



SECURITIES AND  
FUTURES COMMISSION  
證券及期貨事務監察委員會

## Asset and Wealth Management Activities Survey 2022

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August 2023

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## Highlights

**Global challenges:** 2022 was a challenging year for the global asset and wealth management industry as well as that of Hong Kong, given global interest rate hikes, macro headwinds and geopolitical tensions.

**Resilient performance:** Total assets under management (AUM) of Hong Kong's asset and wealth management business stood at \$30,541 billion as at end-2022 and net fund inflows of \$88 billion were recorded. The AUM drop of 14% year-on-year was similar to the 15% drop for the AUM of worldwide regulated funds and slightly outran major market indices<sup>1</sup>, while many other major fund markets saw net fund outflows. The AUM of Hong Kong's asset and wealth management business recorded long-term healthy growth of 143% over the last 10 years.

**Hong Kong-domiciled funds rebounded:** Hong Kong-domiciled funds started to see an AUM rebound from the third quarter of 2022. Their AUM rebounded 15% from the third quarter of 2022 to \$1,335 billion as at end-June 2023. Net fund inflows of \$69 billion were recorded in the fourth quarter of 2022 and the first half of 2023, representing over 300% increase from the net fund inflows of \$17 billion for the first three quarters of 2022.

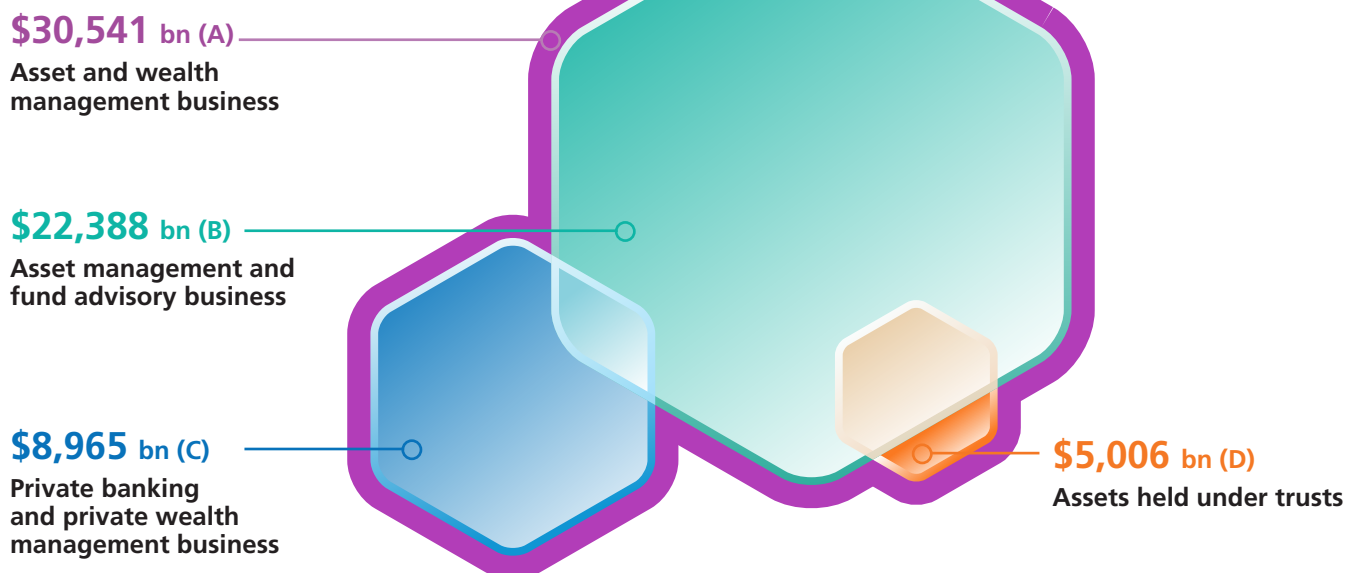
**Mainland-related firms up in number and AUM:** The number of Mainland-related firms increased 17% and the AUM of their asset and wealth management business saw a year-on-year increase in 2022, with net fund inflows of \$132 billion, outperforming the industry average.

**Increasing interest in ESG funds:** Sustainable investment continued to gain traction despite a challenging landscape. SFC-authorized environmental, social and governance (ESG) funds saw year-on-year growth in their AUM by 8% and their number by 86%.

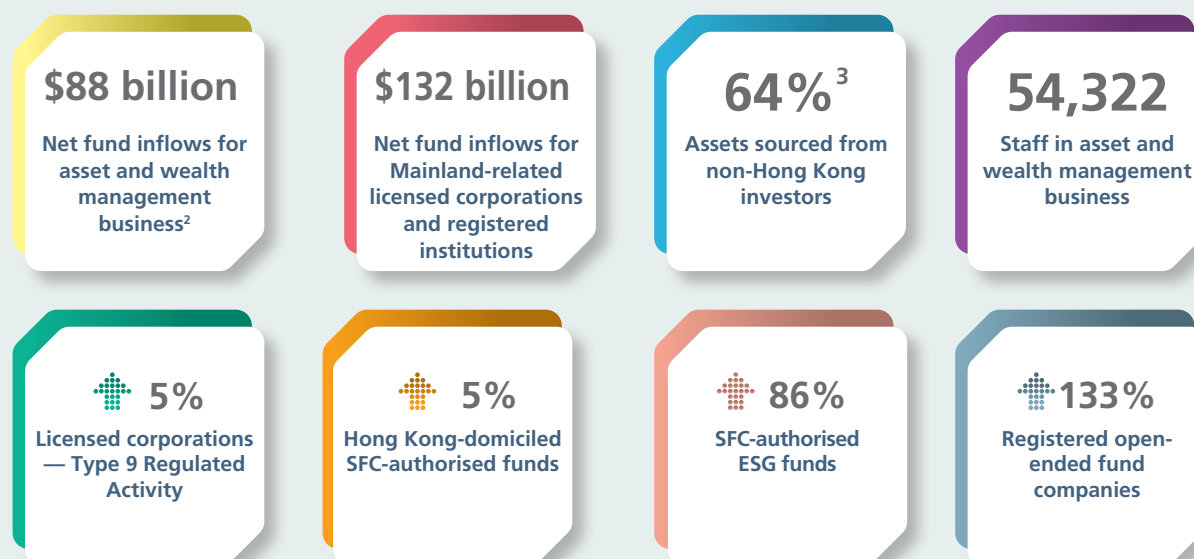
**Increase in the number of asset management firms and industry staff count steady:** Despite a challenging 2022, the number of firms licensed to carry out asset management in Hong Kong increased 5% year-on-year and the total number of staff in the asset and wealth management business remained steady.

<sup>1</sup> Year-on-year changes in 2022: MSCI World Index (USD) (-18%); MSCI AC Asia Index (USD) (-19%); FTSE Developed Asia Pacific Total Return Index (USD) (-14%); Hang Seng Index (-15%); Shanghai Composite Index (-15%); Shenzhen Composite Index (-22%); Bloomberg Global Aggregate Bond Index (-16%).

## Highlights



Items above refer to the AUM of the relevant businesses. Certain assets reported under items C and D were managed by licensed corporations (LCs) or registered institutions (RIs) and therefore were also reported under item B. Accordingly, item A is not the sum of items B, C and D. For details, please refer to Appendix III on page 53.



<sup>2</sup> Excludes real estate investment trusts (REITs) and assets held under trusts attributable to non-LCs/RIs.

<sup>3</sup> Of the AUM of the asset and wealth management business excluding REITs and assets held under trusts which were not managed by LCs and RIs (ie, assets held under trusts attributable to non-LCs/RIs).

**Section I A**

**Asset and  
Wealth  
Management  
Business**

## Asset and Wealth Management Business – An Overview

The key findings for 2022 are illustrated below.

### Asset and wealth management business

The AUM of Hong Kong’s asset and wealth management business amounted to \$30,541 billion<sup>4</sup> (US\$3,912 billion) as at 31 December 2022, representing a 14% year-on-year decrease<sup>5</sup>. This was in line with the AUM change for regulated funds worldwide and slightly outperformed major market indices<sup>6</sup>. The AUM of Hong Kong’s asset and wealth management business recorded long-term healthy growth of 143% over the last 10 years.

### Asset management and fund advisory business

The AUM of the asset management and fund advisory business conducted by licensed corporations and registered institutions amounted to \$22,388 billion<sup>4</sup> (US\$2,867 billion).

### Private banking and private wealth management business

The AUM of the private banking and private wealth management business amounted to \$8,965 billion<sup>4</sup> (US\$1,148 billion).

### Assets held under trusts

Assets held under trusts amounted to \$5,006 billion<sup>4</sup> (US\$641 billion).

### Net fund inflows

Net fund inflows of \$88 billion (US\$11 billion)<sup>7</sup> were recorded for the asset and wealth management business<sup>8</sup> during 2022.

### Asset and wealth management business of Mainland-related LCs and RIs

The AUM of asset and wealth management business of Mainland-related licensed corporations and registered institutions increased by 1% year-on-year to \$2,562 billion (US\$328 billion), with net fund inflows of \$132 billion (US\$17 billion).

### Assets sourced from non-Hong Kong investors

Non-Hong Kong investors remained a major source of funding for the asset and wealth management business<sup>8</sup>, accounting for 64% of the AUM.

<sup>4</sup> See Appendix III on page 53 for a breakdown of the asset and wealth management business in 2022.

<sup>5</sup> In 2022, AUM of worldwide regulated funds decreased 15% (source: Investment Company Institute / International Investment Funds Association); AUM of US funds business decreased 16% (source: Refinitiv Lipper (Lipper)); AUM of European UCITS and AIFs decreased 12% (source: European Fund and Asset Management Association (EFAMA)); AUM of UK funds under management decreased 14% (source: The Investment Association).

<sup>6</sup> Year-on-year changes in 2022: MSCI World Index (USD) (-18%); MSCI AC Asia Index (USD) (-19%); FTSE Developed Asia Pacific Total Return Index (USD) (-14%); Hang Seng Index (-15%); Shanghai Composite Index (-15%); Shenzhen Composite Index (-22%); Bloomberg Global Aggregate Bond Index (-16%).

<sup>7</sup> A number of jurisdictions recorded net outflows in their fund management business or regulated funds during 2022. For example, US funds business recorded net outflows of \$3,904 billion (US\$500 billion) (source: Lipper); European UCITS and AIFs recorded net outflows of \$2,332 billion (US\$299 billion) (source: EFAMA); Singapore authorized and recognized funds recorded net outflows of \$873 million (US\$112 million) (source: The Investment Management Association of Singapore).

<sup>8</sup> Excludes REITs and assets held under trusts attributable to non-LCs/RIs.

### Assets managed in Hong Kong

Assets managed in Hong Kong made up 57% of the AUM of the asset management business<sup>9</sup>, with 50% of these assets invested in equities as at 31 December 2022.

### Staff

The total number of staff in the asset and wealth management business as at 31 December 2022 remained steady, which amounted to 54,322, with an increase in the proportion directly engaged in asset management and support functions.

