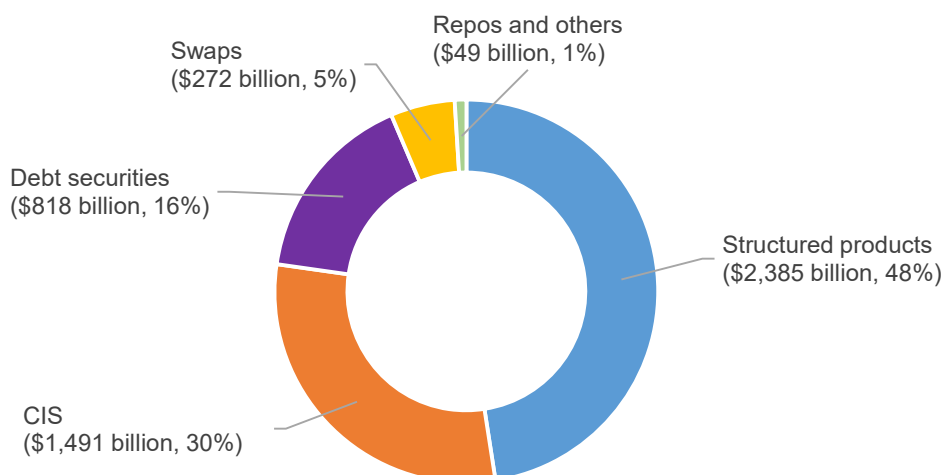
15. In 2021, 390 firms (LCs: 327; RIs: 63) engaged in the sale of investment products in Hong Kong, up 5% from 372 (LCs: 308; RIs: 64) in 2020. However, the total transaction amount reported by the respondent firms decreased by 12% to \$5,015 billion in 2021. LCs accounted for \$1,075 billion (2020: \$1,008 billion) of the total transaction amount in 2021 and RIs \$3,940 billion (2020: 4,692 billion).

Chart 1: Aggregate transaction amount and number of LCs and RIs engaged in the sale of investment products



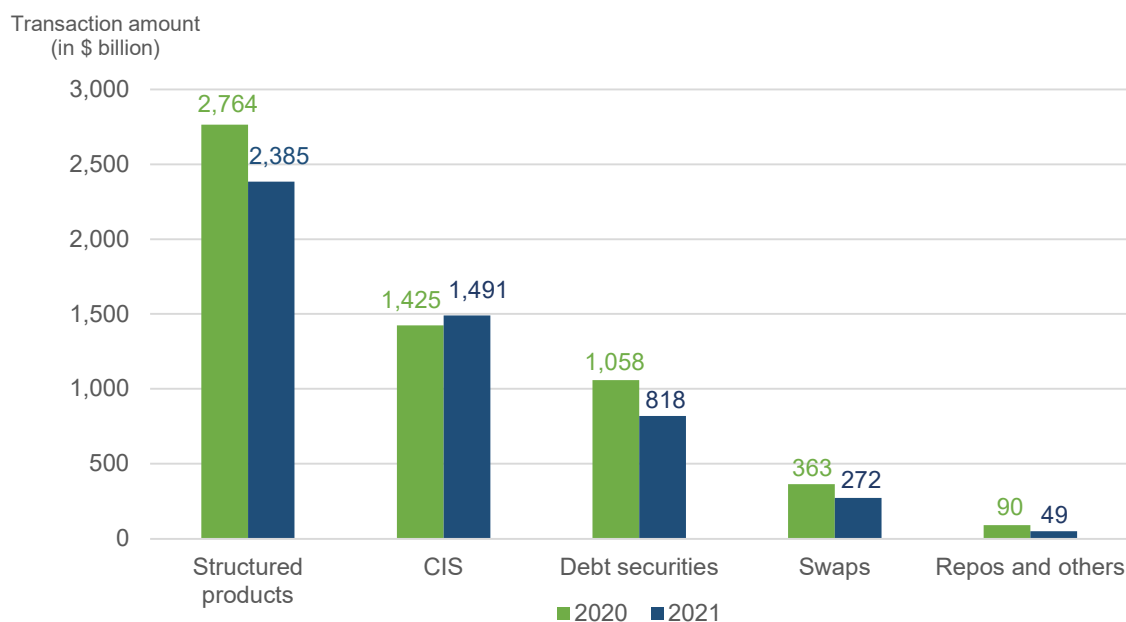
16. In terms of transaction amount, the predominant product type sold by LCs and RIs during the reporting period remained structured products (\$2,385 billion or 48%), followed by CIS (\$1,491 billion or 30%) and debt securities (\$818 billion or 16%).

Chart 2: Aggregate transaction amount by product type



17. The \$685 billion (12%) decrease in the overall sale of investment products in 2021 was mainly attributable to reductions in the sale of structured products (by \$379 billion) and debt securities (by \$240 billion). Some top players noted that investors showed less interest in investment products because of unfavourable market sentiment and volatile markets caused by the continuous impact of the pandemic, heightened geopolitical risks and expectations of interest rate hikes.

Chart 3: Transaction amount by product type (2021 vs 2020)



18. Non-authorized products<sup>5</sup> accounted for 80% (2020: 84%) of the aggregate transaction amount, of which 58% were structured products and 20% were debt securities. Authorized products<sup>6</sup> constituted 20% (2020: 16%) of the aggregate transaction amount and 93% of them were CIS.

19. The majority of clients<sup>7</sup> transacted in CIS (2021: 523,470; 2020: 369,803) and debt securities (2021: 513,637; 2020: 391,084) during the reporting period. 94% of LCs' clients invested in CIS whereas 63% and 30% of RIs' clients invested in debt securities and CIS, respectively.

<sup>5</sup> Non-authorized products are not subject to the SFC's regulation. Their structures, operations and offering documents may not be governed by any rules or regulations in Hong Kong. They cannot be marketed to the public but they can be placed privately, offered to PIs or offered in circumstances where an exemption applies.

<sup>6</sup> Authorized products are products for which offering documents have been authorized by the SFC. They can be marketed to the public in Hong Kong.

<sup>7</sup> A client who transacted in a specific product type in the reporting period was counted as one client, regardless of the number of times the client transacted in that type of product. On the other hand, a client may be counted more than once if that client transacted in more than one type of product.

