# SFC-HKMA Joint Survey on the Sale of Non-exchange-traded Investment Products 2023

September 2024

SFC 證監會 35

HONG KONG MONETARY AUTHORITY
香港金融管理局

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# I. Background

1. The Securities and Futures Commission (**SFC**) and the Hong Kong Monetary Authority (**HKMA**) conducted an annual joint survey on the sale of non-exchange-traded investment products by licensed corporations (**LCs**) and registered institutions (**RIs**) to non-professional investor clients, individual professional investors (**PIs**)[1] and certain corporate PIs for whom intermediaries cannot make use of a waiver of the suitability obligation[2]. The survey covered the sale of investment products from 1 January to 31 December 2023 (**the reporting period**).

2. The survey was designed to collect information about the types and value of investment products sold. The information collected helps the SFC and the 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 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 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 that 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[3].

5. LCs and RIs with respective total transactions amounting to $1 billion or more and $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 their transaction amount by types of investors and details of the top five products ranked by transaction amount.

6. The survey was sent to 2,422 firms, including 2,310 LCs and 112 RIs, licensed or registered for Type 1 (dealing in securities), Type 4 (advising on securities) or both regulated activities. Over 99% responded (**respondent firms**). A total of 316 LCs and 64 RIs (2022: 308 LCs and 63 RIs) reported that they had 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, 71 LCs and 19 RIs (2022: 63 LCs and 18 RIs) were regarded as large firms for the purposes of this survey. Same as 2022, the large firms accounted for 95% of the aggregate transaction amount of all firms.

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[1] Individuals falling under section 5 of the Securities and Futures (Professional Investor) Rules (Cap 571D) (**PI Rules**).

[2] 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.

[3] 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

Sales rebounded in 2023

7. The number of firms engaged in the sale of investment products grew by 2% to 380 in 2023 from 371 in 2022. In general, respondent firms reported improved sales of investment products, with about 68%[4] of the firms recording year-on-year increases in transaction amount[5] in 2023. During the reporting period, the firms reported a total transaction amount of $4,338 billion for investment products sold, up 14% from 2022. Out of the total transaction amount, LCs and RIs accounted for 29% and 71%. The increase was primarily attributed to the sales growth of CIS (by $394 billion), debt securities (by $80 billion) and structured products (by $59 billion). About 29%[4] of the firms reported an expansion of their sales force by 50% or more to accommodate growing business needs. The number of clients who completed at least one transaction in investment products grew by 15% to 946,523 in 2023 from 820,018 in 2022.

8. Firms generally commented that the overall market sentiment in 2023 improved amidst market recovery from the pandemic, easing of inflationary pressures and anticipation of the end of the monetary tightening cycle in major economies. However, investors remained risk-averse as concerns over the global economic outlook, ongoing geopolitical tensions and the banking sector turmoil in the US and Europe during the year continued to plague the market. Investors' low risk appetite together with the persistent high interest rate environment drove up the demand for lower risk products offering more stable income, such as money market funds and sovereign bonds.

Preference for lower risk investments with more stable income

9. Money market funds remained the top-selling CIS under the high interest rate environment. Based on the top five CIS reported by the large firms, the proportion of money market funds increased to 76% in 2023, up from 61% in 2022. Some large firms commented that money market funds offered an option for investors looking for products with lower risks and a steadier source of income. One large firm noted that some clients preferred to park their idle cash in money market funds to earn interest income, especially during volatile market conditions. Another large firm observed that the market has seen an increasing number of money market fund products to cater for growing investor demand.

10. Sovereign bonds accounted for 44% of total debt securities sold, up from 29% in 2022. Among the top five sovereign bonds reported by the large firms, US and HKSAR Government bonds remained dominant and accounted for 90%. Some large firms explained that investors continued to focus their investments on sovereign bonds with higher credit ratings, which were generally perceived as safer products with more stable returns in the prevailing high interest rate environment, and could help investors weather market volatility.

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[4] This figure excluded respondent firms which were newly licensed with the SFC or registered with the HKMA during the reporting period.

[5] 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 was included as the transaction amount of switching transactions while rollovers, redemptions and position close-outs were not included.

Structured products, CIS and debt securities took the lead

11. Structured products continued to be the top product type sold by the respondent firms, representing 46% of the total transaction amount in 2023. CIS and debt securities followed, accounting for 29% and 17% respectively. The top 20 firms continued to lead the sale of non-exchange-traded investment products, accounting for 78% (2022: 81%) of the aggregate transaction amount.

12. The overall transaction amount of structured products increased by 3% to $1,980 billion. The transaction amount of equity-linked products stood at $1,206 billion, representing 61% of all the structured products sold in 2023, up from 53% in 2022. Based on the top five structured products reported by the large firms, the major underlying equities of these products were from the internet (29%), automotive (27%) and technology (20%) sectors. Some large firms commented that compared with 2022, investors generally were more willing to take exposure to equity-linked products due to improved market sentiment and the easing of inflationary pressures in 2023.

13. The transaction amount of CIS increased by $394 billion or 45% to $1,278 billion in 2023. Money market funds and bond funds continued to be the most popular fund types sold.

14. The transaction amount of debt securities increased by 12% to $728 billion in 2023, which was mainly attributed to a $132 billion increase in the sales of sovereign bonds.

Growing trend for online distribution

15. There was an upward trend among the respondent firms in utilising online platforms for distributing investment products to investors. The number of firms distributing investment products online increased to 92 (61 LCs and 31 RIs) in 2023, up 11% from 83 in 2022. Online sales accounted for 12% (2022: 7%) of the aggregate transaction amount reported by all respondent firms.

16. CIS remained the top product type sold through online platforms, representing 72% (2022: 83%) of the total online sales, followed by debt securities at 25%, up from 15% in 2022. The proportion of CIS investors who conducted transactions online slightly increased to 74% in 2023 (2022: 72%), while about half of debt securities investors transacted through online platforms (2023: 53%; 2022: 55%).