## Other Statistics

### Hong Kong-domiciled SFC-authorized funds

As at 31 December 2022, the number of Hong Kong-domiciled SFC-authorized funds increased by 5% year-on-year to 911. Whilst their net asset value (NAV) decreased 14% year-on-year to \$1,288 billion (US\$165 billion)<sup>10</sup>, it began to rebound 15% from the third quarter of 2022 to \$1,335 billion (US\$171 billion) as at the end of June 2023. Net inflows of \$69 billion (US\$8.9 billion) were recorded during the fourth quarter of 2022 and the first half of 2023, representing over 300% increase as compared to net inflows of \$17 billion (US\$2.2 billion) recorded in the first three quarters of 2022.

### SFC-authorized ESG funds

As of 31 December 2022, there were 177 SFC-authorized ESG funds, a year-on-year increase of 86%, and their total AUM rose 8% to \$1,109 billion (US\$142 billion).

### Registered open-ended fund companies

As at 31 December 2022, the number of registered open-ended fund companies increased 133% year-on-year to 112<sup>11</sup> with 208 sub-funds, including 31 ETFs with a market capitalisation of \$7.9 billion (US\$1 billion).

### LCs – Type 9 Regulated Activity

The number of firms licensed to carry out asset management (Type 9 regulated activity) in Hong Kong increased by 5% from 1,979 to 2,069 during 2022.

<sup>9</sup> Excludes the AUM of fund advisory business and REITs.

<sup>10</sup> 111 out of 911 Hong Kong-domiciled SFC-authorized funds were approved pooled investment funds (retail APIFs) which mandatory provident funds may invest into and may also be offered to the public in Hong Kong. Their NAV amounted to \$429 billion (US\$55 billion).

<sup>11</sup> The figure includes 94 private open-ended fund companies.

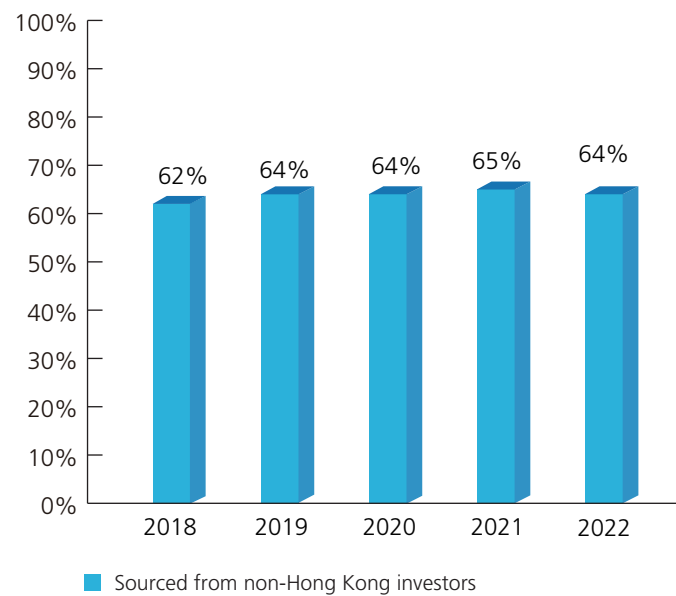
## Asset and Wealth Management Business – Analysis by Investor Base



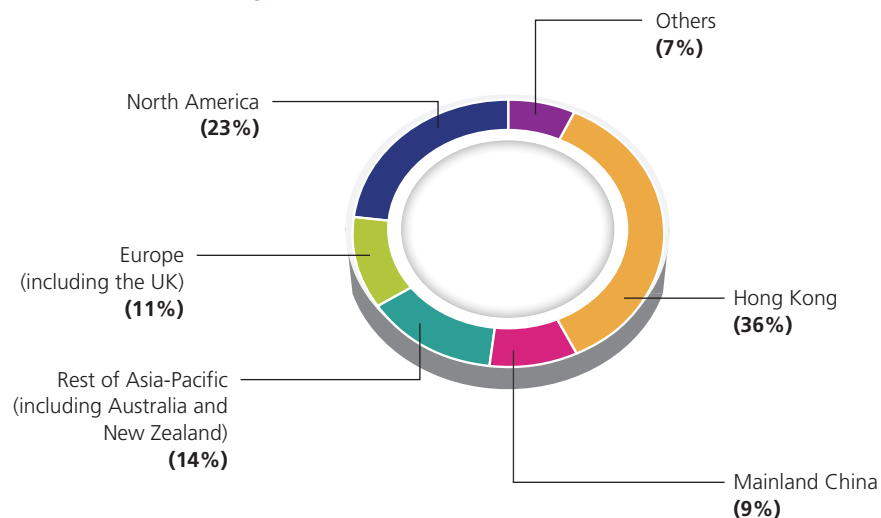
Sourced from non-Hong Kong investors over the past five years

- Assets from non-Hong Kong investors amounted to \$19,011 billion as at 31 December 2022, representing 64% of the asset and wealth management business<sup>12</sup>.

**Chart 1A: Asset and Wealth Management Business<sup>12</sup> (\$29,791 billion) – Assets from non-Hong Kong Investors**



**Chart 1B: Asset and Wealth Management Business<sup>12</sup> (\$29,791 billion) – by Investor Base**

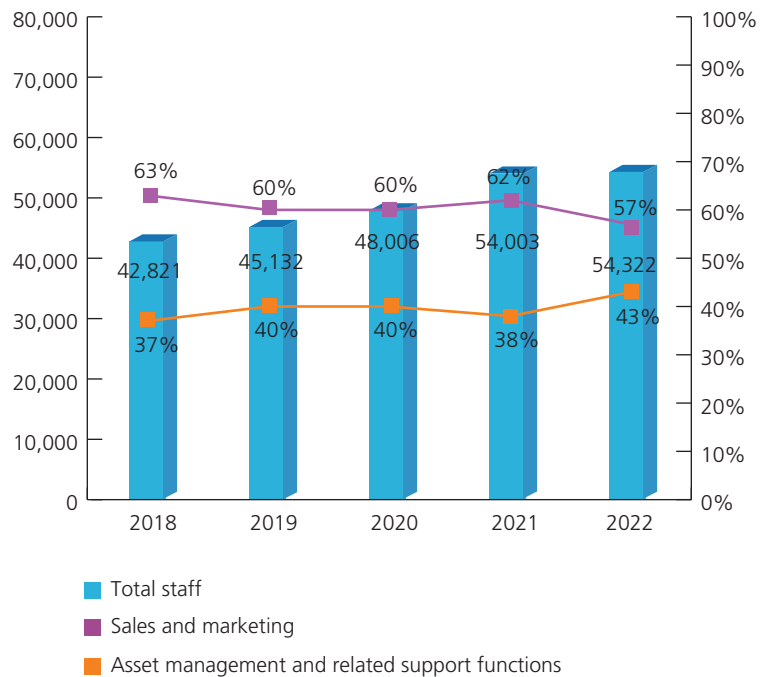


<sup>12</sup> Excludes REITs and assets held under trusts attributable to non-LCs/RIs.



## Asset and Wealth Management Business Staff Profile

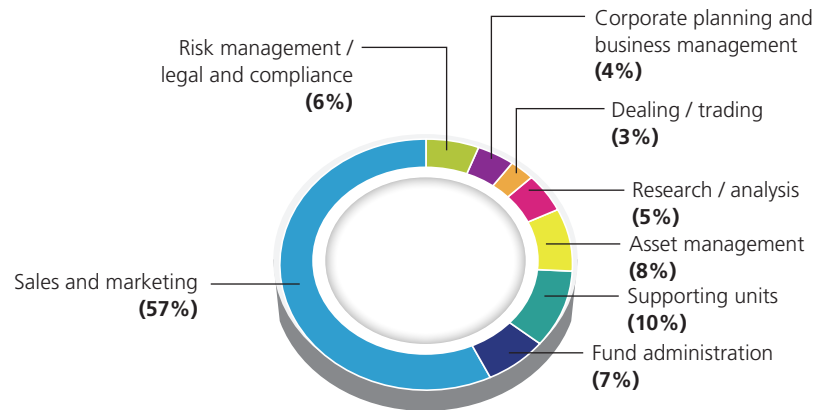
Chart 2A: Asset and Wealth Management Business Staff Profile – by Job Function



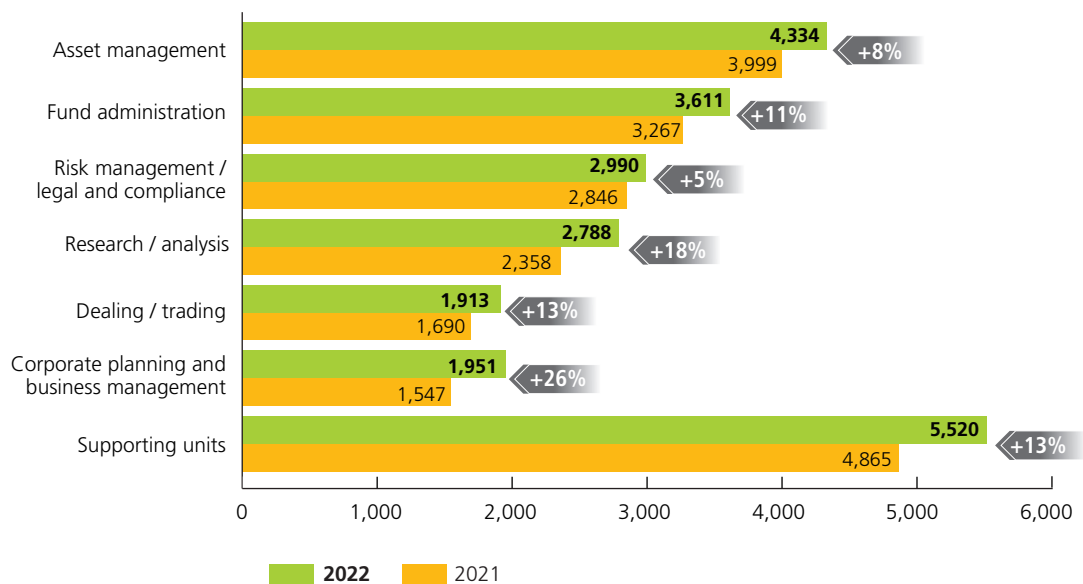
Note: Coverage was expanded in 2019 to include trustees.

- The number of total staff engaged in asset and wealth management activities was 54,322 in 2022. The proportion of staff engaged in asset management and related support functions increased from 38% to 43%, and the number of these staff increased by 12% to 23,107.