Table 1

Product types	Transaction amount and number of clients involved <sup>^</sup>						
	Authorised products		Non-authorised products		Total		
	Transaction amount (\$ billion)	Number of clients involved	Transaction amount (\$ billion)	Number of clients involved	Transaction amount		Number of clients involved
					\$ billion	% of total	
<b>CIS</b>							
- LCs	257	244,923	180	38,350	437	8.7%	283,273
- RIs	670	218,351	384	21,846	1,054	21%	240,197
<b>Sub-total</b>	<b>927</b>	<b>463,274</b>	<b>564</b>	<b>60,196</b>	<b>1,491</b>	<b>29.7%</b>	<b>523,470</b>
<b>Debt securities</b>							
- LCs	-	-	211	9,405	211	4.2%	9,405
- RIs	-	-	607	504,232	607	12.1%	504,232
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>818</b>	<b>513,637</b>	<b>818</b>	<b>16.3%</b>	<b>513,637</b>
<b>Structured products</b>							
- LCs	3	1,139	331	6,515	334	6.7%	7,654
- RIs	69	25,783	1,982	27,247	2,051	40.9%	53,030
<b>Sub-total</b>	<b>72</b>	<b>26,922</b>	<b>2,313</b>	<b>33,762</b>	<b>2,385</b>	<b>47.6%</b>	<b>60,684</b>
<b>Swaps</b>							
- LCs	-	-	73	128	73	1.4%	128
- RIs	-	-	199	622	199	4%	622
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>272</b>	<b>750</b>	<b>272</b>	<b>5.4%</b>	<b>750</b>
<b>Repos and others</b>							
- LCs	-	-	20	825	20	0.4%	825
- RIs	-	-	29	108	29	0.6%	108
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>49</b>	<b>933</b>	<b>49</b>	<b>1%</b>	<b>933</b>
<b>All of the above</b>							
- LCs	260	246,062	815	55,223	1,075	21.4%	301,285
- RIs	739	244,134	3,201	554,055	3,940	78.6%	798,189
<b>Grand total</b>	<b>999</b>	<b>490,196</b>	<b>4,016</b>	<b>609,278</b>	<b>5,015</b>	<b>100%</b>	<b>1,099,474</b>

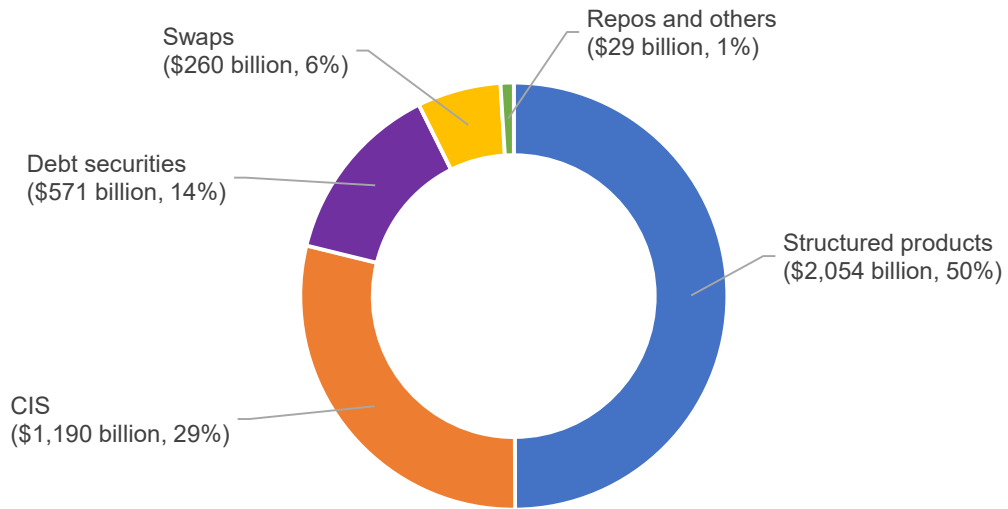
<sup>^</sup> See footnote 7.

### Top 20 firms

20. The top 20 firms accounted for \$4,104 billion or 82% (2020: \$4,830 billion or 85%) of the aggregate transaction amount during the reporting period. The remaining 18% was shared among the remaining 370 firms.

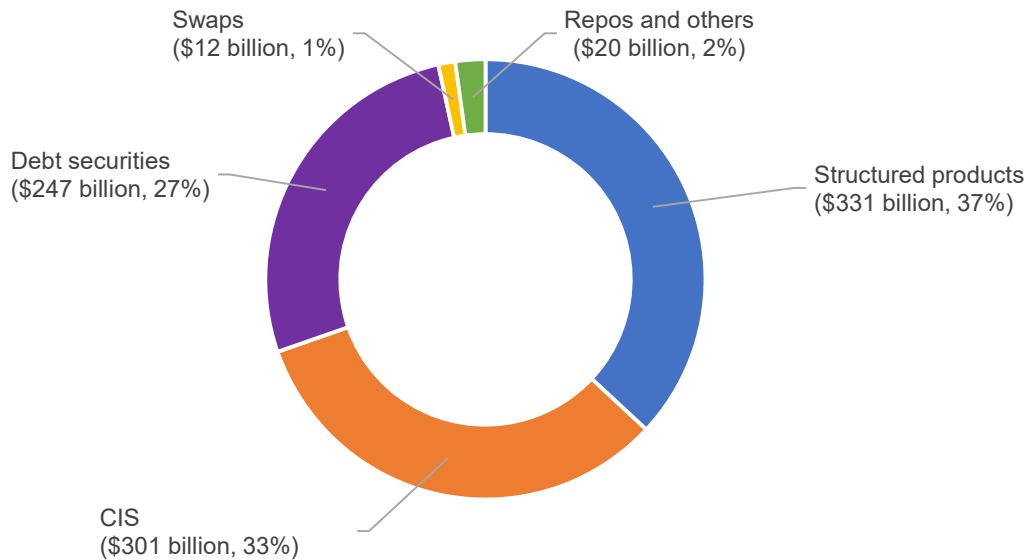
21. The principal products sold by the top 20 firms in terms of transaction amount were structured products (\$2,054 billion or 50%), followed by CIS (29%) and debt securities (14%).

Chart 4: Transaction amount by product type reported by top 20 firms



22. The majority of investment products sold by the remaining 370 firms were structured products, CIS and debt securities, representing 37%, 33% and 27%, respectively, of their aggregate transaction amount.