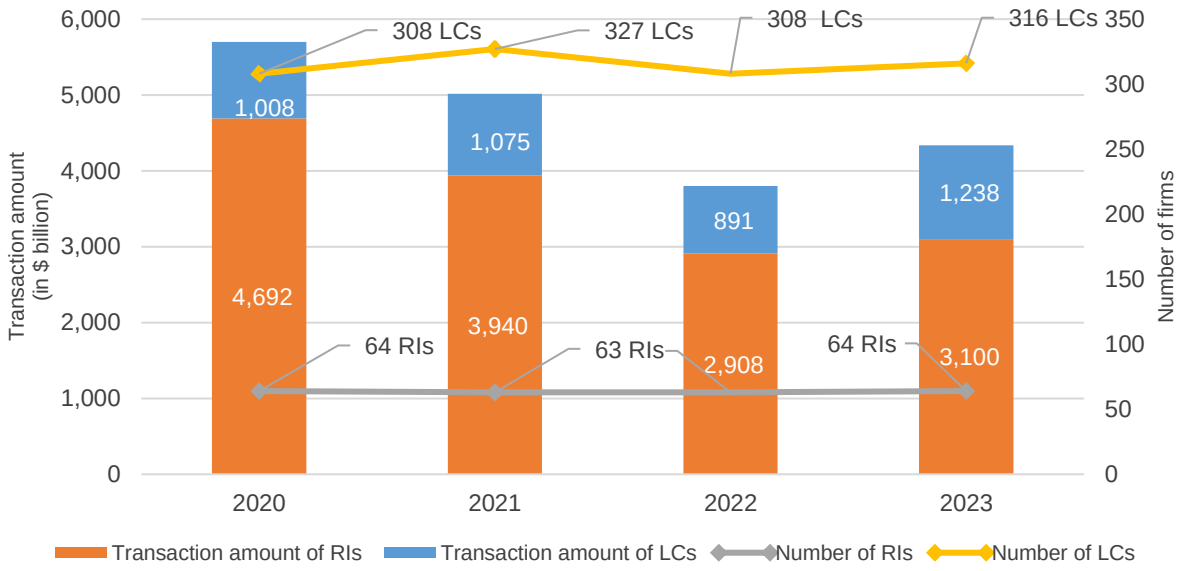
# IV. Detailed findings

## A. Analysis of aggregate transaction amount

Overview

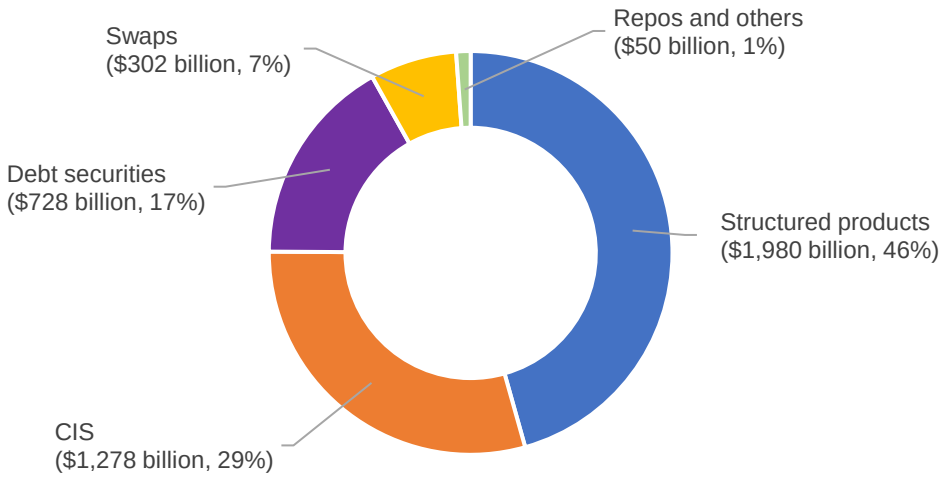
17. In 2023, the number of firms engaged in the sale of investment products in Hong Kong increased by 2% to 380 (LCs: 316; RIs: 64), compared with 371 (LCs: 308; RIs: 63) in 2022. The total transaction amount reported by the firms increased by 14% to $4,338 billion in 2023. LCs accounted for $1,238 billion (2022: $891 billion) of the total transaction amount in 2023 and RIs $3,100 billion (2022: $2,908 billion).

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




18. In terms of transaction amount, the top product type sold by LCs and RIs during the reporting period was structured products ($1,980 billion or 46%), followed by CIS ($1,278 billion or 29%) and debt securities ($728 billion or 17%).

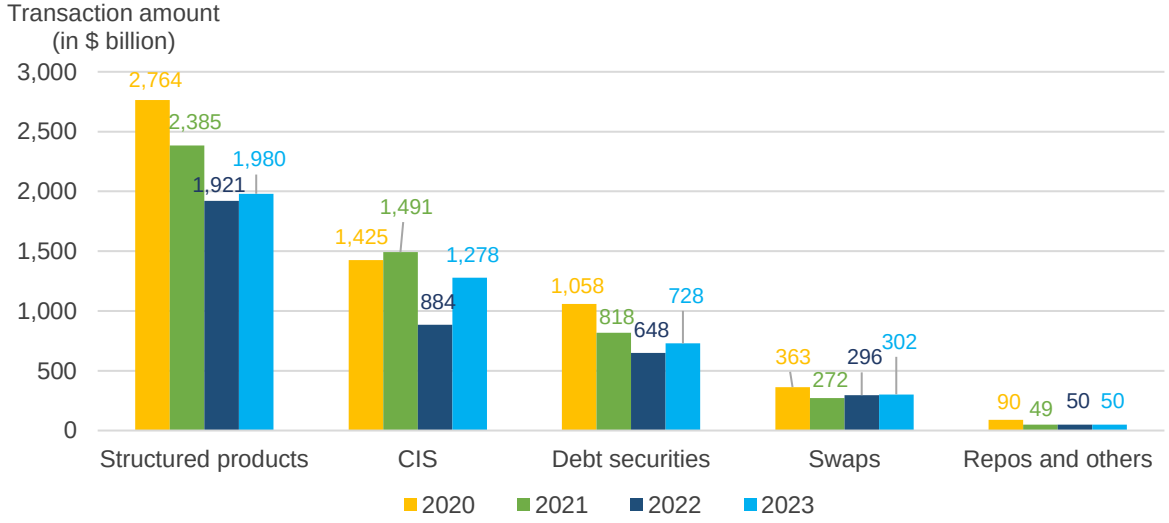
Chart 2: Aggregate transaction amount by product type



19. The overall sales of investment products in 2023 increased by $539 billion (14%), primarily due to increased sales of CIS (by $394 billion), debt securities (by $80 billion) and structured products (by $59 billion). Some top players noted that overall market sentiment had improved compared with 2022, resulting from moderating inflationary pressures which led to anticipation of the end of the monetary tightening cycle in major economies. In addition, the post-pandemic border reopening served as a catalyst for economic recovery. However, uncertainties about the global economic outlook, ongoing geopolitical tensions, as well as the banking sector turmoil in the US and Europe during the year plagued the market and undermined investors' risk appetite.

20. In general, firms reported an improvement in the sales of investment products, with about 68%[4] of the firms recording year-on-year increases in transaction amount in 2023. Some large firms commented that in order to capitalise on market opportunities, they strategically invested more resources into marketing activities and focused on popular products. Some large firms launched new services and expanded their product scope, while some took steps to improve customer experience in an attempt to attract more clients and transactions.

Chart 3: Transaction amount by product type (2020 - 2023)




21. Non-authorised products[6] accounted for 82% (2022: 87%) of the aggregate transaction amount, of which 54% were structured products and 20% were debt securities. Authorised products[7] constituted the remaining 18% (2022: 13%) and 94% of them were CIS.

22. The majority of clients[8] transacted in CIS (2023: 503,437; 2022: 385,320) and debt securities (2023: 453,809; 2022: 447,926). About 86% (2022: 90%) of LCs' clients invested in CIS whereas 63% (2022: 68%) and 29% (2022: 23%) of RIs' clients invested in debt securities and CIS, respectively.

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[6] Non-authorised 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.

[7] Authorised products are products for which offering documents have been authorised by the SFC. They can be marketed to the public in Hong Kong.

[8] 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^ | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | |
| **CIS** | | | | | | | |
| - LCs | 340 | 308,499 | 95 | 7,234 | 435 | 10.0% | 315,733 |
| - RIs | 376 | 174,185 | 467 | 13,519 | 843 | 19.4% | 187,704 |
| **Sub-total** | **716** | **482,684** | **562** | **20,753** | **1,278** | **29.4%** | **503,437** |
| **Debt securities** | | | | | | | |
| - LCs | - | - | 268 | 40,818 | 268 | 6.2% | 40,818 |
| - RIs | - | - | 460 | 412,991 | 460 | 10.6% | 412,991 |
| **Sub-total** | **-** | **-** | **728** | **453,809** | **728** | **16.8%** | **453,809** |
| **Structured products** | | | | | | | |
| - LCs | 3 | 940 | 462 | 10,161 | 465 | 10.7% | 11,101 |
| - RIs | 45 | 17,493 | 1,470 | 37,113 | 1,515 | 34.9% | 54,606 |
| **Sub-total** | **48** | **18,433** | **1,932** | **47,274** | **1,980** | **45.6%** | **65,707** |
| **Swaps** | | | | | | | |
| - LCs | - | - | 35 | 128 | 35 | 0.8% | 128 |
| - RIs | - | - | 267 | 759 | 267 | 6.2% | 759 |
| **Sub-total** | **-** | **-** | **302** | **887** | **302** | **7.0%** | **887** |
| **Repos and others** | | | | | | | |
| - LCs | - | - | 35 | 1,082 | 35 | 0.8% | 1,082 |
| - RIs | - | - | 15 | 308 | 15 | 0.4% | 308 |
| **Sub-total** | **-** | **-** | **50** | **1,390** | **50** | **1.2%** | **1,390** |
| **All of the above** | | | | | | | |
| **- LCs** | **343** | **309,439** | **895** | **59,423** | **1,238** | **28.5%** | **368,862** |
| **- RIs** | **421** | **191,678** | **2,679** | **464,690** | **3,100** | **71.5%** | **656,368** |
| **Grand total** | **764** | **501,117** | **3,574** | **524,113** | **4,338** | **100.0%** | **1,025,230** |