**Chart 2B: Asset and Wealth Management Business Staff Profile – by Job Function**



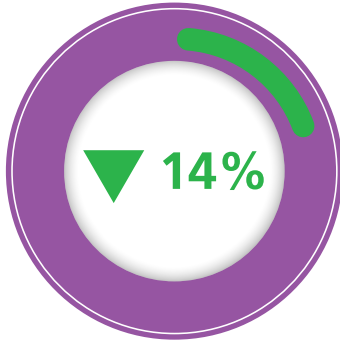
**Chart 2C: Asset and Wealth Management Business Staff Profile – Number of Staff Directly Engaged in Asset Management and Related Support Functions (2022 vs 2021)**



**Section I B**

**Asset  
Management  
and Fund  
Advisory  
Business**

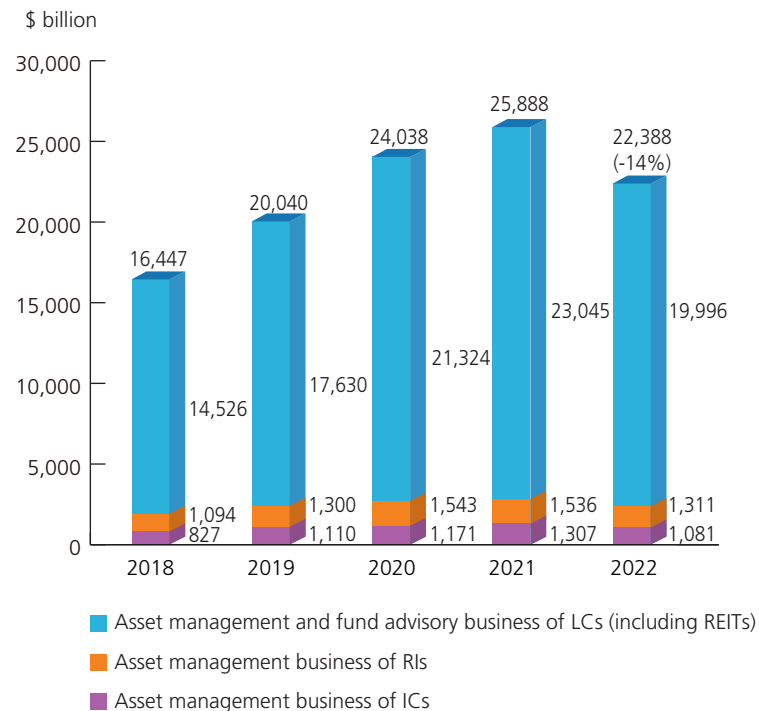
## Asset Management and Fund Advisory Business<sup>13</sup> – An Overview



Asset management and fund advisory business in Hong Kong

3. This section covers the asset management and fund advisory business carried out by licensed corporations, registered institutions and insurance companies. Fund advisory business mainly comprises institutional fund advisory services provided from Hong Kong to overseas management firms.
4. The asset management and fund advisory business recorded a year-on-year decrease of 14% to \$22,388 billion as at 31 December 2022 and net fund outflows of \$33 billion<sup>14</sup> for 2022. The decrease in AUM was mainly due to changes in the values of underlying investments held by clients.

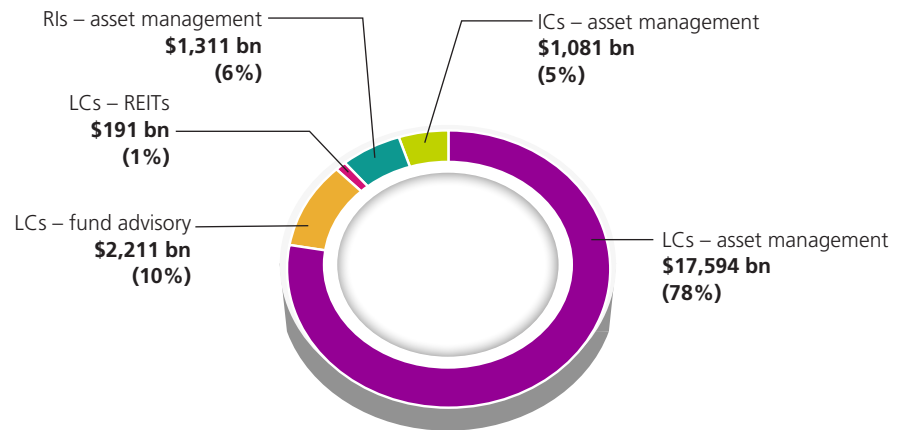
Chart 3A: Asset Management and Fund Advisory Business



<sup>13</sup> See page 54 for the definitions of “asset management” and “fund advisory business”.

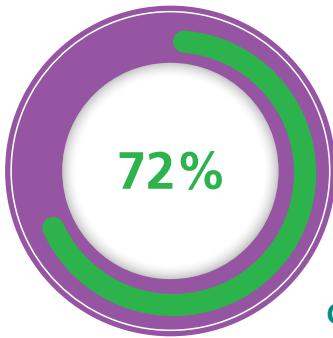
<sup>14</sup> Excludes REITs.

**Chart 3B: Asset Management and Fund Advisory Business (\$22,388 billion)  
– by Market Player**



5. The aggregate asset management and fund advisory business conducted by licensed corporations saw a year-on-year decrease of 13% to \$19,996 billion in 2022.
6. The number of firms licensed to carry out asset management activities (ie, Type 9 regulated activity) increased by 5% to 2,069 as at 31 December 2022 from 1,979 a year earlier. During 2022, the number of individuals licensed for asset management also grew 2% year-on-year from 13,786 to 14,119.

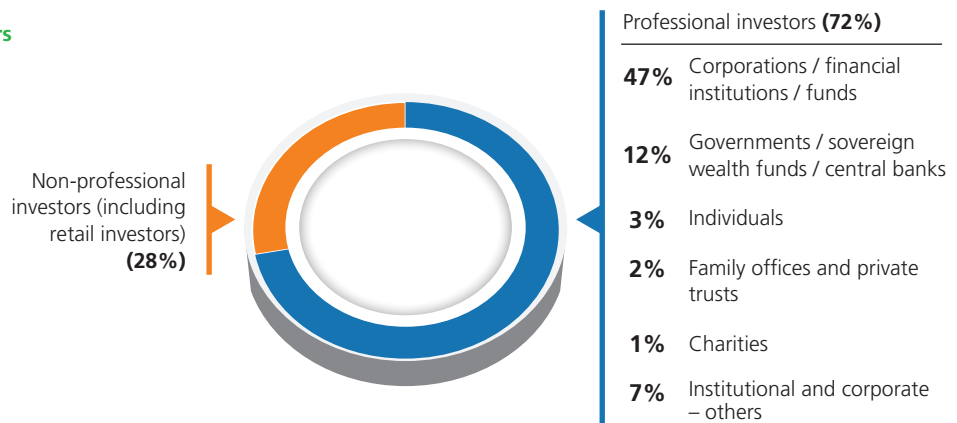
## Asset Management and Fund Advisory Business – Analysis by Client and Product Types



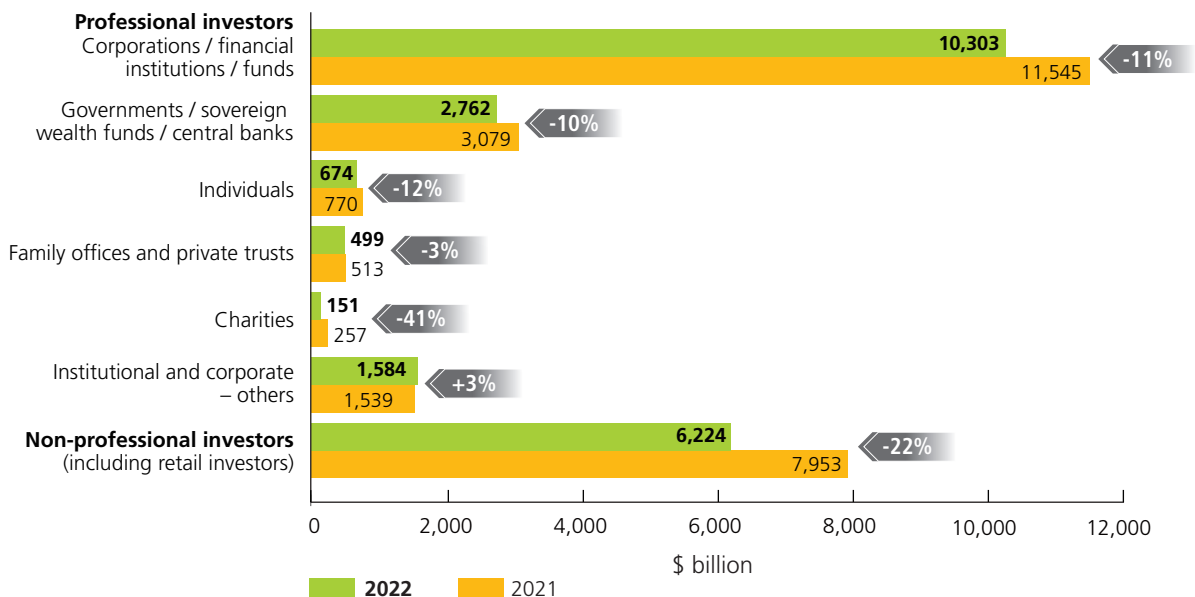
Asset management and fund advisory business from professional investors

7. As at 31 December 2022, professional investors<sup>15</sup> accounted for 72% of the asset management and fund advisory business<sup>16</sup> in Hong Kong. The AUM attributable to professional investors amounted to \$15,973 billion, which was mainly sourced from corporations, financial institutions and funds.

**Chart 4A: Asset Management and Fund Advisory Business<sup>16</sup> (\$22,197 billion) – by Client Type**



**Chart 4B: Asset Management and Fund Advisory Business<sup>16</sup> (\$22,197 billion) – by Client Type (2022 vs 2021)**

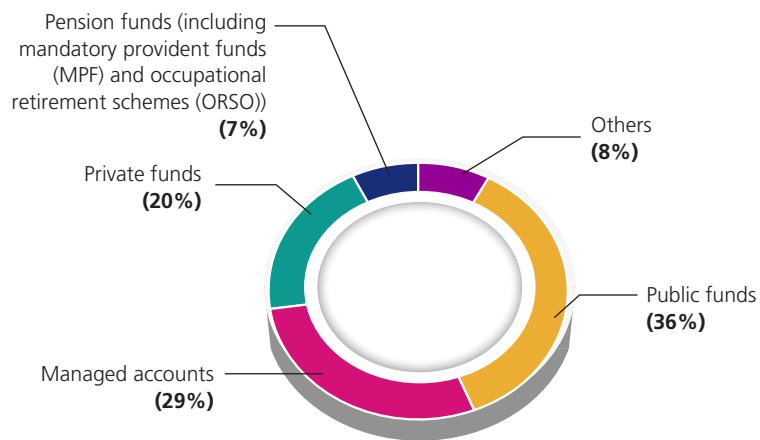


<sup>15</sup> See page 55 for the definition of “professional investors”.