Chart 5: Transaction amount by product type reported by firms other than top 20 firms



## B. Analysis of product type

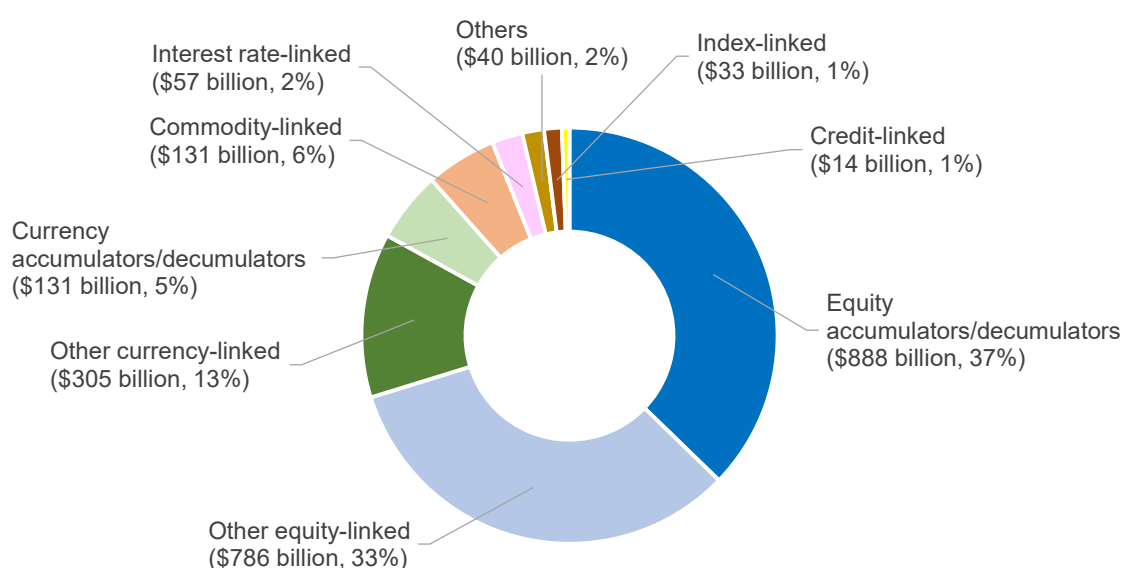
### a) Structured products (total transaction amount: \$2,385 billion, or 48%)

23. The transaction amount of structured products in 2021 was \$2,385 billion, down \$379 billion or 14% from a year earlier. Nevertheless, structured products remained the predominant product type, accounting for 48% of the aggregate transaction amount of all investment products. Of the total, 86% was contributed by RIs and the remainder by LCs. The top 20 sellers of structured products continued to dominate the market and accounted for 89% of the transaction amount for all structured products.

Table 2

Type of structured product	LCs		RIs		Total	
	Transaction amount (\$ billion)	% of total	Transaction amount (\$ billion)	% of total	Transaction amount (\$ billion)	% of total
<b>Equity-linked</b>						
- accumulators/decumulators	135	40%	753	37%	888	37%
- others	82	25%	704	34%	786	33%
<b>Sub-total</b>	<b>217</b>	<b>65%</b>	<b>1,457</b>	<b>71%</b>	<b>1,674</b>	<b>70%</b>
<b>Currency-linked</b>						
- accumulators/decumulators	20	6%	111	5%	131	5%
- others	47	14%	258	13%	305	13%
<b>Sub-total</b>	<b>67</b>	<b>20%</b>	<b>369</b>	<b>18%</b>	<b>436</b>	<b>18%</b>
<b>Commodity-linked</b>	<b>4</b>	<b>1%</b>	<b>127</b>	<b>6%</b>	<b>131</b>	<b>6%</b>
<b>Interest rate-linked</b>	<b>6</b>	<b>2%</b>	<b>51</b>	<b>2%</b>	<b>57</b>	<b>2%</b>
<b>Index-linked</b>	<b>6</b>	<b>2%</b>	<b>27</b>	<b>1%</b>	<b>33</b>	<b>1%</b>
<b>Credit-linked</b>	<b>4</b>	<b>1%</b>	<b>10</b>	<b>1%</b>	<b>14</b>	<b>1%</b>
<b>Others (including hybrid-linked)</b>	<b>30</b>	<b>9%</b>	<b>10</b>	<b>1%</b>	<b>40</b>	<b>2%</b>
<b>Total</b>	<b>334</b>	<b>100%</b>	<b>2,051</b>	<b>100%</b>	<b>2,385</b>	<b>100%</b>

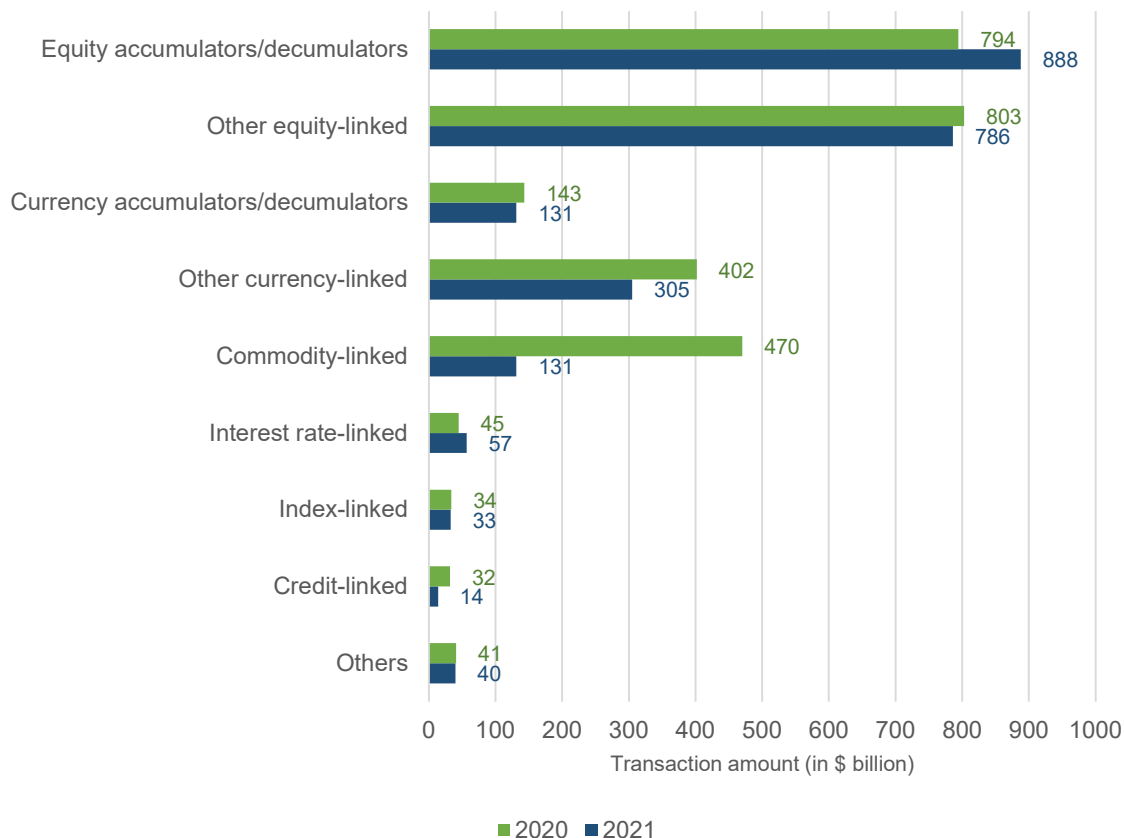
Chart 6: Transaction amount for structured products





24. The \$379 billion decrease in the transaction amount of structured products was mainly attributed to drops in the sale of commodity-linked products (by \$339 billion) and currency-linked products (by \$109 billion), partly set off by the increase in the sale of equity-linked products (by \$77 billion).