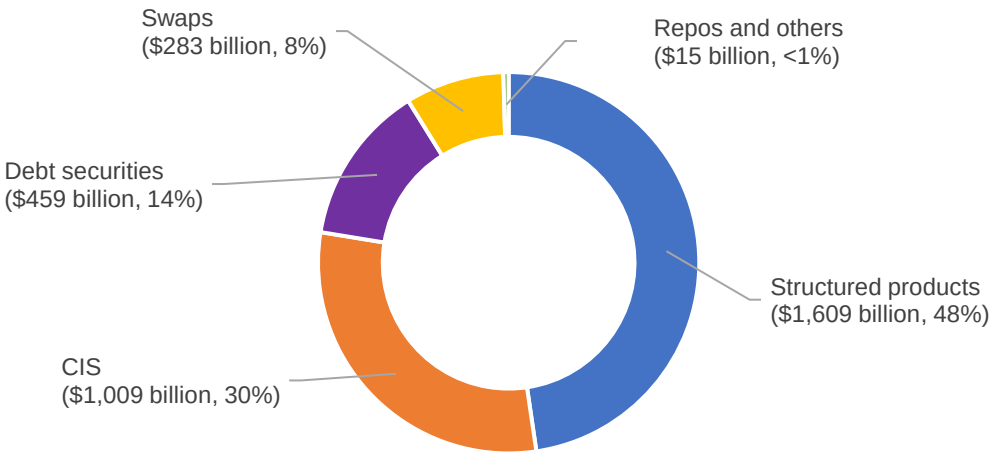
^ See footnote 8

Top 20 firms

23. The top 20 firms accounted for $3,375 billion or 78% (2022: $3,073 billion or 81%) of the aggregate transaction amount during the reporting period. The remaining 22% was shared among the remaining 360 firms.

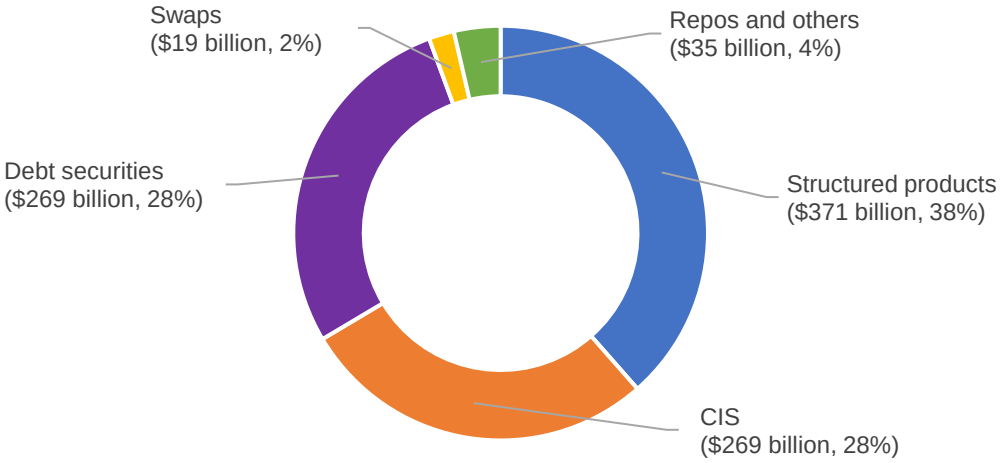
24. The principal products sold by the top 20 firms in terms of transaction amount were structured products ($1,609 billion or 48%), followed by CIS ($1,009 billion or 30%) and debt securities ($459 billion or 14%).

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




25. The majority of investment products sold by the remaining 360 firms were structured products, CIS and debt securities, representing 38%, 28% and 28% of their aggregate transaction amount, respectively.

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



## B. Analysis of product type

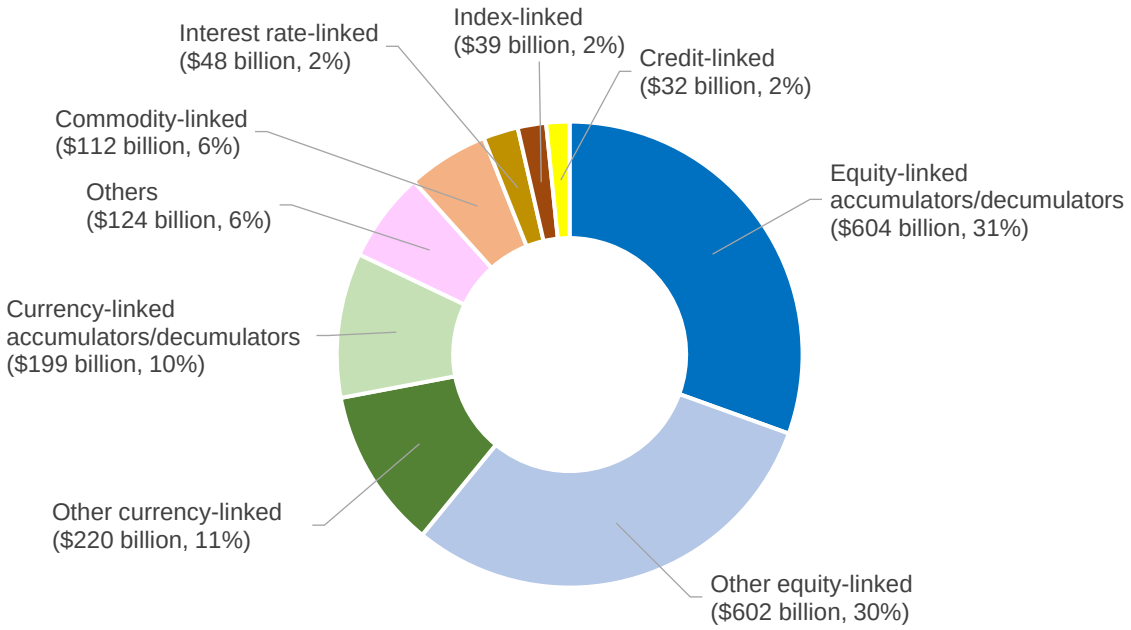
### a) Structured products (total transaction amount: $1,980 billion, or 46%)

26. The transaction amount of structured products in 2023 was $1,980 billion, up 3% from 2022. Structured products remained the top product type, accounting for 46% of the aggregate transaction amount of all investment products. Of the total, RIs contributed 77% and LCs the remaining 23%. The top 20 sellers of structured products accounted for 88% of the transaction amount of all structured products and continued to lead the structured product market.

Table 2

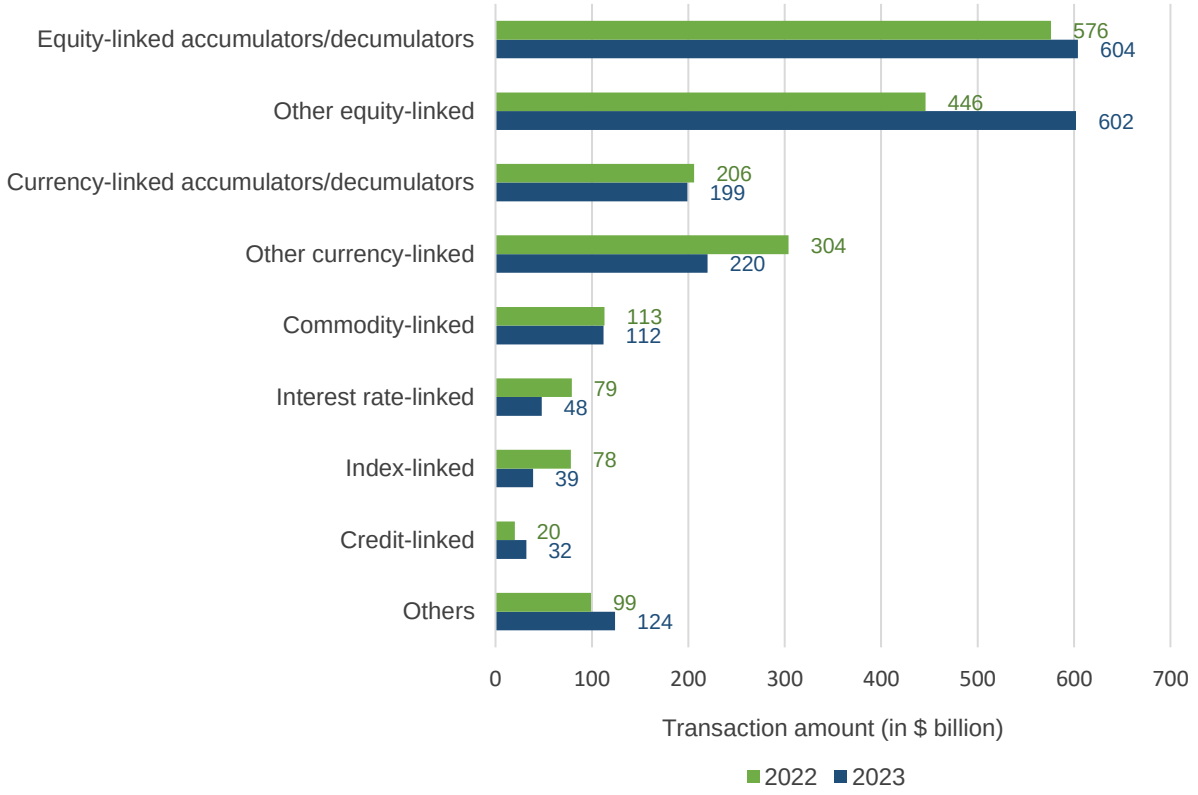
| Type of structured products | LCs | | RIs | | Total | |
|---|---|---|---|---|---|---|
| | Transaction amount ($ billion) | % of total | Transaction amount ($ billion) | % of total | Transaction amount ($ billion) | % of total |
| **Equity-linked** | | | | | | |
| - accumulators/decumulators | 116 | 25% | 488 | 32% | 604 | 31% |
| - others | 96 | 20% | 506 | 33% | 602 | 30% |
| **Sub-total** | **212** | **45%** | **994** | **65%** | **1,206** | **61%** |
| **Currency-linked** | | | | | | |
| - accumulators/decumulators | 55 | 12% | 144 | 10% | 199 | 10% |
| - others | 71 | 15% | 149 | 10% | 220 | 11% |
| **Sub-total** | **126** | **27%** | **293** | **20%** | **419** | **21%** |
| **Commodity-linked** | **3** | **1%** | **109** | **7%** | **112** | **6%** |
| **Interest rate-linked** | **9** | **2%** | **39** | **3%** | **48** | **2%** |
| **Index-linked** | **13** | **3%** | **26** | **2%** | **39** | **2%** |
| **Credit-linked** | **3** | **1%** | **29** | **2%** | **32** | **2%** |
| **Others (including hybrid-linked)** | **99** | **21%** | **25** | **1%** | **124** | **6%** |
| **Total** | **465** | **100%** | **1,515** | **100%** | **1,980** | **100%** |