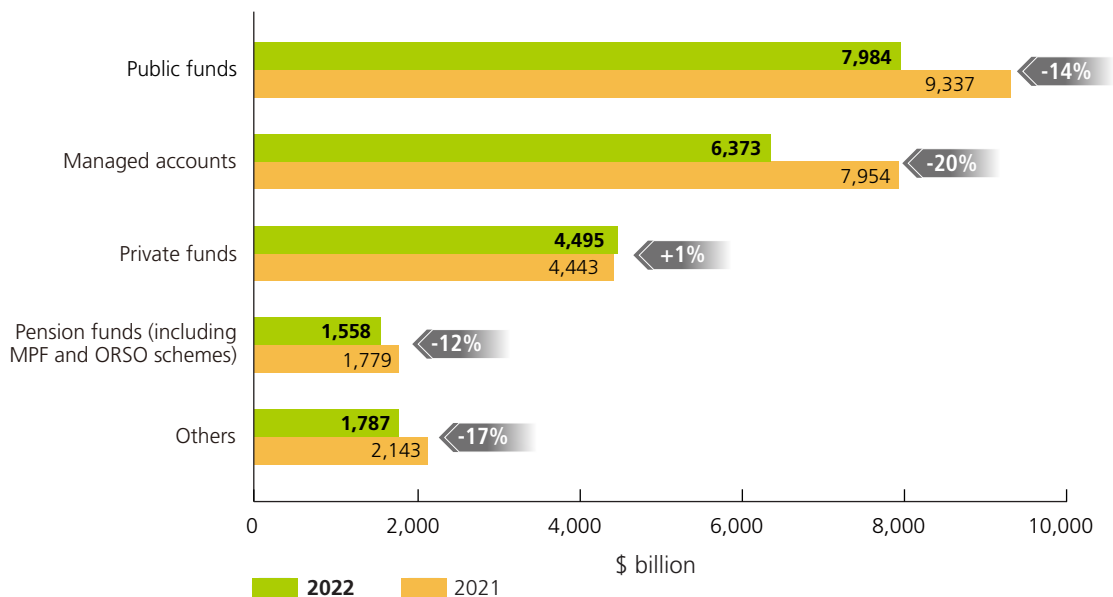
<sup>16</sup> Excludes REITs.

8. Public funds, including both SFC-authorized funds and those from other jurisdictions, accounted for 36% of the asset management and fund advisory business<sup>17</sup> in Hong Kong in 2022, followed by managed accounts (29%) and private funds (20%). Hedge funds (7%) and private equity and venture capital<sup>18</sup> (7%) were included in private funds.

**Chart 5A: Asset Management and Fund Advisory Business<sup>17</sup> (\$22,197 billion) – by Product Type**



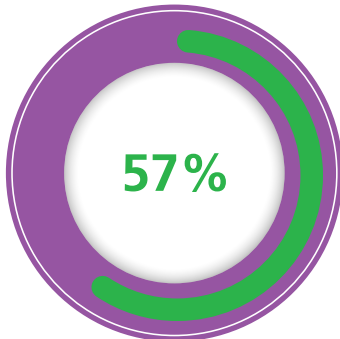
**Chart 5B: Asset Management and Fund Advisory Business<sup>17</sup> (\$22,197 billion) – by Product Type (2022 vs 2021)**



<sup>17</sup> Excludes REITs.

<sup>18</sup> Some private equity firms in Hong Kong are neither LCs nor RIs. According to AVCJ Research, Hong Kong ranked second in Asia after Mainland China in 2022 in terms of the total capital under management by private equity funds (excluding real estate funds), which amounted to US\$212 billion (2021: US\$182 billion).

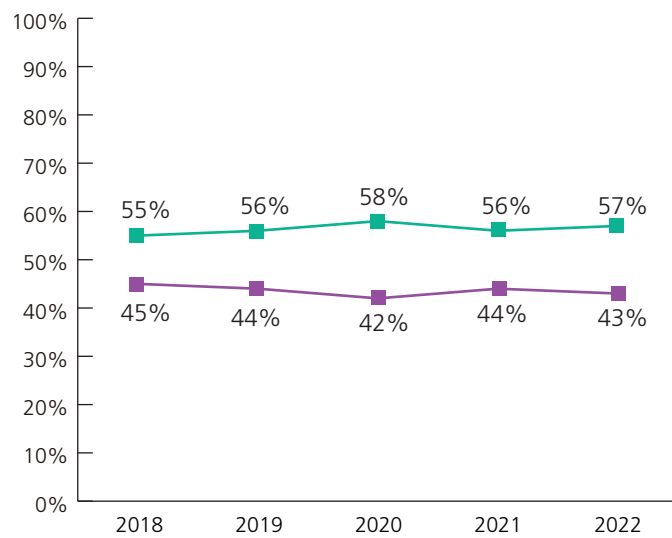
## Asset Management Business<sup>19</sup> – Analysis by Location of Management



Assets managed in Hong Kong

9. As in previous years, more than half of the asset management business was managed in Hong Kong as at 31 December 2022. Assets managed in Hong Kong made up 57% of the overall total<sup>19</sup>.

**Chart 6: Asset Management Business<sup>19</sup> (2022: \$19,986 billion) – by Location of Management**



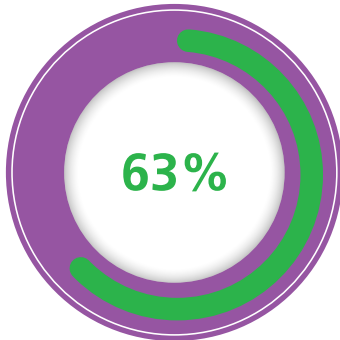
■ Managed in Hong Kong without further delegation

■ Sub-contracted or delegated to other offices or third parties overseas for management

<sup>19</sup> Excludes fund advisory business and REITs.



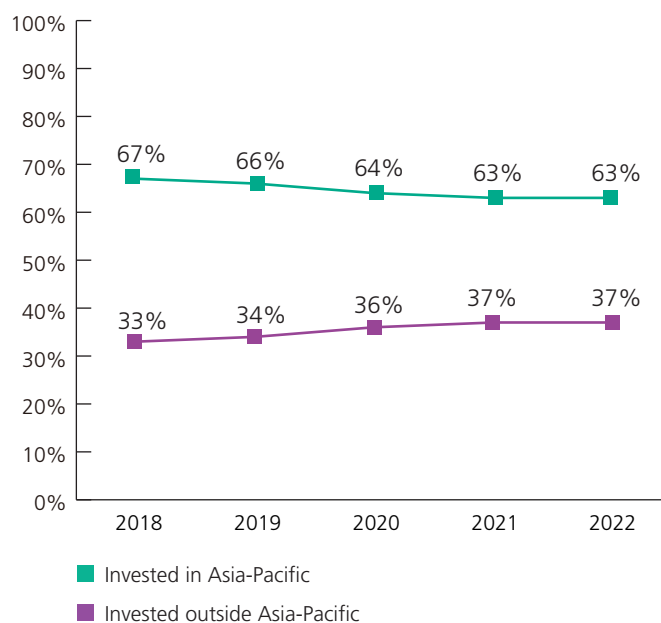
## Assets Managed in Hong Kong<sup>20</sup> – Analysis by Geographical Distribution of Investments



Assets invested in Asia-Pacific

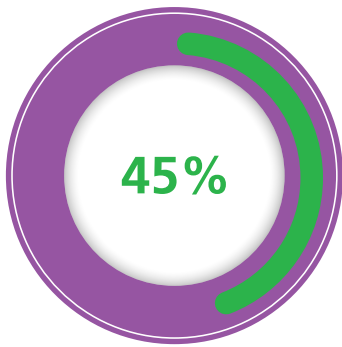
10. Assets managed in Hong Kong<sup>20</sup> decreased by 13% year-on-year from \$13,085 billion in 2021 to \$11,436 billion as at 31 December 2022.

Chart 7A: Assets Managed in Hong Kong<sup>20</sup> (2022: \$11,436 billion) – by Geographical Distribution of Investments



11. Hong Kong managers invested mainly in the Asia-Pacific region, accounting for 63% of the assets managed in Hong Kong<sup>20</sup> in 2022.

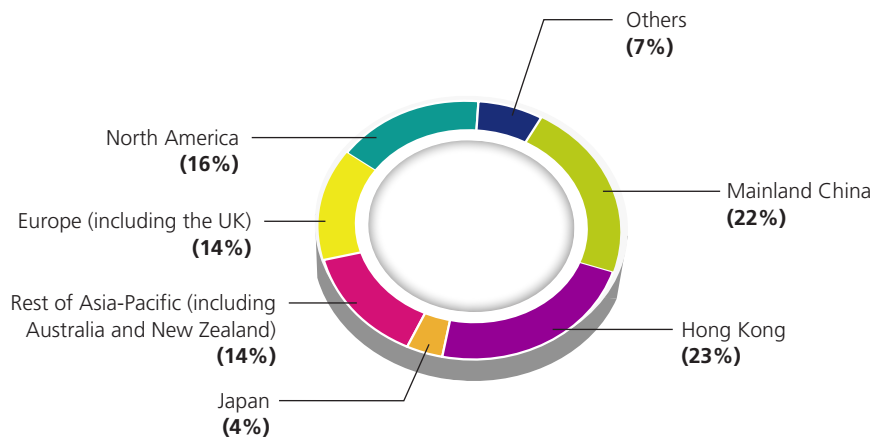
<sup>20</sup> Excludes fund advisory business and REITs.



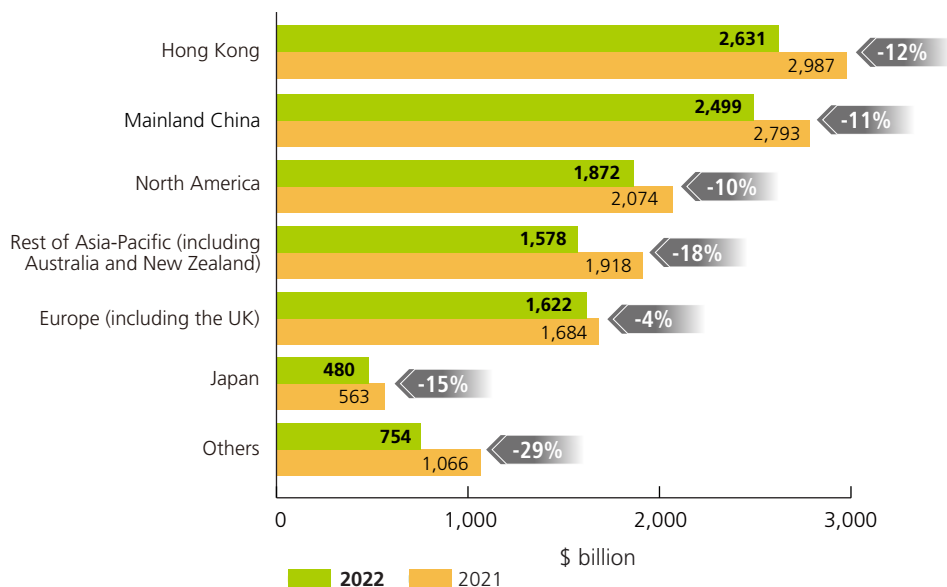
Assets invested in Mainland China and Hong Kong

12. Hong Kong remained a preferred market for fund managers, with investments amounting to \$2,631 billion, representing 23% of all assets managed locally<sup>21</sup> in 2022. Investment allocation to Mainland China remained steady, accounting for 22% of all assets managed in Hong Kong.