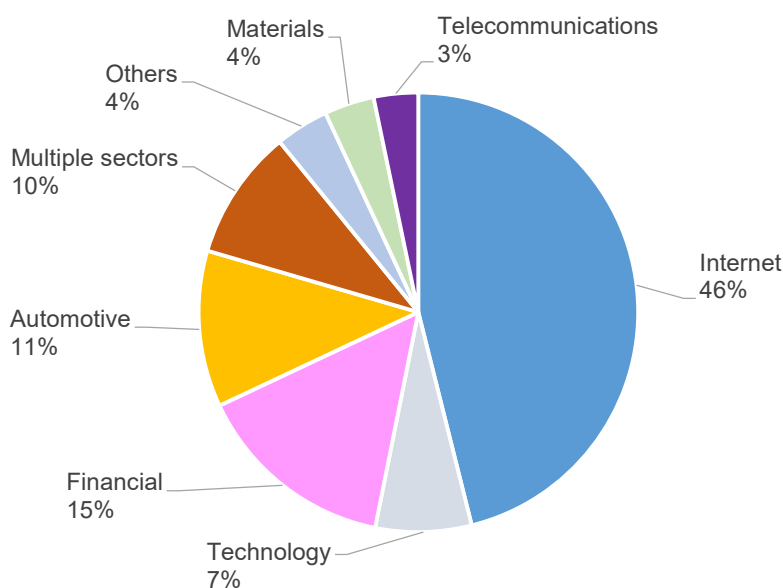
Chart 7: Transaction amount for structured products (2021 vs 2020)



### Equity-linked products

25. Equity-linked products remained the most popular structured products sold. Their transaction amount increased by 5% to \$1,674 billion in 2021, of which 87% were sold by RIs and the remaining by LCs.
26. Some large firms attributed the increase in client activities in equity-linked products to buoyant equity markets, particularly the US market, which experienced a strong rally during the first half of 2021 amid abundant liquidity provided by central banks as monetary stimulus. Some other large firms also noted that clients were interested in investing in accumulators linked with equities in both the Hong Kong and the US markets, which had a good opening in 2021. However, these activities gradually slowed during the rest of 2021 as investors began to worry about the high valuations of stocks and tightening of Mainland regulatory policies on technology companies.
27. Among the top five equity-linked products reported by the 81 large firms, the majority were linked to equities of internet and technology companies. However, their proportion dropped to 53% in 2021 from 64% in 2020. Traditional industries, such as the financial and automotive sectors, gained popularity in 2021 as underlying stocks for equity-linked products (2021: 26%, 2020: 16%).

Chart 8: Industry sector of underlying equities of top five equity-linked products

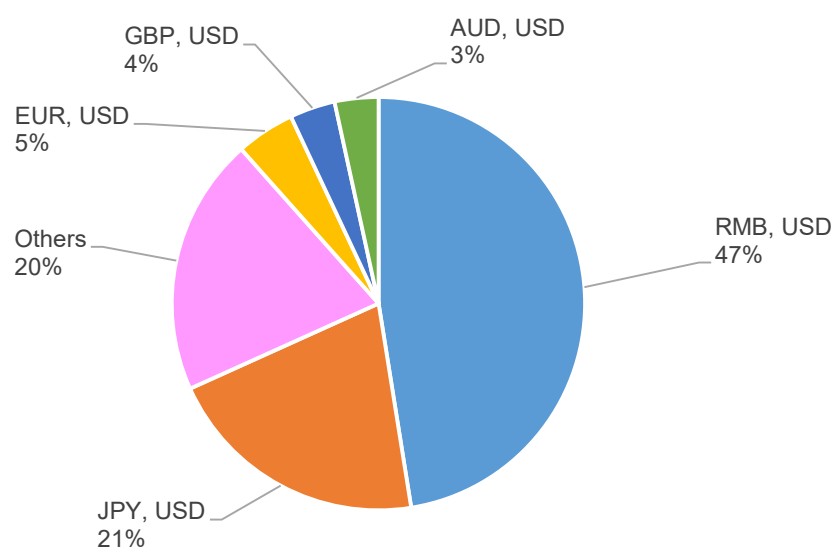


Based on the top five equity-linked products reported by 81 large firms

### Currency-linked products

28. The transaction amount for currency-linked products was \$436 billion in 2021, dropped by 20% from 2020. Of the transaction amount in 2021, 85% was sold by RIs and 15% by LCs.
29. Based on the top five currency-linked products reported by the large firms, the share of products linked to the renminbi and US dollar increased to 47% in 2021 from 13% in 2020. It was noted that more clients invested in short-term dual currency notes in USD/RMB for yield enhancement as the renminbi strengthened against the US dollar during the year.

Chart 9: Underlying currency pairs of top five currency-linked products



Based on the top five currency-linked products reported by 81 large firms

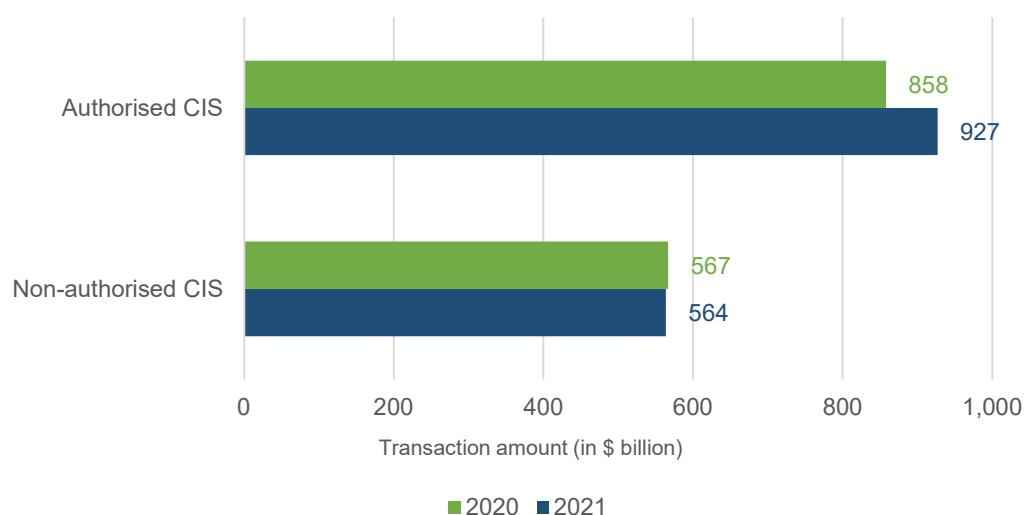
### Commodity-linked products

30. The transaction amount for commodity-linked products declined by 72% to \$131 billion in 2021 amid a decrease in demand for gold-related products. Of the total, 97% was sold by RIs and the rest was sold by LCs.
31. Of the top five commodity-linked products reported by the large firms in 2021, over 90% were linked to gold, similar to the previous year. In 2020, the high level of uncertainty in the global economy due to the outbreak of the COVID-19 pandemic fuelled demand for gold and gold-related products. During 2021, as vaccines were approved around the world and governments started to reopen their borders, investors were optimistic about a global economic recovery. The demand for gold-related products decreased, resulting in a drop in the total transaction amount of commodity-linked products.