Chart 6: Transaction amount of structured products



27. The transaction amount of structured products increased by $59 billion from 2022 primarily due to higher sales of equity-linked products (by $184 billion), which was partially offset by the decrease in the sales of currency-linked products (by $91 billion), index-linked products (by $39 billion) and interest rate-linked products (by $31 billion).

Chart 7: Transaction amount of structured products (2023 vs 2022)



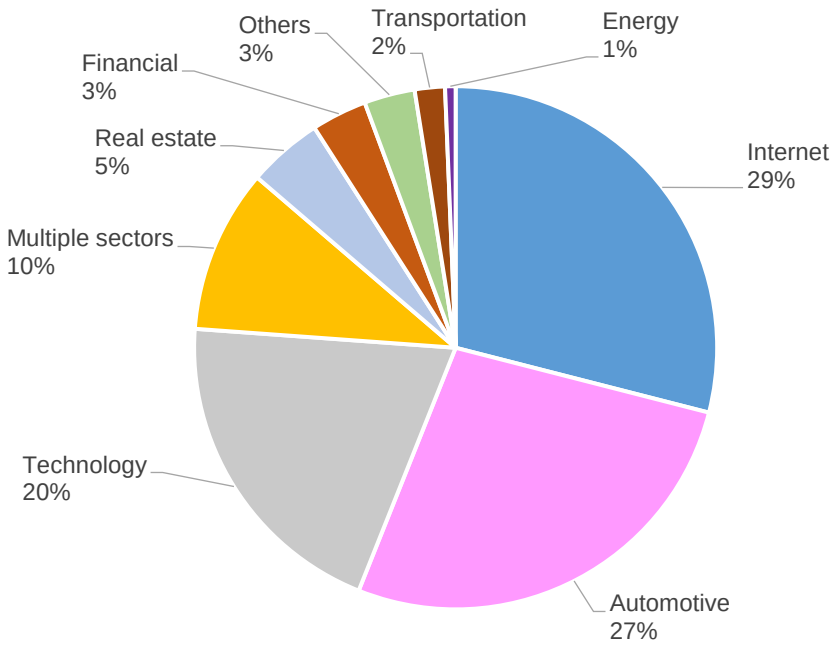

*Equity-linked products*

28. Equity-linked products remained the most popular structured products sold in 2023, with an 18% increase in transaction amount to $1,206 billion, of which 82% were sold by RIs and the remaining by LCs. Of all the structured products sold in 2023, the proportion of equity-linked products increased to 61% of the transaction amount (2022: 53%).

29. Some large firms attributed the sales increase of equity-linked products to the improved stock market performance during the reporting period. The Hang Seng Index and Hang Seng China Enterprises Index rebounded from their October 2022 lows, while other major indexes (such as the US S&P 500 Index and Nasdaq Composite Index) showed strong performance in 2023. One large firm commented that although investors' risk appetite remained low in general, signs of recovery were noted in 2023. Investors' interests in equity-linked products rebounded due to the easing of inflationary pressures, which was expected to provide room for the major economies to lower their interest rates.

30. The large firms reported that their sales of products linked to the technology sector increased significantly and accounted for 20% of the top five equity-linked products sold in 2023 (2022: 8%). This was in line with some large firms' comments that investors exhibited strong interests in products linked to the artificial intelligence theme. As for other industry sectors, products linked to the automotive sector increased to 27% (2022: 22%), while those linked to the internet sector decreased to 29% (2022: 46%) in 2023.

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



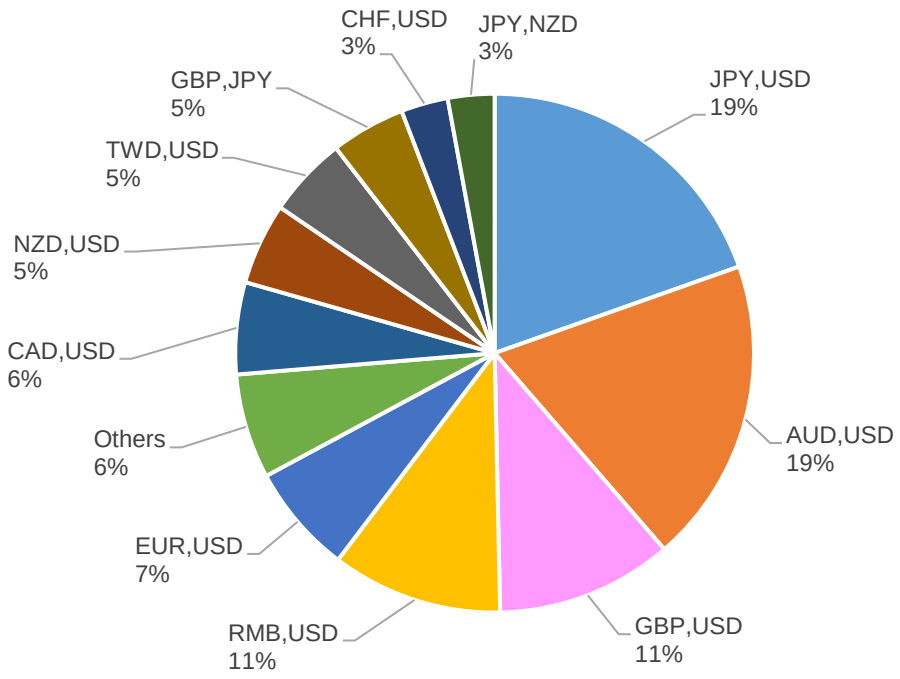

*Based on the top five equity-linked products reported by 90 large firms*

*Currency-linked products*

31. The transaction amount of currency-linked products decreased by 18% in 2023 to $419 billion and remained the second most popular structured products. Of the transaction amount in 2023, 70% was sold by RIs and the remaining by LCs. Some large firms mentioned that investors shifted from currency-linked products to investment options with more stable returns and lower risks such as money market funds and sovereign bonds with high credit ratings, which became increasingly attractive under the prevailing high interest rate environment.