**Chart 7B: Assets Managed in Hong Kong<sup>21</sup> (\$11,436 billion) – by Geographical Distribution of Investments**



**Chart 7C: Assets Managed in Hong Kong<sup>21</sup> (\$11,436 billion) – by Geographical Distribution of Investments (2022 vs 2021)**



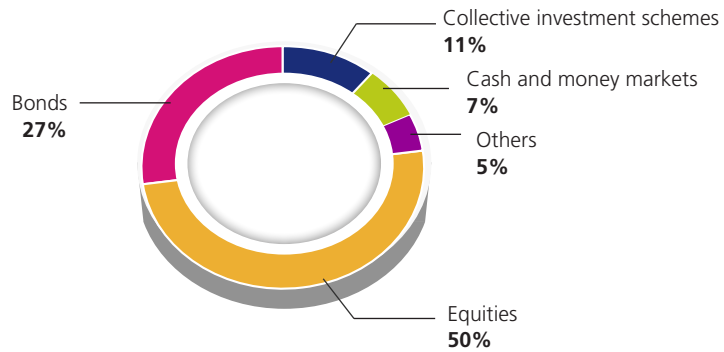
<sup>21</sup> Excludes fund advisory business and REITs.

## Assets Managed in Hong Kong<sup>22</sup> – Analysis of Investments by Asset Class

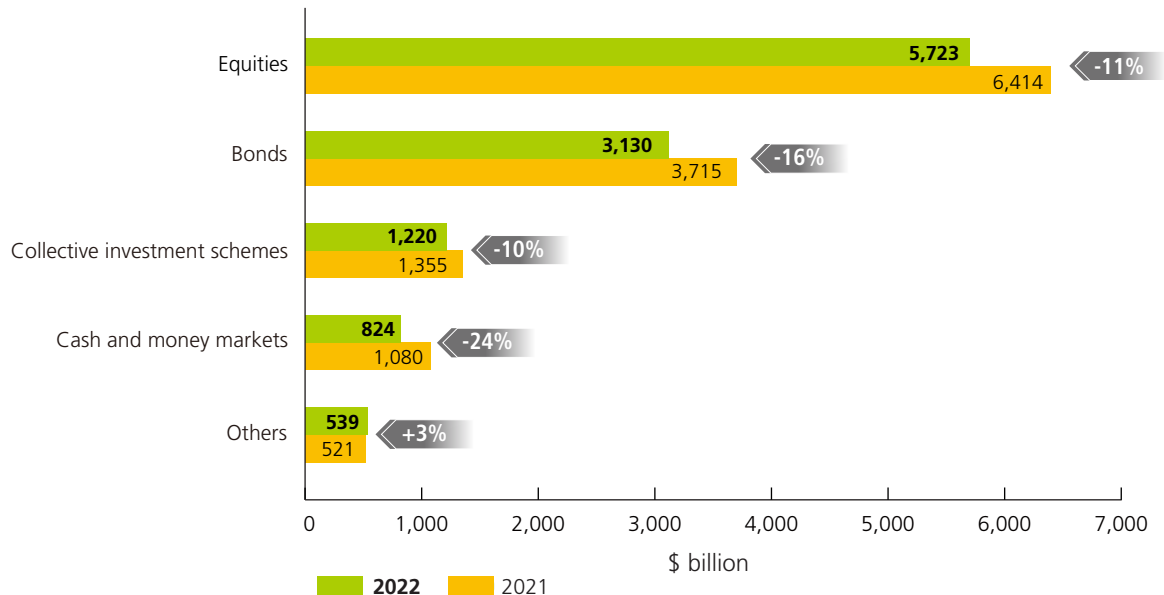


13. As at 31 December 2022, the majority of the assets managed in Hong Kong<sup>22</sup> were invested in equities, accounting for 50% of the total, followed by bonds, which accounted for 27%.

**Chart 8A: Assets Managed in Hong Kong<sup>22</sup> (\$11,436 billion) – by Asset Class**



**Chart 8B: Assets Managed in Hong Kong<sup>22</sup> (\$11,436 billion) – by Asset Class (2022 vs 2021)**



<sup>22</sup> Excludes fund advisory business and REITs.



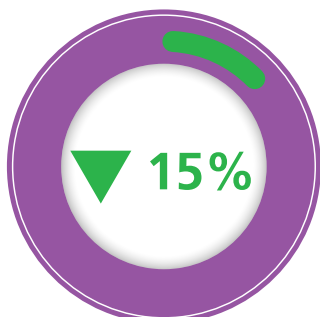
## SFC-authorized REITs

14. Despite a decrease in total market capitalisation in 2022, SFC-authorized REITs remained active in making acquisitions during the year and the aggregate consideration involved exceeded \$22 billion. In 2022 and the first quarter of 2023, over \$32 billion was raised through secondary offerings by listed REITs.

**Section I C**

**Private  
Banking and  
Private Wealth  
Management  
Business**

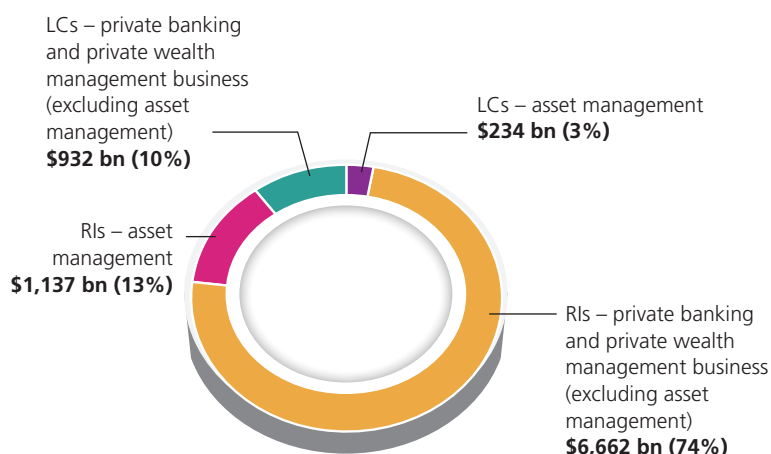
## Private Banking and Private Wealth Management Business<sup>23</sup> – An Overview



Private banking and private wealth management business

15. As at 31 December 2022, the total assets of the private banking and private wealth management business, which included the asset management services provided to private banking clients by licensed corporations and registered institutions, decreased from the previous year by 15% to \$8,965 billion<sup>24</sup>. Net fund inflows amounted to \$121 billion in 2022. The decrease in AUM was mainly due to changes in the values of underlying investments held by clients.
16. 57 licensed corporations and 43 registered institutions reported that they conducted private banking or private wealth management business during the survey period.

### Chart 9: Private Banking and Private Wealth Management Business (\$8,965 billion) – by Market Player



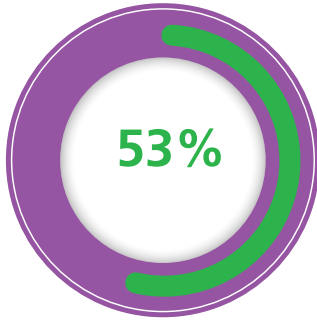
17. As at 31 December 2022, the total number of staff engaged in the private banking and private wealth management business increased 23% to 10,365, of which 3,492 were Private Wealth Management Relevant Practitioners<sup>25</sup>.

<sup>23</sup> See page 54 for the definition of “private banking and private wealth management business”.

<sup>24</sup> This figure represents the total assets under private banking and private wealth management clients’ accounts generated, managed or served by Hong Kong relationship managers of LCs and RIs which are part of a larger banking group, or to which the relationship managers are accountable.

<sup>25</sup> The number of staff engaged in the private banking and private wealth management business in 2022 as reported by registered institutions was 9,143, of which 2,997 were Private Wealth Management Relevant Practitioners.

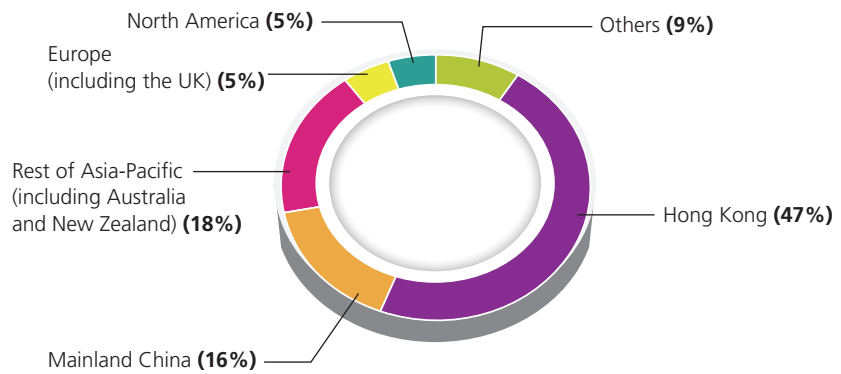
## Private Banking and Private Wealth Management Business – Analysis by Investor Base



Assets sourced from non-Hong Kong investors

18. As at 31 December 2022, 53% of the total AUM by the private banking and private wealth management business were sourced from non-Hong Kong investors, most of which were from the Asia-Pacific region.

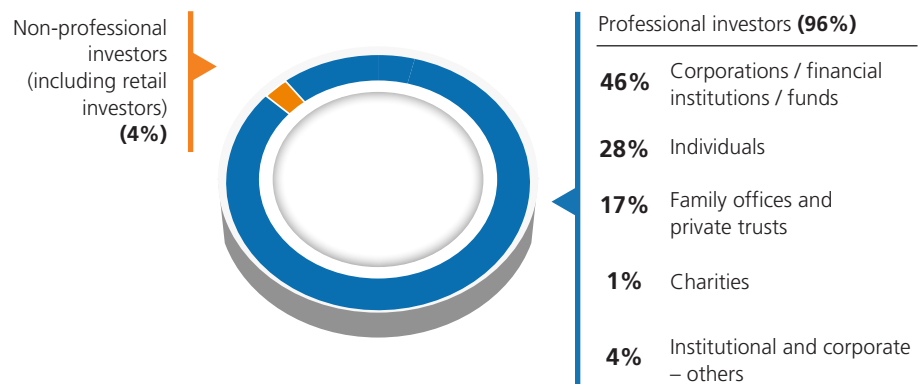
**Chart 10: Private Banking and Private Wealth Management Business (\$8,965 billion) – by Investor Base**



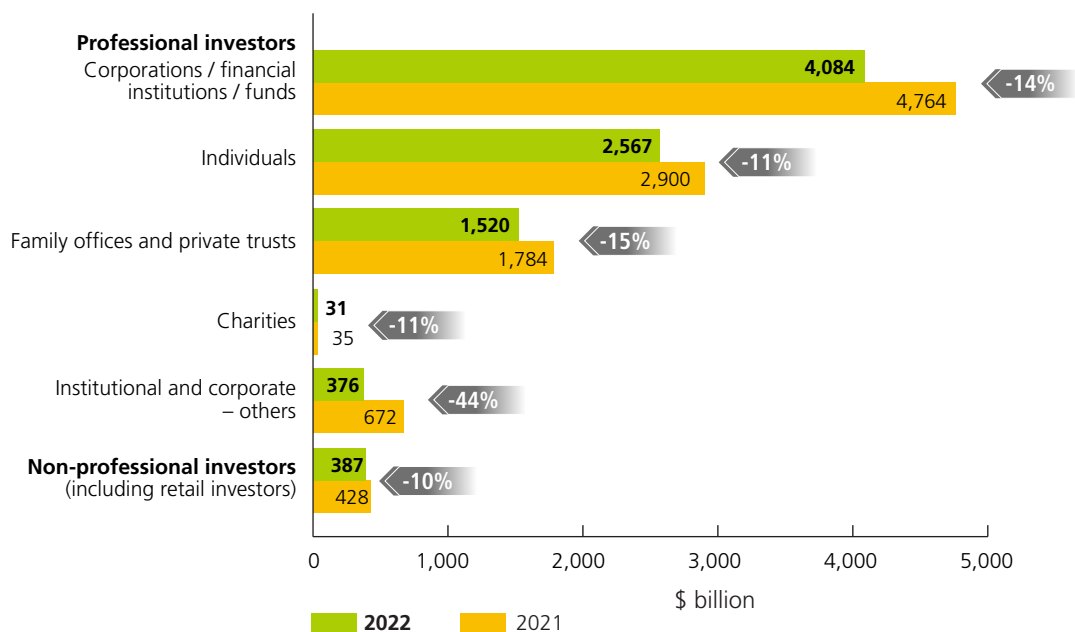
## Private Banking and Private Wealth Management Business – Analysis by Client Type

19. As at 31 December 2022, institutional, corporate and individual professional investors<sup>26</sup> contributed 96% of total AUM.