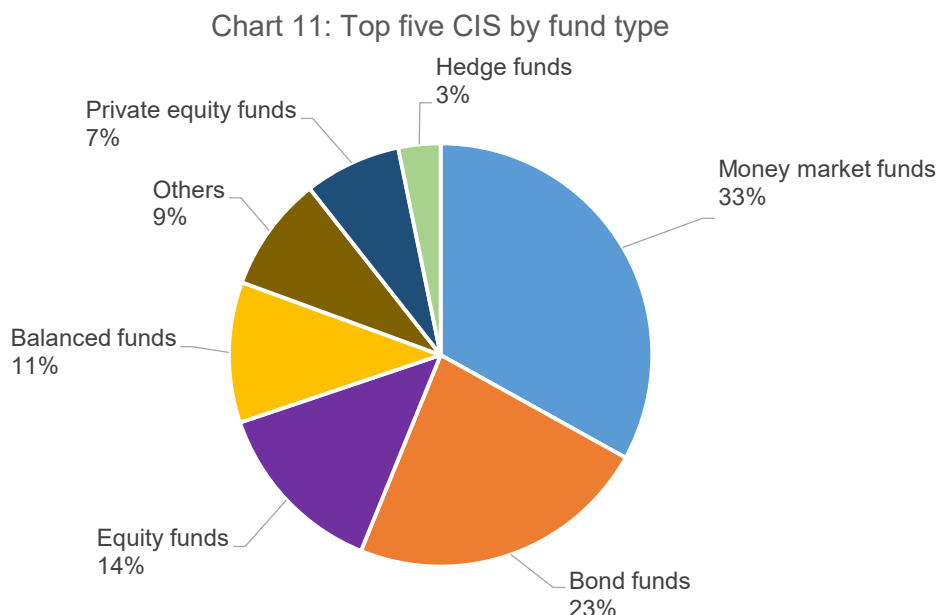
### b) CIS (total transaction amount: \$1,491 billion, or 30%)

32. The total transaction amount for CIS was \$1,491 billion, up 5% from 2020. In 2021, RIs and LCs respectively accounted for 71% and 29% of the transaction amount for CIS. The top 20 sellers of CIS contributed 83% of the total.
33. Investment in CIS, which accounted for 30% of the aggregated total, was the most popular investment in terms of the number of investors. The number of LCs' clients investing in CIS increased by 65% to 283,273 in 2021, while the number of RIs' clients investing in them increased by 21% to 240,197. The majority of these clients were non-PI clients who purchased authorised CIS. Of all CIS investors, the proportion transacting on online platforms increased from 54% to 65%. Of the transaction amount of all CIS sold, online CIS sales accounted for 18% (\$268 billion), similar to the previous year.
34. The increase in the overall sale of CIS was driven by the 8% increase in authorised CIS to \$927 billion in 2021. A large firm observed that clients were interested in investing in authorised CIS with hot themes (such as technology) or higher returns (such as high-yield bonds funds and funds invested in the US equity market). Some large firms also observed that the demand for environmental, social and governance-related funds picked up during 2021. In addition, some firms with large retail client base offered small-value cash investment services on their online platforms so that their clients could invest their short-term idle cash into authorised money market funds to improve investment returns.

Chart 10: Transaction amount for CIS (2021 vs 2020)



35. Based on the top five CIS reported by the large firms, the most popular fund types remained money market funds and bond funds, but their proportions dropped to 33% and 23% (2020: 52% and 31%), respectively. The decrease was primarily attributable to the drop in transactions of non-authorized money market funds. A large firm commented that investors' interest in bond funds, other than high-yield bond funds, dampened during 2021 due to uncertainty about interest rate outlook.



*Based on the top five CIS reported by 81 large firms*

**c) Debt securities (total transaction amount: \$818 billion, or 16%)**

36. The transaction amount for debt securities decreased by 23% to \$818 billion in 2021. RIs and LCs respectively accounted for 74% and 26% of the total transaction amount for debt securities in 2021.

37. The top 20 sellers of debt securities accounted for 82% of the total transaction amount in these securities. Some large firms noted a decrease in demand for debt securities in 2021 due to unfavourable market sentiment and volatile markets caused by the continuous impact of the pandemic, heightened geopolitical risks and expectations of interest rate hikes.

38. Similar to the previous survey, the most common type of debt securities sold was corporate bonds, with a transaction amount of \$665 billion, representing 82% of all debt securities transactions. Most of the debt securities sold by RIs were corporate bonds (76%) and sovereign bonds (20%), while LCs mainly sold corporate bonds (96%).

Table 3

Type of debt securities	LCs		RIs		Total	
	Transaction amount (\$ billion)	% of total	Transaction amount (\$ billion)	% of total	Transaction amount (\$ billion)	% of total
<b>Corporate bonds</b>						
- Investment grade	41	19%	152	25%	193	24%
- Non-investment grade	53	25%	178	29%	231	28%
- Unrated	110	52%	131	22%	241	30%
<b>Sub-total</b>	<b>204</b>	<b>96%</b>	<b>461</b>	<b>76%</b>	<b>665</b>	<b>82%</b>
<b>Sovereign bonds</b>	<b>6</b>	<b>3%</b>	<b>119</b>	<b>20%</b>	<b>125</b>	<b>15%</b>
<b>Others</b>	<b>1</b>	<b>1%</b>	<b>27</b>	<b>4%</b>	<b>28</b>	<b>3%</b>
<b>Total</b>	<b>211</b>	<b>100%</b>	<b>607</b>	<b>100%</b>	<b>818</b>	<b>100%</b>