32. Based on the top five currency-linked products reported by the large firms, products linked to the Japanese Yen (JPY) and US dollar (USD), and to the Australian dollar (AUD) and USD each accounted for the largest share of 19% among all top five currency-linked products reported (2022: 25% and 7% respectively). This was followed by products linked to the British Pound (GBP) and USD, and to the Renminbi (RMB) and USD, each with an 11% share (2022: 8% and 45% respectively).

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




*Based on the top five currency-linked products reported by 90 large firms*

*Commodity-linked products*

33. The transaction amount of commodity-linked products declined by 1% to $112 billion in 2023. Of the total, 97% was sold by RIs and the rest by LCs.

34. Gold-linked products remained the most popular product type and accounted for 84% of the top five commodity-linked products reported by the large firms in 2023 (2022: 94%). One large firm opined that investors continued to invest in gold-linked products in anticipation of interest rate cuts by major economies as well as prolonged regional conflicts around the globe, which were expected to drive up the gold price.

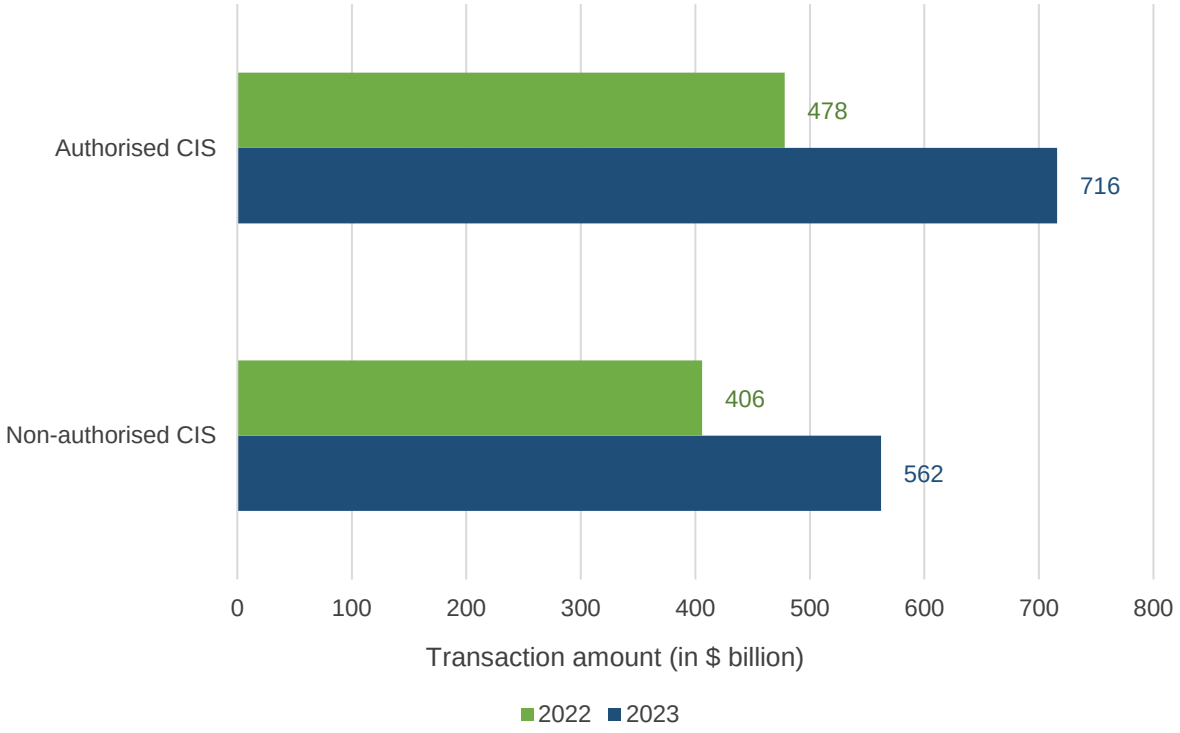
**b) CIS (total transaction amount: $1,278 billion, or 29%)**

35. The total transaction amount of CIS was $1,278 billion, up 45% from 2022. LCs and RIs accounted for 34% and 66% of the total transaction amount of CIS respectively. The top 20 sellers of CIS contributed 86% (same as 2022) of the total CIS sales.

36. Investments in CIS represented 29% of the aggregate transaction amount. The number of clients of LCs and RIs investing in CIS totalled 315,733 and 187,704 respectively in 2023. Most of these clients were non-PI clients who purchased authorised CIS. Of all CIS investors, 74% transacted on online platforms, up from 72% in 2022. Online CIS sales as a percentage of all CIS sales also increased from 24% in 2022 to 29% in 2023.

37. The overall sales growth of CIS in 2023 was driven by a 50% increase in authorised CIS to $716 billion, and a 38% increase in non-authorised CIS to $562 billion. Despite the improved market sentiment, some large firms observed that investors' risk appetite remained low and they preferred CIS with underlying investments of lower risks, such as money market instruments which provided decent yields in the high interest rate environment.

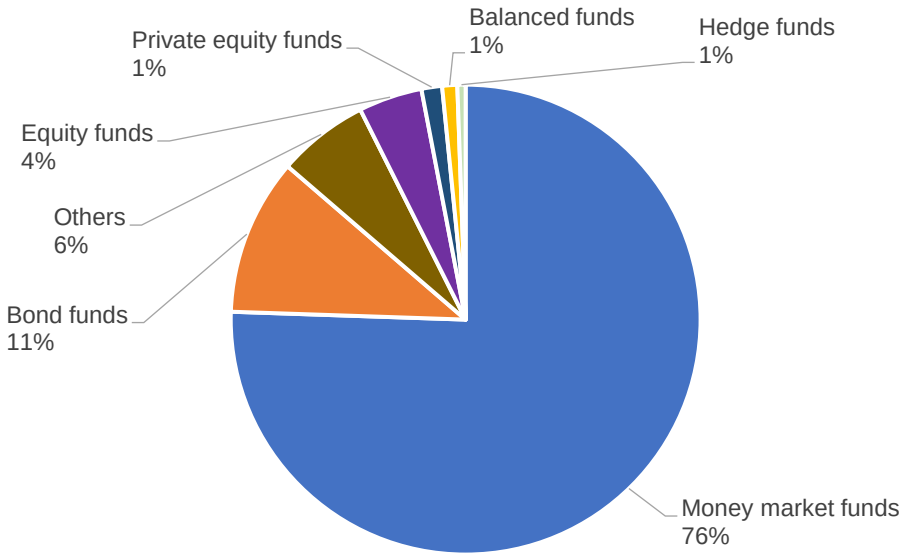
Chart 10: Transaction amount of CIS (2023 vs 2022)




38. Based on the top five CIS reported by the large firms, money market funds remained the most popular fund type. The proportion of money market funds continued to increase to 76% in 2023, up from 61% in 2022. On the contrary, the proportions of bond funds (2023: 11%, 2022: 14%), equity funds (2023: 4%, 2022: 7%) and other fund types including balanced funds (2023: 1%, 2022: 5%), private equity funds (2023: 1%, 2022: 4%) and hedge funds (2023: 1%, 2022: 2%), all recorded declines.

39. Some large firms commented that money market funds offered an option for investors looking for products with relatively low risks, simple structures and high liquidity that could provide a steadier source of income with attractive yields amidst their concerns (see paragraph 19 above). One large firm mentioned that due to the high interest rate environment, some clients preferred to park their idle cash in money market funds for predictable interest returns under volatile market conditions. On the product front, one large firm noted an increasing number of money market funds in the market amidst investors' growing demand. Some large firms attributed the growth in CIS sales to the cash investment services they offered to clients via online platforms, through which clients invested idle cash into money market funds to boost their investment returns.

Chart 11: Top five CIS by fund type




*Based on the top five CIS reported by 90 large firms*

**c) Debt securities (total transaction amount: $728 billion, or 17%)**

40. The transaction amount of debt securities increased by 12% to $728 billion in 2023. LCs and RIs accounted for 37% and 63% of the sales respectively. The top 20 sellers of debt securities accounted for 75% of the total transaction amount of these securities. Online debt securities sales as a percentage of all debt securities sales increased from 6% in 2022 to 17% in 2023. Of all debt securities investors, 53% transacted on online platforms (2022: 55%).

41. Some large firms attributed the increased sales of debt securities to the prevailing high interest rate environment. They also noted that investors appeared to have gravitated towards sovereign bonds with higher credit ratings during the reporting period.