**Chart 11A: Private Banking and Private Wealth Management Business (\$8,965 billion) – by Client Type**



**Chart 11B: Private Banking and Private Wealth Management Business (\$8,965 billion) – by Client Type (2022 vs 2021)**



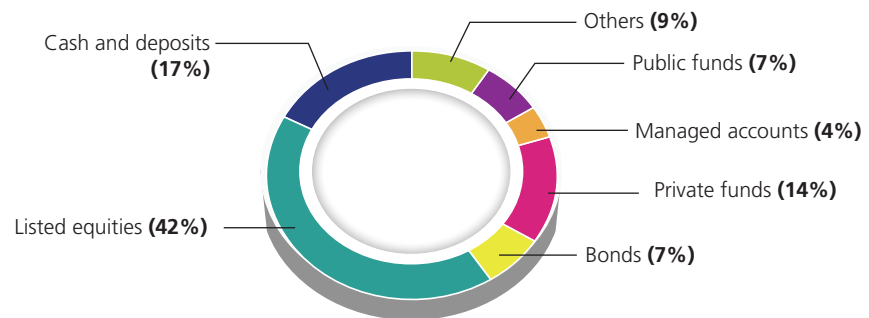
<sup>26</sup> See page 55 for the definition of “professional investors”.



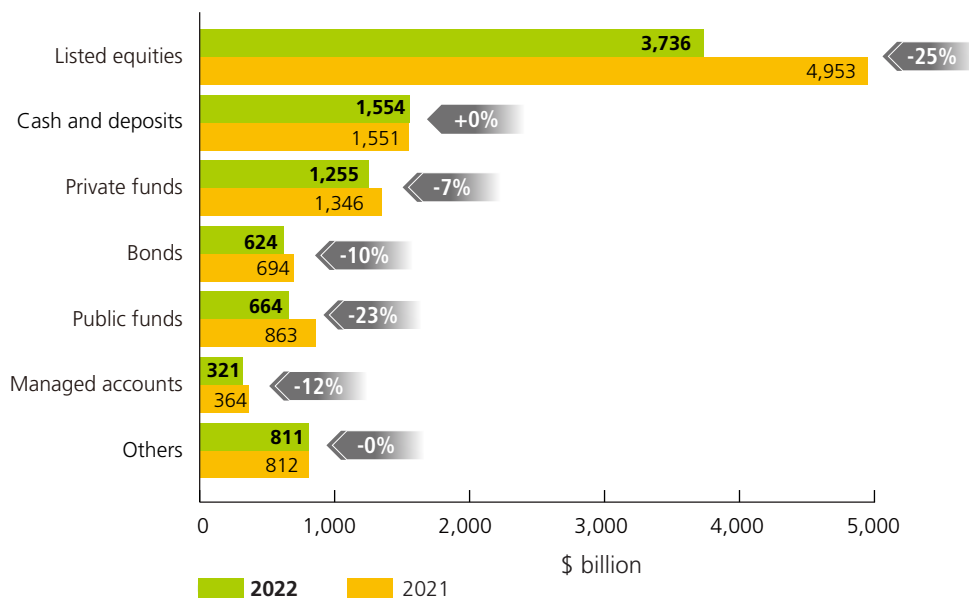
## Private Banking and Private Wealth Management Business – Analysis by Asset and Product Type

20. Listed equities remained the largest portion of invested assets of the private banking and private wealth management business, representing 42% of the total AUM as at 31 December 2022. The remaining assets were diversified into other products, such as private funds (including hedge funds, private equity and venture capital<sup>27</sup>), public funds, bonds, cash and deposits.

**Chart 12A: Private Banking and Private Wealth Management Business (\$8,965 billion) – by Asset and Product Type**

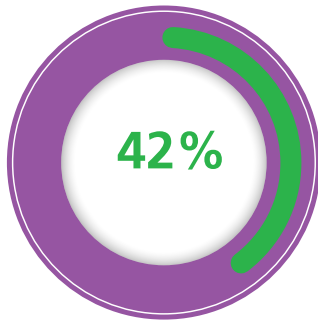


**Chart 12B: Private Banking and Private Wealth Management Business (\$8,965 billion) – by Asset and Product Type (2022 vs 2021)**



<sup>27</sup> Some private equity firms in Hong Kong are neither LCs nor RIs. According to AVCJ Research, Hong Kong ranked second in Asia after Mainland China in 2022 in terms of the total capital under management by private equity funds (excluding real estate funds), which amounted to US\$212 billion (2021: US\$182 billion).

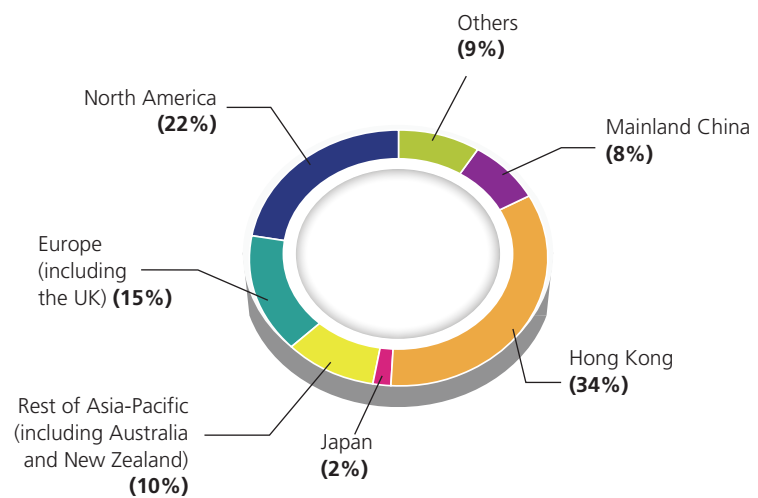
## Private Banking and Private Wealth Management Business – Analysis by Geographical Distribution



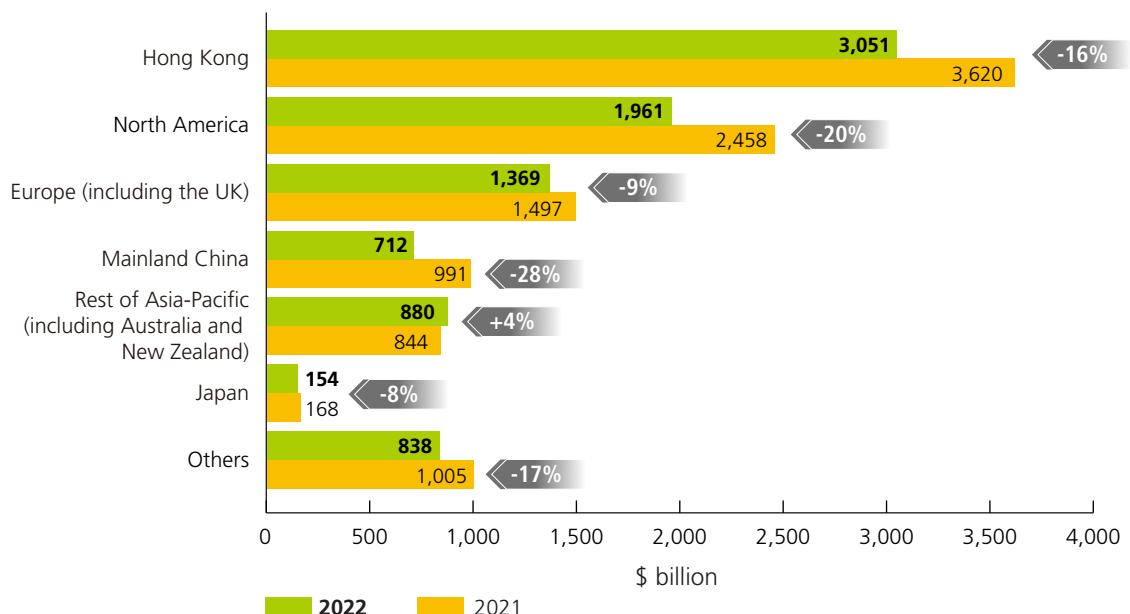
Assets invested in Mainland China and Hong Kong

21. In 2022, 54% of the AUM of the private banking and private wealth management business was invested in the Asia-Pacific region, with 42% invested in Mainland China and Hong Kong.