Chart 12: Transaction amount for debt securities

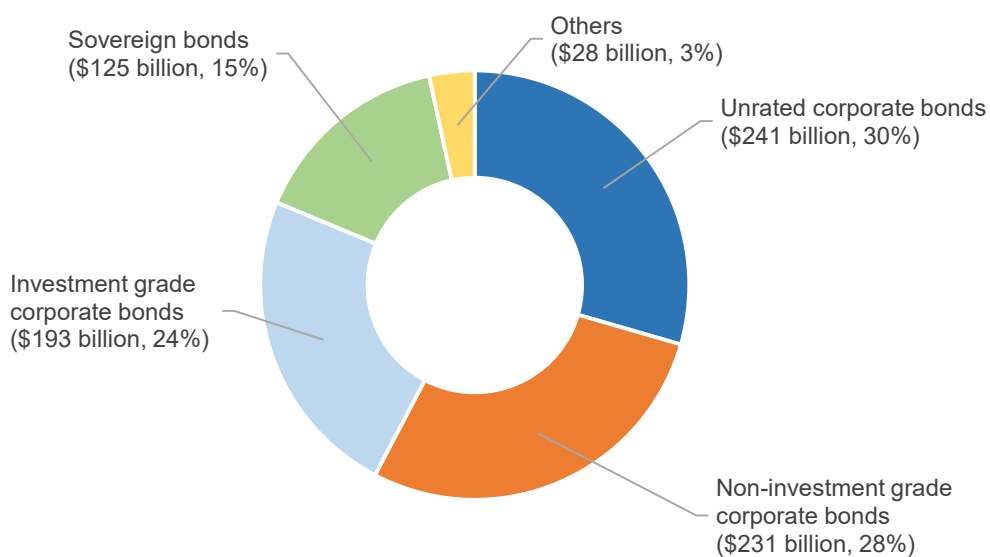
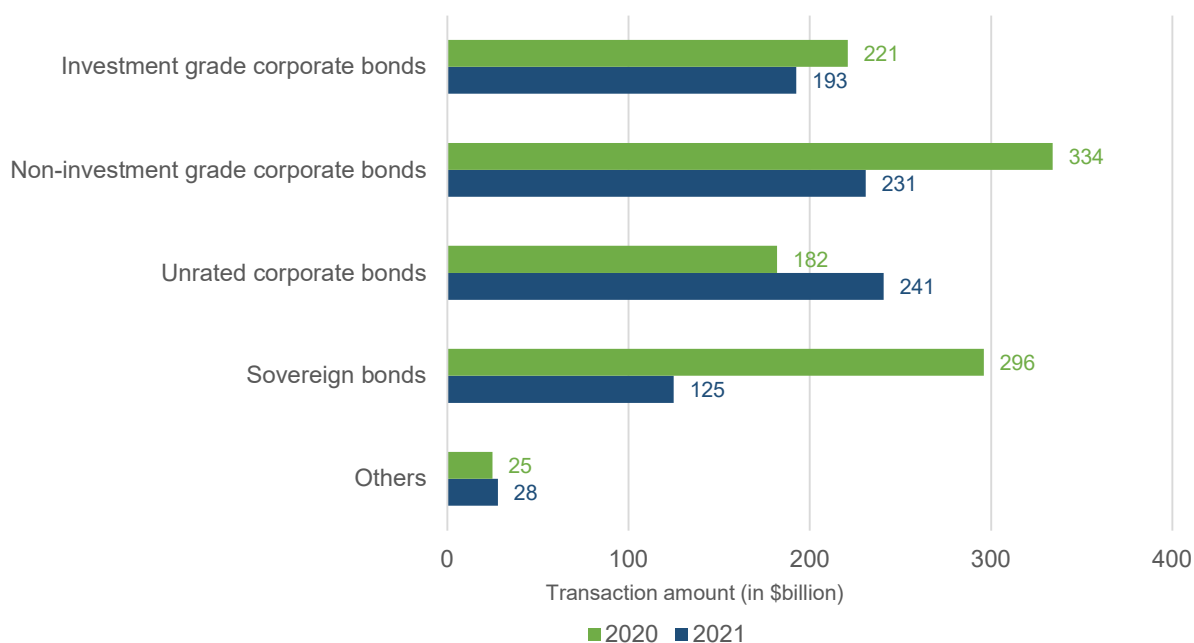


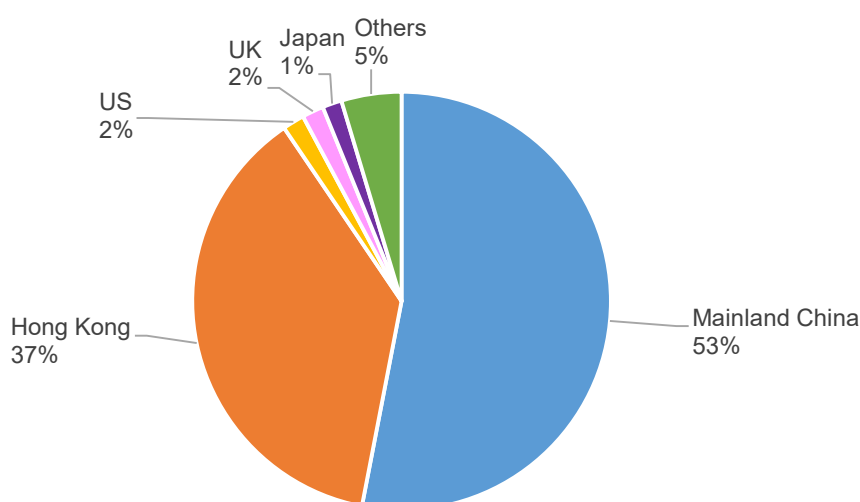
Chart 13: Transaction amount for debt securities (2021 vs 2020)



## Corporate bonds

39. Investment grade and non-investment grade corporate bonds recorded drops in sales by 13% to \$193 billion and 31% to \$231 billion respectively (2020: \$221 billion and \$334 billion). Meanwhile, the transaction amount for unrated corporate bonds increased by 32% to \$241 billion in 2021.
40. In terms of underlying country / jurisdiction of risk<sup>8</sup> of the issuers of the top five corporate bonds reported by the large firms<sup>9</sup>, Mainland China accounted for 53% (2020: 68%) of the transaction amount, followed by Hong Kong, which accounted for 37% (2020: 20%). In terms of issuers' industries, there was a notable shift from the real estate sector to the financial sector in 2021, when these two sectors accounted for 38% and 50% (2020: 63% and 24%), respectively. A large firm noted there were less investor demand for bonds issued by Mainland property developers in 2021 given their uncertain outlook, prompting a shift to favour bonds issued by financial institutions.