42. Corporate bonds retained their top position as the most popular debt securities, with a transaction amount of $406 billion, although its proportion out of all debt securities transactions decreased to 56% (2022: 66%). Investors' interest continued to shift from corporate bonds to sovereign bonds, and the latter's proportion increased to 44% of total debt securities sold, up from 29% in 2022, consistent with some large firms' comments (see paragraph 41 above). In response to evolving market dynamics, some large firms increased their marketing and promotional activities and expanded their product scope to provide investors with a wider array of sovereign bonds, featuring different maturities and coupon rates. Some firms also enhanced their online trading platforms and offered various online investment tools, including search functions and yield calculators, to facilitate clients' identification and selection of sovereign bonds that best suited their investment preferences.

Table 3

| Type of debt securities | LCs | | RIs | | Total | |
|---|---|---|---|---|---|---|
| | Transaction amount ($ billion) | % of total | Transaction amount ($ billion) | % of total | Transaction amount ($ billion) | % of total |
| **Corporate bonds** | | | | | | |
| - Investment grade | 44 | 16% | 184 | 40% | 228 | 31% |
| - Non-investment grade | 31 | 12% | 37 | 8% | 68 | 10% |
| - Unrated | 69 | 26% | 41 | 9% | 110 | 15% |
| **Sub-total** | **144** | **54%** | **262** | **57%** | **406** | **56%** |
| **Sovereign bonds** | **122** | **46%** | **198** | **43%** | **320** | **44%** |
| **Others** | **2** | **<1%** | **<1** | **<1%** | **2** | **<1%** |
| **Total** | **268** | **100%** | **460** | **100%** | **728** | **100%** |

Chart 12: Transaction amount of debt securities

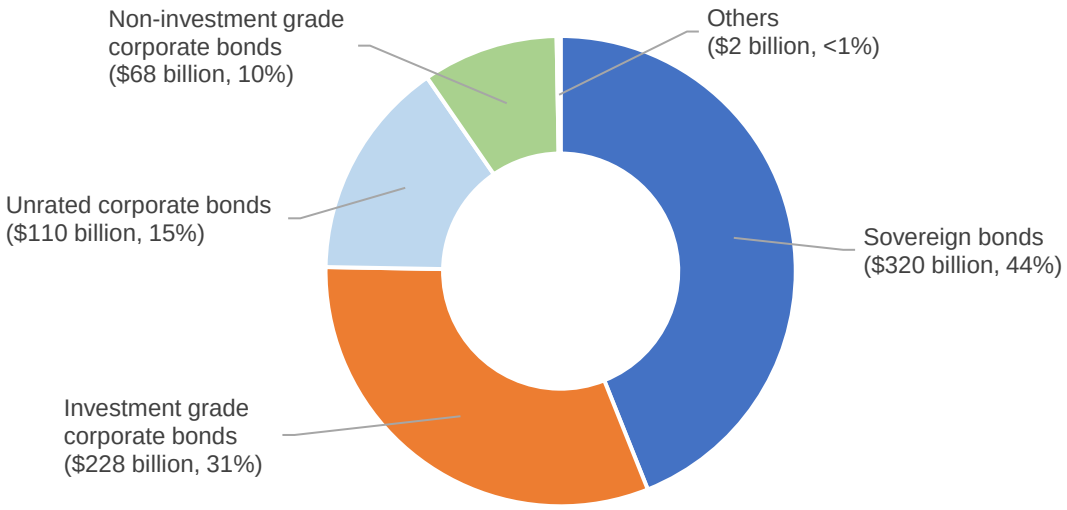
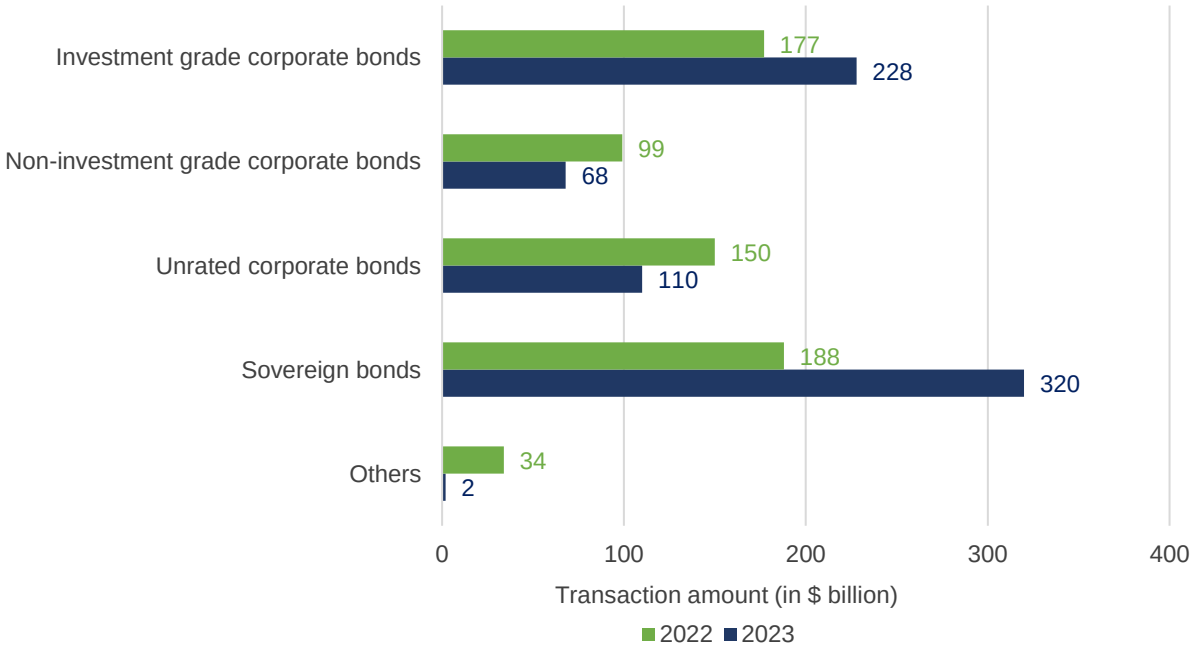



Chart 13: Transaction amount of debt securities (2023 vs 2022)

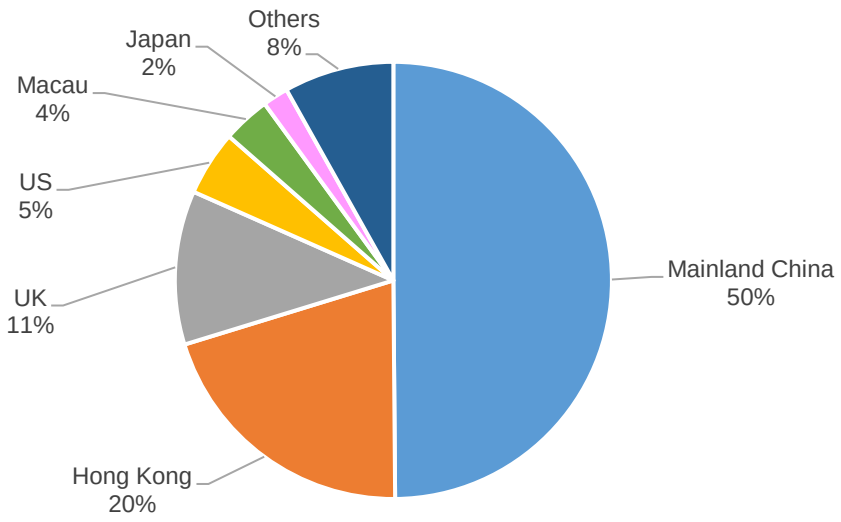


*Corporate bonds*

43. The transaction amount of investment grade corporate bonds increased by 29% to $228 billion (2022: $177 billion), while the sales of non-investment grade and unrated corporate bonds dropped by 31% to $68 billion and 27% to $110 billion respectively (2022: $99 billion and $150 billion respectively). Some large firms commented that investors preferred to invest in investment grade corporate bonds as these products were generally perceived to have lower risks and offered satisfactory yields under the prevailing high interest rate environment. Meanwhile, some large firms commented that investors remained cautious of riskier non-investment grade and unrated corporate bonds amidst concerns of default risks. These factors led to a divergence in sales among different credit quality segments of the corporate bond market.