**Chart 13A: Private Banking and Private Wealth Management Business (\$8,965 billion) – by Geographical Distribution of Investments**



**Chart 13B: Private Banking and Private Wealth Management Business (\$8,965 billion) – by Geographical Distribution of Investments (2022 vs 2021)**



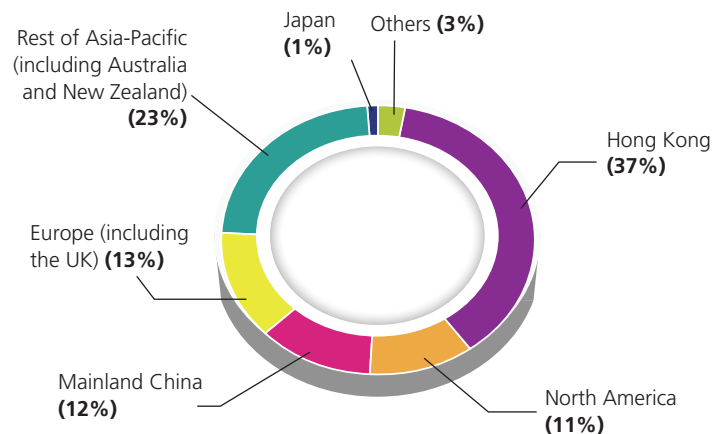
**Section I D**

# **Assets Held under Trusts**

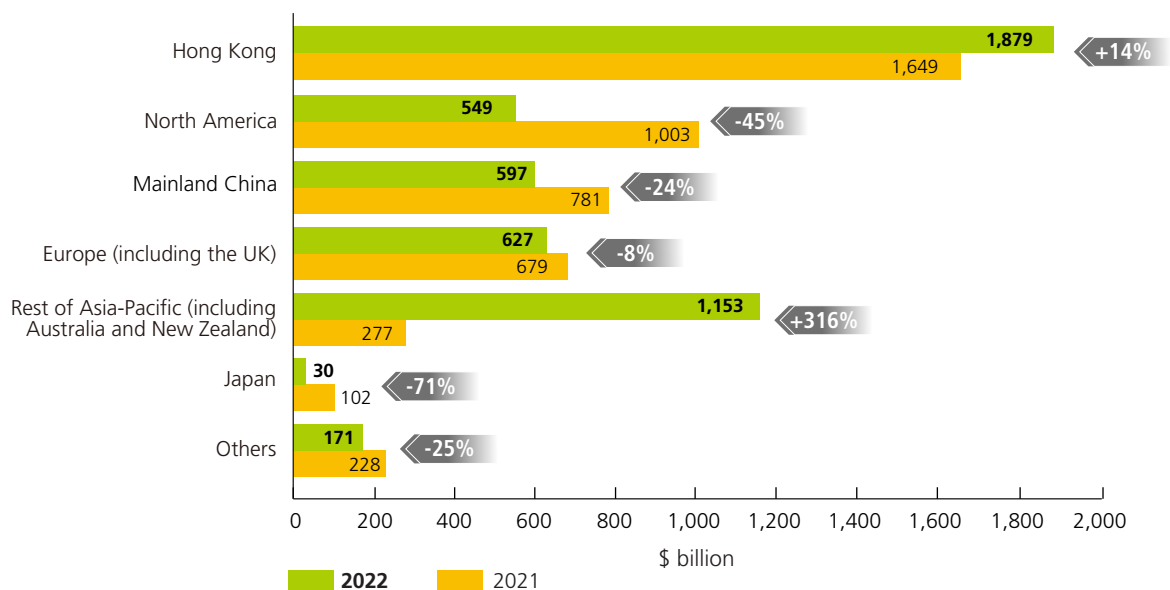
## Assets Held under Trusts

22. Assets held under trusts<sup>28</sup> in Hong Kong amounted to \$5,006 billion as at 31 December 2022, up 6% from a year earlier. 89% of the assets held under trusts (ie, \$4,447 billion) were managed by LCs or RIs.
23. Of the total assets held under trusts as at 31 December 2022, 49% were in Mainland China and Hong Kong.

**Chart 14A: Assets Held under Trusts (\$5,006 billion) – by Geographical Distribution of Investments**



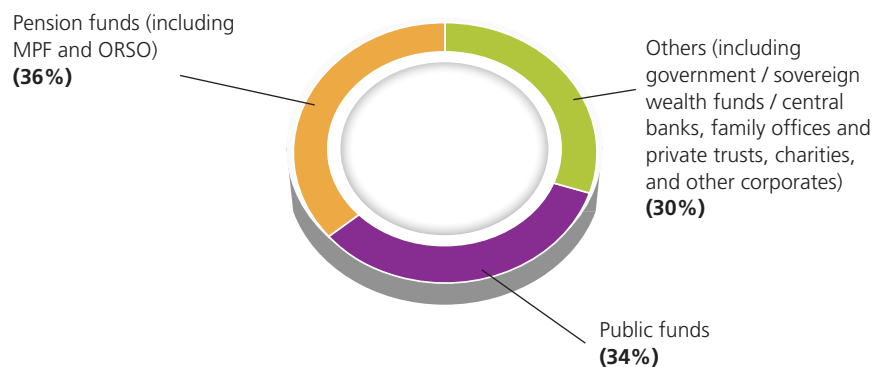
**Chart 14B: Assets Held under Trusts (\$5,006 billion) – by Geographical Distribution of Investments (2022 vs 2021)**



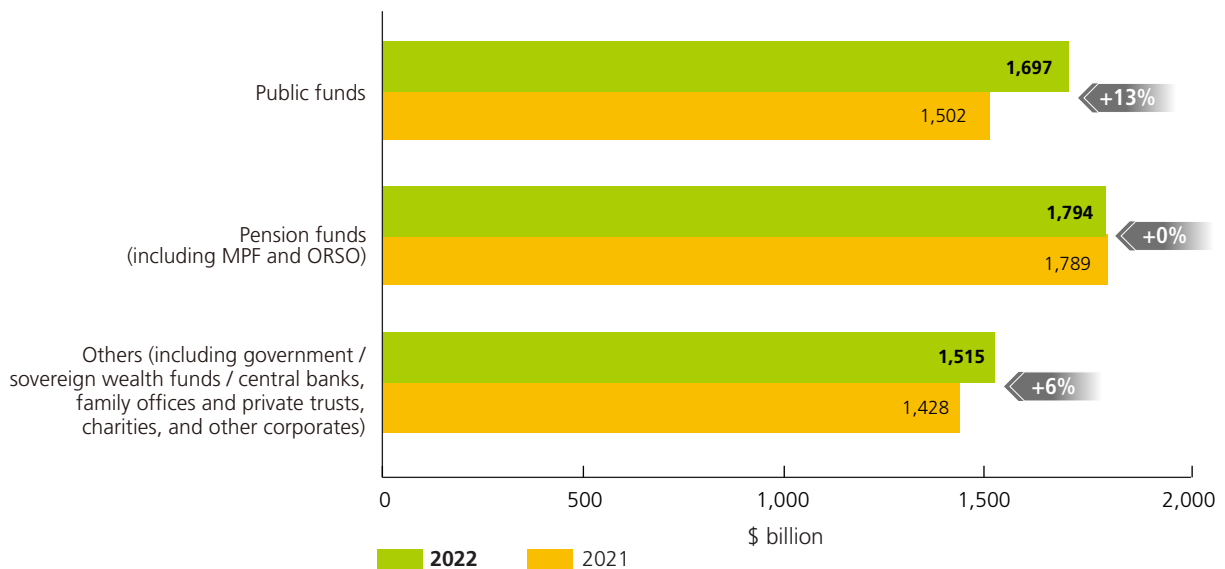
<sup>28</sup> Assets held under trusts represent assets held by trustees for their trust related business in Hong Kong regardless of where the assets are geographically situated. These include offshore trusts administered in Hong Kong.

24. Public funds and pension funds, including mandatory provident funds (MPF) and occupational retirement schemes (ORSO), accounted for 70% of the assets held under trusts as at 31 December 2022.

**Chart 15A: Assets Held under Trusts (\$5,006 billion) – by Client Type**



**Chart 15B: Assets Held under Trusts (\$5,006 billion) – by Client Type (2022 vs 2021)**



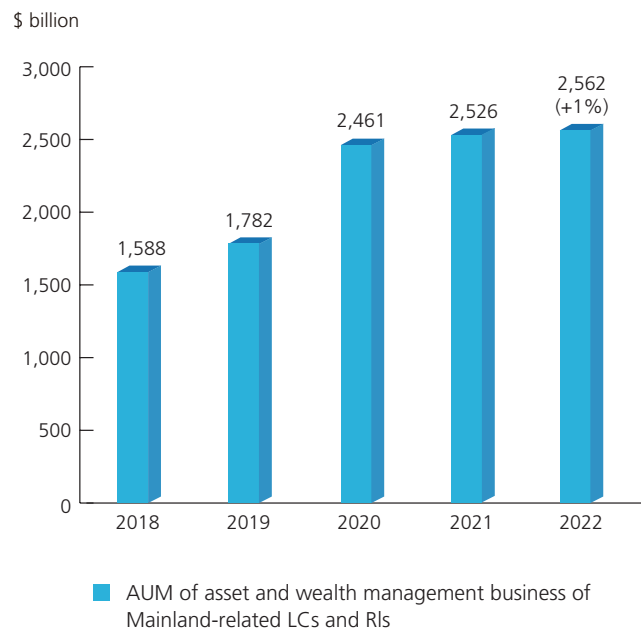
Section I E

**Asset and  
Wealth Management  
Business of  
Mainland-related  
Firms**

## Asset and Wealth Management Business of Mainland-related LCs and RIs

25. Amidst the volatile global markets and the 14% year-on-year decrease in AUM of Hong Kong's asset and wealth management business in 2022, the asset and wealth management business of Mainland-related LCs and RIs increased year-on-year by 1%, and recorded net fund inflows of \$132 billion.

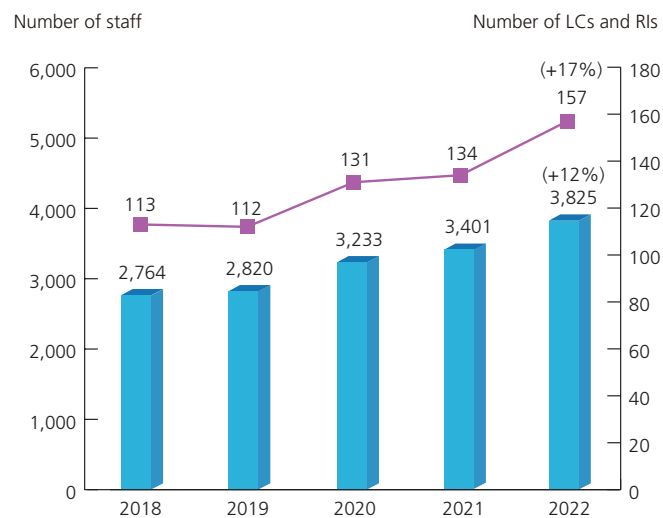
**Chart 16: AUM of Asset and Wealth Management Business of Mainland-related LCs and RIs**



## Asset and Wealth Management Business of Mainland-related LCs and RIs

26. The number of Mainland-related LCs and RIs in asset and wealth management business and their staff increased year-on-year by 17% and 12%, respectively.