Chart 14: Issuers of top five corporate bonds by underlying country / jurisdiction of risk



Based on the top five corporate bonds reported by 81 large firms

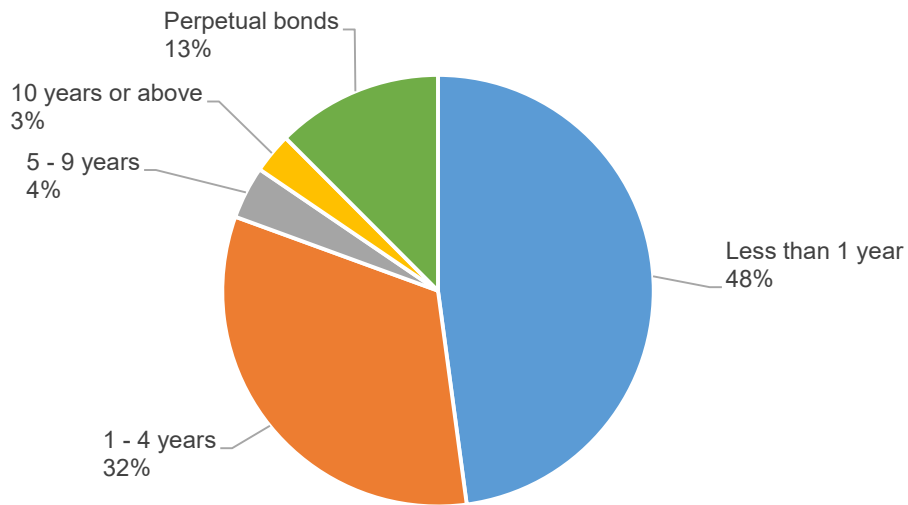
41. In terms of the remaining tenors<sup>10</sup> of the top five corporate bonds, 20% had a tenor of five years or longer and 32% had a tenor of one to four years. The proportion of corporate bonds having a tenor of less than one year increased from 29% in 2020 to 48% in 2021. A large firm commented that with a pressure of rising interest rates, clients preferred to invest in bonds with shorter tenors.

<sup>8</sup> The underlying country / jurisdiction of risk and other information about these debt securities, eg, coupon rate and maturity date, were sourced from an external market data provider.

<sup>9</sup> This refers to the top five investment grade, non-investment grade and unrated corporate bonds by transaction amount reported by each large firm.

<sup>10</sup> Remaining tenor refers to the time to the maturity date of a bond calculated from 31 December 2021. Bonds with a maturity date before 31 December 2021 were grouped under "less than 1 year" of remaining tenor.

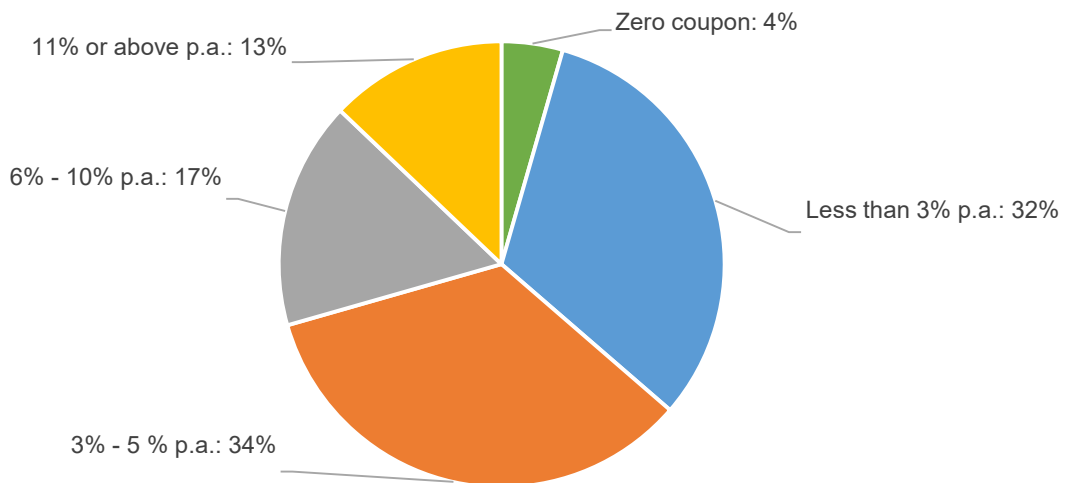
Chart 15: Remaining tenor of top five corporate bonds



Based on the top five corporate bonds reported by 81 large firms

42. Of the top five corporate bonds, 32% had a coupon rate of less than 3% per annum, up from 7% in 2020. This was in line with the increase in the sale of short-term bonds mentioned in paragraph 41 above. Also, 17% had a coupon rate of 6%-10% per annum while 13% had a coupon rate of 11% or above per annum.

Chart 16: Coupon rate of top five corporate bonds



Based on the top five corporate bonds reported by 81 large firms

### *Sovereign bonds*

43. The aggregate transaction amount for sovereign bonds decreased by 58% to \$125 billion in 2021. The decrease in the transaction amount was mainly attributable to a reclassification of the clients of a large firm for such sales to fall outside the scope of the survey.
44. Among the top five sovereign bonds reported by the large firms, 49% were Hong Kong government bonds (including iBonds and Silver Bonds), and 26% and 14% were Chinese and South Korean government bonds, respectively.
45. As of 31 December 2021, 78% of the top five sovereign bonds had a remaining tenor of four years or less. In terms of coupon rate, 61% of the top five sovereign bonds had a coupon rate of 3%-5% per annum, 25% had a coupon rate of less than 3% per annum and 14% were zero coupon bonds.

### *Chapter 37 bonds<sup>11</sup>*

46. The aggregate transaction amount for Chapter 37 bonds fell by 10% to \$149 billion in 2021, when it represented 18% of all debt securities transactions. Most of the top five Chapter 37 bonds reported by the large firms were issued by companies based in either Mainland China (60%) or Hong Kong (33%).

### *Debt securities with non-viability loss absorption features (NVLA Bonds)<sup>12</sup>*

47. The aggregate transaction amount for NVLA Bonds recorded a 46% decrease to \$44 billion in 2021, when it made up 5% of all debt securities transactions. Among the top five NVLA Bonds reported by the large firms, 71% had an equity conversion feature. Other features included permanent write down (16%) and temporary write down<sup>13</sup> (7%). About 76% of the top five NVLA Bonds were perpetual bonds, and 89% had a coupon rate of 3%-5% per annum.

### **d) Swaps (total transaction amount: \$272 billion, or 5%)**

48. The aggregate transaction amount for swaps dropped by 25% to \$272 billion in 2021. Of these transactions, RIs accounted for 73% and LCs accounted for the rest. Based on the top five swaps reported by the large firms, 77% were currency swaps and the rest included total return swaps and equity swaps on listed equities as well as commodity swaps on gold.

---

<sup>11</sup> This refers to bonds offered for subscription and listed under Chapter 37 of the Main Board Listing Rules.

<sup>12</sup> These debt securities are often attached with conversion options or loss absorption features which are triggered when the issuer's regulatory capital ratio drops to a certain level or when specific government or regulatory action occurs in the event the issuer faces financial difficulties (ie, non-viability events).

<sup>13</sup> In a temporary write down, the principal amount of the bond would be written down fully or partially when a triggering event occurs. However, if the issuer's financial position subsequently improved and met certain requirements, the principal amount of the bond could be fully or partially reinstated.



## C. Outstanding positions

49. Among the 327 LCs and 63 RIs which sold investment products during the reporting period, 253 LCs and 58 RIs or their related companies held outstanding positions on behalf of their clients or as contracting parties as of 31 December 2021. The amount of outstanding positions<sup>14</sup> was \$4,278 billion, of which LCs and RIs contributed 23% and 77% respectively. 54% of the outstanding positions were CIS and 26% were debt securities. The top 20 firms (in terms of transaction amount) accounted for 77% of the total outstanding positions.