44. In terms of the underlying country or jurisdiction of risk[9] of the issuers of the top five corporate bonds reported by the large firms[10], Mainland China accounted for 50% (2022: 54%) of the transaction amount, followed by 20% for Hong Kong (2022: 16%) and 11% for the UK (2022: 8%). In terms of issuers' industries, the financial and real estate sectors accounted for 47% and 31% (2022: 52% and 30%), respectively.

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




*Based on the top five corporate bonds reported by 90 large firms*

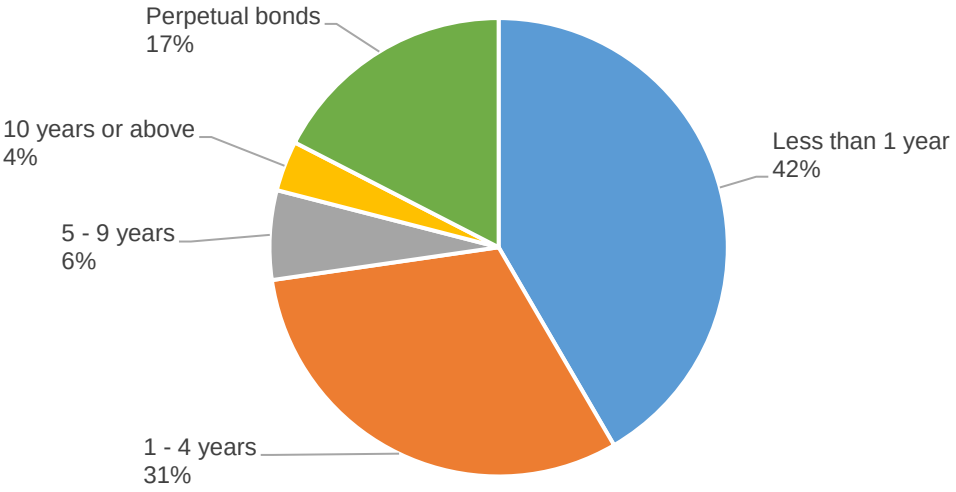
45. In terms of the remaining tenors[11] of the top five corporate bonds, 42% had less than one year, 31% had one to four years, and 27% had five years or longer.

[9] The underlying country or jurisdiction of risk and other information about these debt securities, eg, coupon rates and maturity dates, were sourced from an external market data provider.

[10] This refers to the top five investment grade, non-investment grade and unrated corporate bonds by transaction amount reported by each large firm.

[11] Remaining tenor refers to the time to maturity date of a bond calculated from 31 December 2023. Bonds with a maturity date on or before 31 December 2023 were grouped under "less than one year" of the remaining tenor.

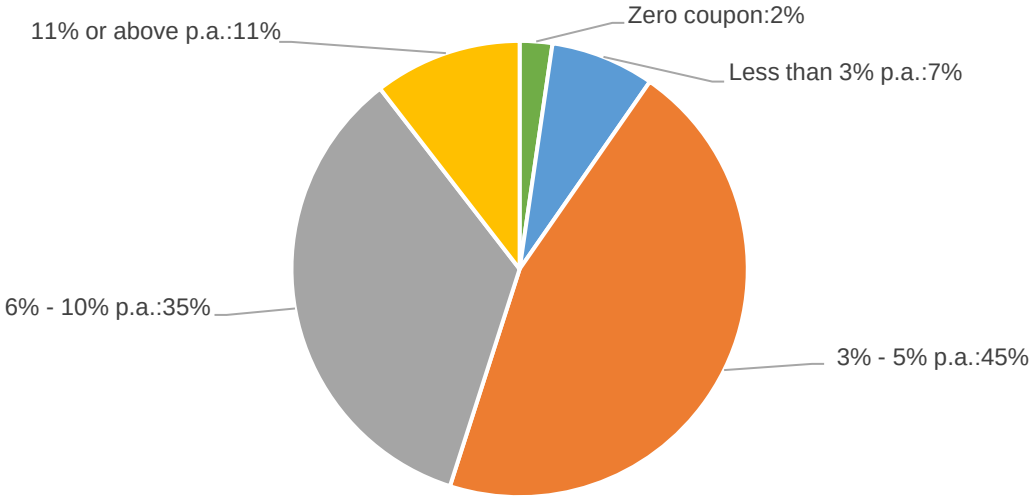
Chart 15: Remaining tenors of top five corporate bonds




*Based on the top five corporate bonds reported by 90 large firms*

46. Of the top five corporate bonds, the share of corporate bonds with coupon rates of 3-5% per annum remained relatively stable (2023: 45%, 2022: 46%), while that with coupon rates of 6-10% per annum was up to 35% in 2023 from 21% in 2022, reflecting the impact of a high interest rate environment. On the other hand, corporate bonds with a coupon rate of less than 3% per annum dropped to 7% from 12% in 2022.

Chart 16: Coupon rate of top five corporate bonds




*Based on the top five corporate bonds reported by 90 large firms*

*Sovereign bonds*

47. The aggregate transaction amount of sovereign bonds increased by 70% to $320 billion in 2023, which aligned with some large firms' comments (see paragraph 41 above).

48. Among the top five sovereign bonds reported by the large firms, US government bonds became the most popular, accounting for 53% (2022: 35%), followed by HKSAR Government bonds (including Silver Bonds and Green Bonds) of 37% (2022: 52%). The aggregate transaction amount of US and HKSAR Government bonds increased by 56%.

49. As of 31 December 2023, 44% of the top five sovereign bonds had a remaining tenor of less than one year, while 41% had one to four years, compared with 32% and 57% respectively in 2022. In terms of coupon rate per annum, 52% of the top five sovereign bonds had coupon rates of 3-5%, 27% were zero coupon bonds and 21% had coupon rates of less than 3%.

*Chapter 37 bonds*[12]

50. The aggregate transaction amount of Chapter 37 bonds fell by 21% to $71 billion in 2023, representing 10% 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 (62%) or Hong Kong (35%).

*Debt securities with non-viability loss absorption features* ***(NVLA Bonds)***[13]

51. The aggregate transaction amount of NVLA Bonds was $80 billion in 2023, accounting for 11% of all debt securities transactions. Among the top five NVLA Bonds reported by the large firms, 55% had an equity conversion feature. Other features included permanent write-down (19%) and temporary write-down[14] (8%). About 64% of the top five NVLA Bonds were perpetual bonds, and 63% and 36% had coupon rates of 6-10% and 3-5% per annum, respectively.

**d) Swaps (total transaction amount: $302 billion, or 7%)**

52. The aggregate transaction amount of swaps increased by 2% to $302 billion in 2023, with RIs accounting for 88% and LCs the remaining 12%. Based on the top five swaps reported by the large firms, 81% were currency swaps, while the rest included commodity swaps on gold, total return swaps and equity swaps on listed equities.

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[12] This refers to bonds offered for subscription and listed under Chapter 37 of the Main Board Listing Rules.

[13] 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).

[14] 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

53. Among the 316 LCs and 64 RIs which had sold investment products during the reporting period, 253 LCs and 63 RIs or their related companies held outstanding positions on behalf of their clients or as contracting parties as of 31 December 2023. The amount of outstanding positions[15] was $3,707 billion, where LCs and RIs contributed 30% and 70% respectively. Among the outstanding positions, 53% were CIS and 30% were debt securities. In terms of transaction amount, the top 20 firms accounted for 69% of the total outstanding positions.