Table 4

Product types	Outstanding positions on 31 December 2021 and number of clients involved <sup>^</sup>						
	Authorised products		Non-authorised products		Total		
	Amount of outstanding positions (\$ billion)	Number of clients involved	Amount of outstanding positions (\$ billion)	Number of clients involved	Amount of outstanding positions		Number of clients involved
					\$ billion	% of total	
<b>CIS</b>							
- LCs	242	207,021	425	24,322	667	15.6%	231,343
- RIs	967	483,470	682	31,093	1,649	38.5%	514,563
<b>Sub-total</b>	<b>1,209</b>	<b>690,491</b>	<b>1,107</b>	<b>55,415</b>	<b>2,316</b>	<b>54.1%</b>	<b>745,906</b>
<b>Debt securities</b>							
- LCs	-	-	183	17,622	183	4.3%	17,622
- RIs	-	-	909	627,083	909	21.2%	627,083
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>1,092</b>	<b>644,705</b>	<b>1,092</b>	<b>25.5%</b>	<b>644,705</b>
<b>Structured products</b>							
- LCs	1	578	105	4,631	106	2.5%	5,209
- RIs	15	40,167	608	19,747	623	14.6%	59,914
<b>Sub-total</b>	<b>16</b>	<b>40,745</b>	<b>713</b>	<b>24,378</b>	<b>729</b>	<b>17.1%</b>	<b>65,123</b>
<b>Swaps</b>							
- LCs	-	-	4	103	4	0.1%	103
- RIs	-	-	106	626	106	2.5%	626
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>110</b>	<b>729</b>	<b>110</b>	<b>2.6%</b>	<b>729</b>
<b>Repos and others</b>							
- LCs	-	-	5	564	5	0.1%	564
- RIs	-	-	26	188	26	0.6%	188
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>31</b>	<b>752</b>	<b>31</b>	<b>0.7%</b>	<b>752</b>
<b>All of the above</b>							
- LCs	243	207,599	722	47,242	965	22.6%	254,841
- RIs	982	523,637	2,331	678,737	3,313	77.4%	1,202,374
<b>Grand total</b>	<b>1,225</b>	<b>731,236</b>	<b>3,053</b>	<b>725,979</b>	<b>4,278</b>	<b>100%</b>	<b>1,457,215</b>

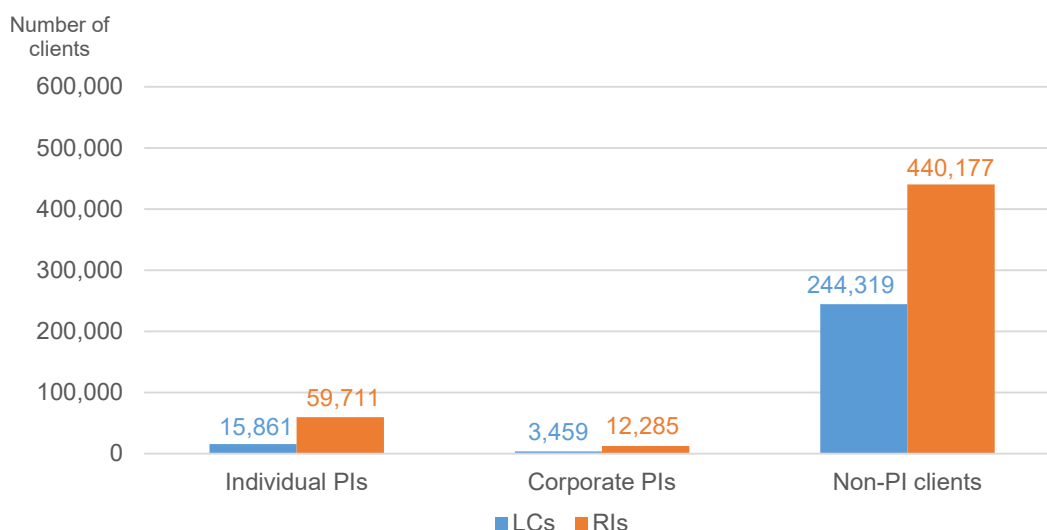
<sup>^</sup> See footnote 7.

<sup>14</sup> In this survey, the amount of outstanding positions for CIS, debt securities and structured notes means the market value of outstanding positions or contracts as of the end of the reporting period. For other products, it means the maximum outstanding exposure, taking into account the number of remaining settlements and leveraged effect, if any.

## D. Clientele

50. A total of 775,812 clients<sup>15</sup> completed at least one transaction in investment products, up 5% from the last survey. Of the total, 34% were clients of LCs with the remaining being clients of RIs (2020: 24% and 76%, respectively). Similar to the findings of the last survey, 88% of the clients were non-PI clients and by amount, invested most in CIS, according to reports by the large firms.

Chart 17: Number of clients with at least one transaction



## E. Distribution channels

51. The number of firms which used online platforms to distribute investment products increased to 70 (48 LCs and 22 RIs) from 58 firms (39 LCs and 19 RIs) in the last survey, while the transaction amount of online sales was \$295 billion, up 3% from the last survey. Of the transaction amount for online sales, LCs accounted for 46% and RIs accounted for 54%.
52. Online sales represented 6% (2020: 5%) of the aggregate transaction amount reported by all respondent firms. The use of online platforms was more common in the distribution of CIS, which recorded a transaction amount of \$268 billion (91%) of the total online sales, similar to the figure noted in the last survey.

## F. Investment product issuers

53. Respondent firms were requested to report the top five issuers of the investment products they sold during the reporting period. These transactions amounted to \$3,159 billion, of which products issued by six global financial groups accounted for \$1,816 billion or 57% (2020: 66%). The other product issuers included other financial institutions and corporations as well as government bodies.

<sup>15</sup> The number of clients was counted on an account basis. For example, a joint account was counted as one client and a single-holder account and a joint account with the same account holder were counted as two clients.

54. Of the \$1,816 billion of products issued by the six global financial groups, \$1,446 billion or 80% (2020: 87%) were sold by their related companies which were respondent firms of this survey and were among the top 20 firms by transaction amount.

## G. Manpower

55. The overall manpower deployed by firms to conduct sales of investment products remained stable. As of end 2021, 5,455 (2020: 5,111) licensed representatives for LCs and 12,891 (2020: 13,350) relevant individuals for RIs were involved in the sale of investment products.

56. 34 RIs (54%) reported a sales force of fewer than 100 relevant individuals engaged in the sale of investment products, whereas six RIs (10%) reported having more than 500.

57. 215 LCs (66%) reported having five or fewer licensed representatives engaged in the sale of investment products, whereas 14 LCs (4%) reported having over 100.