Table 4

| Product types | Outstanding positions on 31 December 2023 and number of clients involved^ | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | |
| **CIS** | | | | | | | |
| - LCs | 257 | 350,521 | 406 | 21,102 | 663 | 17.9% | 371,623 |
| - RIs | 651 | 486,758 | 634 | 27,288 | 1,285 | 34.7% | 514,046 |
| **Sub-total** | **908** | **837,279** | **1,040** | **48,390** | **1,948** | **52.6%** | **885,669** |
| **Debt securities** | | | | | | | |
| - LCs | - | - | 298 | 50,135 | 298 | 8.0% | 50,135 |
| - RIs | - | - | 830 | 888,146 | 830 | 22.4% | 888,146 |
| **Sub-total** | **-** | **-** | **1,128** | **938,281** | **1,128** | **30.4%** | **938,281** |
| **Structured products** | | | | | | | |
| - LCs | 1 | 545 | 158 | 8,539 | 159 | 4.3% | 9,084 |
| - RIs | 15 | 10,741 | 408 | 37,761 | 423 | 11.4% | 48,502 |
| **Sub-total** | **16** | **11,286** | **566** | **46,300** | **582** | **15.7%** | **57,586** |
| **Swaps** | | | | | | | |
| - LCs | - | - | 5 | 96 | 5 | 0.1% | 96 |
| - RIs | - | - | 25 | 601 | 25 | 0.7% | 601 |
| **Sub-total** | **-** | **-** | **30** | **697** | **30** | **0.8%** | **697** |
| **Repos and others** | | | | | | | |
| - LCs | - | - | 4 | 724 | 4 | 0.1% | 724 |
| - RIs | - | - | 15 | 292 | 15 | 0.4% | 292 |
| **Sub-total** | **-** | **-** | **19** | **1,016** | **19** | **0.5%** | **1,016** |
| **All of the above** | | | | | | | |
| **- LCs** | **258** | **351,066** | **871** | **80,596** | **1,129** | **30.4%** | **431,662** |
| **- RIs** | **666** | **497,499** | **1,912** | **954,088** | **2,578** | **69.6%** | **1,451,587** |
| **Grand total** | **924** | **848,565** | **2,783** | **1,034,684** | **3,707** | **100%** | **1,883,249** |

^ See footnote 8

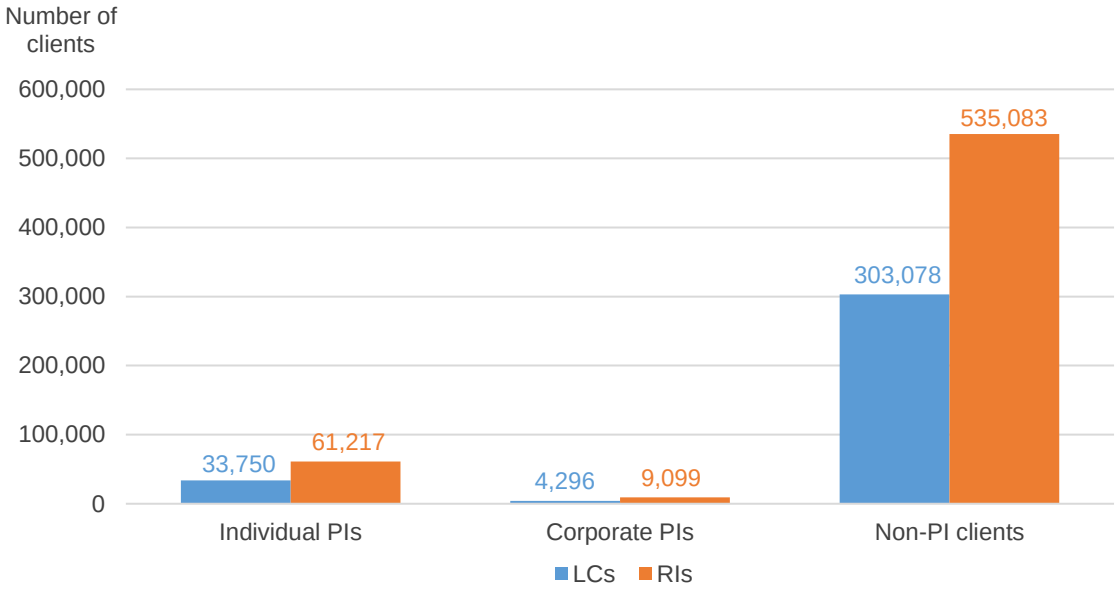
## D. Clientele

54. A total of 946,523 clients[16] completed at least one transaction in investment products in 2023, up 15% from 820,018 in 2022. Of the total number of clients, 64% were clients of RIs and the remaining were clients of LCs (2022: 71% and 29%, respectively); 89% of the clients (2022: 90%) were non-PI clients who mostly invested in CIS, according to reports by the large firms.

[15] In this survey, the amount of outstanding positions for CIS, debt securities and structured notes refers to the market value of outstanding positions or contracts as of the end of the reporting period. For other products, it refers to the maximum outstanding exposure, taking into account the number of remaining settlements and leveraged effect, if any.

[16] 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.

Chart 17: Number of clients with at least one transaction in investment products




## E. Distribution channels

55. Ninety-two firms (61 LCs and 31 RIs) utilised online platforms to distribute investment products to investors in 2023, up 11% from 2022 (83 firms including 55 LCs and 28 RIs).

56. Online sales accounted for 12% (2022: 7%) of the aggregate transaction amount of all respondent firms. CIS remained the most common product type distributed through online platforms and represented 72% (2022: 83%) of all online sales, followed by debt securities which accounted for 25% (2022: 15%).

## F. Investment product issuers

57. Respondent firms were requested to report the top five issuers of the investment products they had sold during the reporting period. These transactions amounted to $2,790 billion, of which the products issued by six global financial groups accounted for $1,444 billion or 52% (2022: 55%). Other product issuers included other financial institutions and corporations as well as government bodies.

58. Of the $1,444 billion in the products issued by the six global financial groups, $1,200 billion or 83% (2022: 82%) were sold by their related companies, which were respondent firms of this survey and were also among the top 20 firms by transaction amount.

## G. Manpower

59. The overall manpower deployed by firms to conduct sales of investment products increased by 3% in 2023 (2023: 18,427; 2022: 17,917). As of 31 December 2023, 5,211 licensed representatives of LCs (2022: 4,995) and 13,216 relevant individuals of RIs (2022: 12,922) engaged in the sale of non-exchange-traded investment products.

60. Around 78%[4] of these firms reported either no change or a year-on-year increase in the number of licensed representatives or relevant individuals engaged in the sale of investment products. About 29%[4] reported an increase in manpower of 50% or more and 24%[4] doubled or more than doubled their manpower. Some firms commented that they had expanded their sales force to accommodate growing business needs.

61. A total of 192 LCs (61%) reported having five or fewer licensed representatives engaged in the sale of investment products, whereas 13 LCs (4%) reported having over 100.

62. Thirty-four RIs (53%) reported sales force of 100 or fewer relevant individuals engaged in the sale of investment products, whereas six RIs (9%) reported having more than 500.

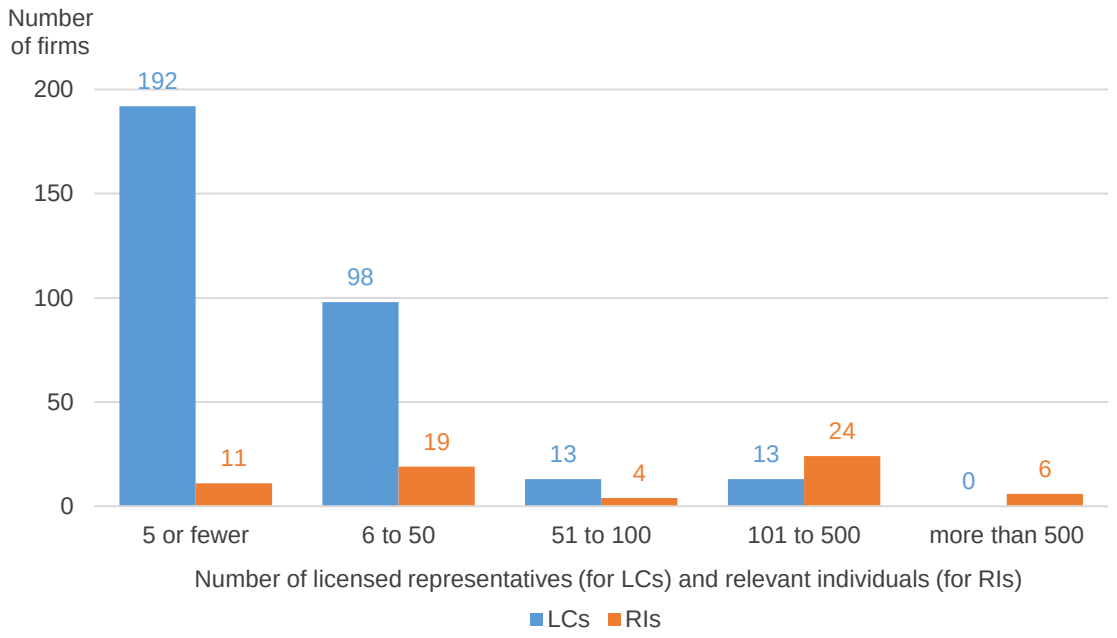



Chart 18: Manpower engaged in the sale of investment products