**Chart 17: Number of Mainland-related LCs and RIs and Number of their Staff Engaged in Asset and Wealth Management Business**

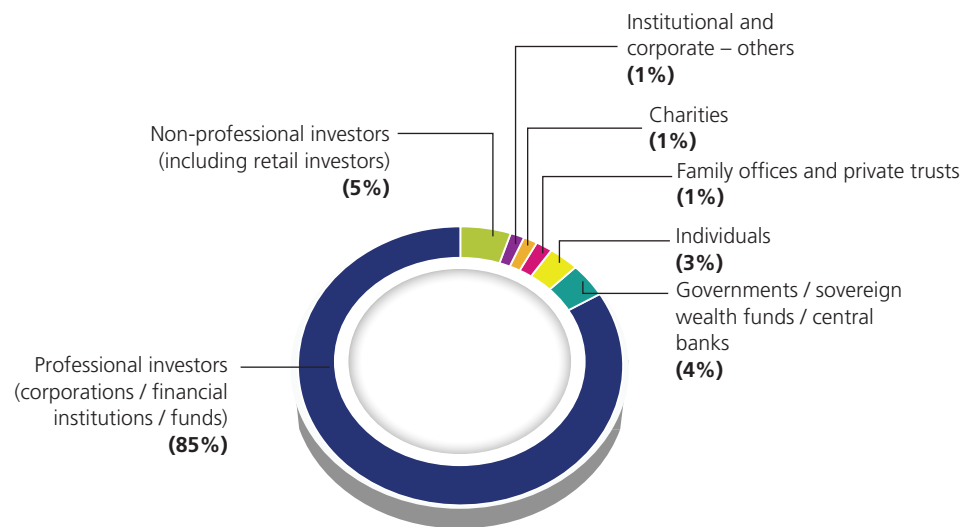


- Number of Mainland-related LCs and RIs engaged in asset and wealth management business
- Number of staff of Mainland-related LCs and RIs engaged in asset and wealth management business

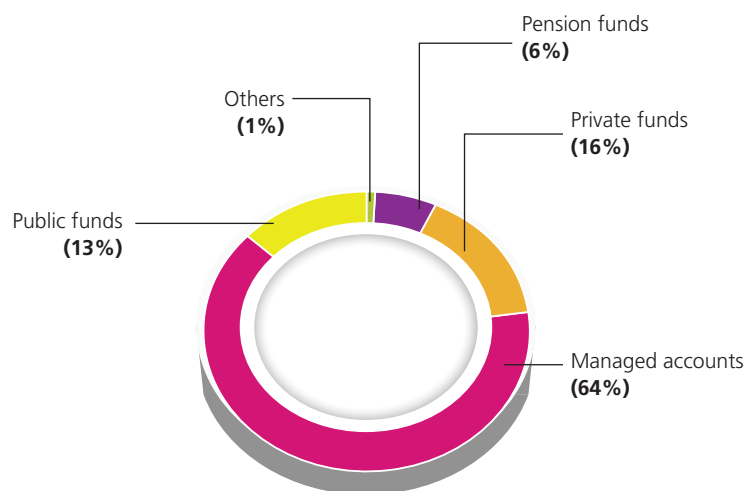


## Asset Management and Fund Advisory Business of Mainland-related LCs and RIs – Analysis by Client and Product Types

**Chart 18: Asset Management and Fund Advisory Business of Mainland-related LCs and RIs (\$2,059 billion) by Client Type**



**Chart 19: Asset Management and Fund Advisory Business of Mainland-related LCs and RIs (\$2,059 billion) by Product Type**



## Section II

# Hong Kong as the Pre-eminent Offshore Renminbi Centre

## II. Hong Kong as the Pre-eminent Offshore Renminbi Centre

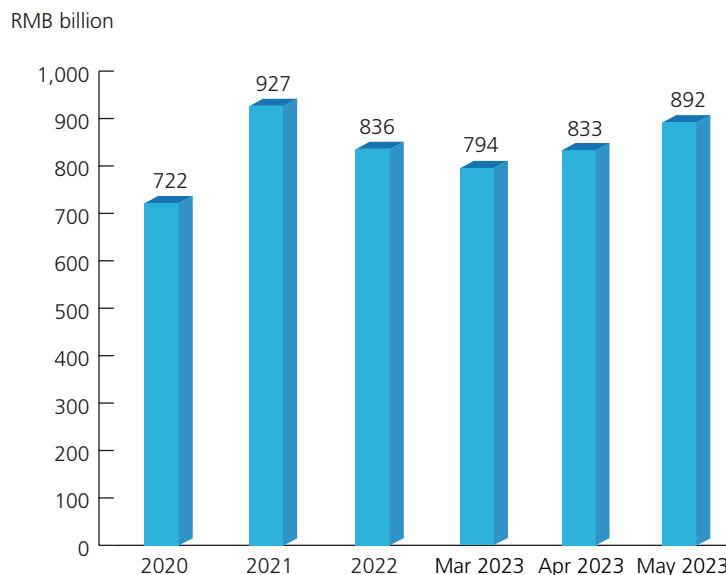
Hong Kong remains the pre-eminent offshore renminbi (RMB) centre offering a wide range of RMB financial products and a liquid RMB ecosystem.

Hong Kong is home to the world’s largest RMB deposit pool which accounts for about 60% of all offshore RMB deposits. The pool reached RMB891.7 billion as at end-May 2023 with a 7% increase from end-December 2022. The city has also been the most important offshore RMB clearing hub, handling over 70% of global RMB payments. The abundance of liquidity provides the necessary support to the growth of Hong Kong’s offshore RMB bonds (or dim sum bonds). In 2022, the issuance of offshore RMB bonds in Hong Kong reached RMB330 billion with a year-on-year increase of more than 100%. By end-March 2023, the bond market had over RMB540 billion of outstanding dim sum bonds and another RMB80 billion of outstanding bills issued by the People’s Bank of China.

The continuous enhancements and expansion of various Mainland-Hong Kong mutual market access schemes have widened the spectrum of RMB products and asset allocation tools, facilitating offshore and cross-boundary RMB circulations.

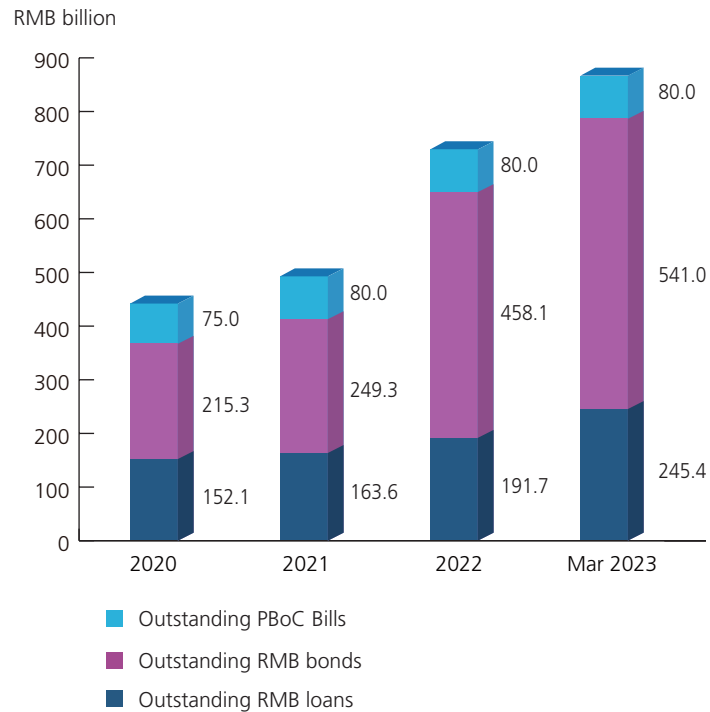
New initiatives have been implemented recently to bring the Mainland-Hong Kong connectivity to new heights. With the introduction of northbound trading of Swap Connect in May 2023, new risk management tools are available in Hong Kong for meeting the demand from international investors.

**Chart 20: RMB Deposits**



Source: Hong Kong Monetary Authority

**Chart 21: RMB Financing Activities in Hong Kong**



Source: Hong Kong Monetary Authority  
(Figures as at 31 March for 2023 and 31 December for 2022, 2021 and 2020)

## HKD-RMB Dual Counter Stock Trading

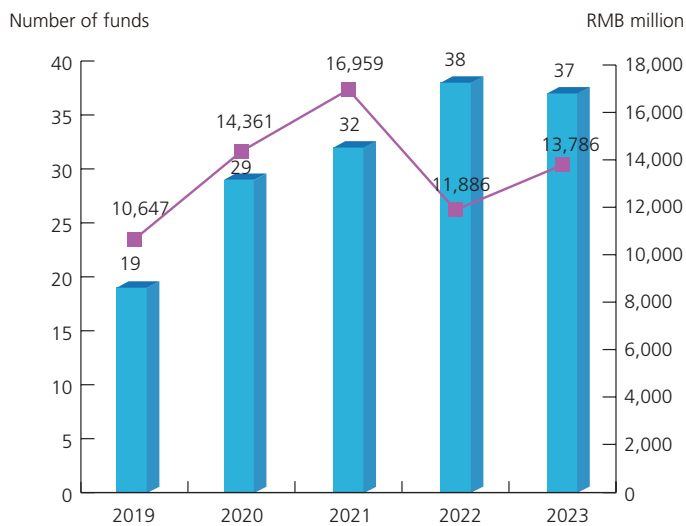
The HKD-RMB dual counter model introduced to the Hong Kong stock market also allows investors to invest their RMB in Hong Kong’s domestic stock market, providing listed companies with an additional channel to tap the offshore RMB pool in Hong Kong. As at 30 June 2023, 24 Hong Kong-listed companies were traded as dual counter securities, representing about 40% of the Hong Kong stock market capitalisation.

Moreover, the SFC has been working with the CSRC and other key stakeholders on the inclusion of RMB-denominated securities under Southbound Trading of Stock Connect, which will further strengthen the status of Hong Kong as a leading offshore RMB centre around the globe.

## MRF between the Mainland and Hong Kong

Under the Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme, 47 Mainland MRF funds were authorised by the SFC and 37 Hong Kong MRF funds were approved by the China Securities Regulatory Commission (CSRC) as of 31 March 2023. The AUM of Hong Kong MRF funds attributable to Mainland investors increased 16% to RMB13,786 million as at 31 March 2023, whilst the AUM of Mainland MRF funds attributable to Hong Kong investors declined 9% to RMB1,130 million.

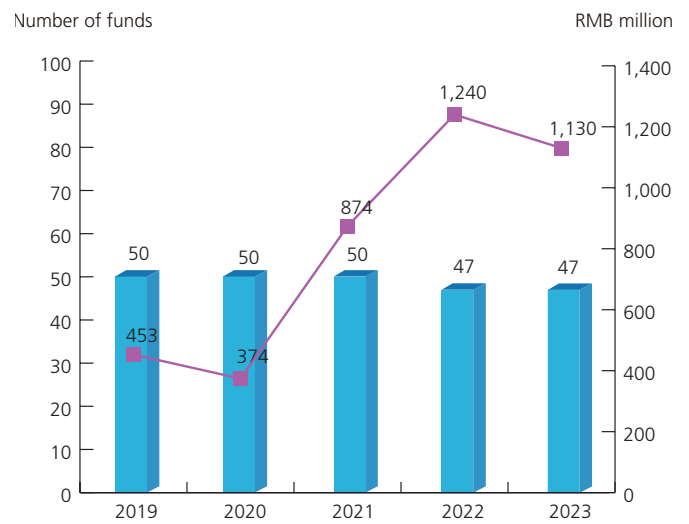
### Chart 22: Hong Kong MRF Funds



- AUM of MRF funds attributable to Mainland investors
- Number of Hong Kong MRF funds approved

(Figures as at 31 March for 2023 and 2022, 26 March for 2021, 27 March for 2020 and 31 March for 2019)

### Chart 23: Mainland MRF Funds

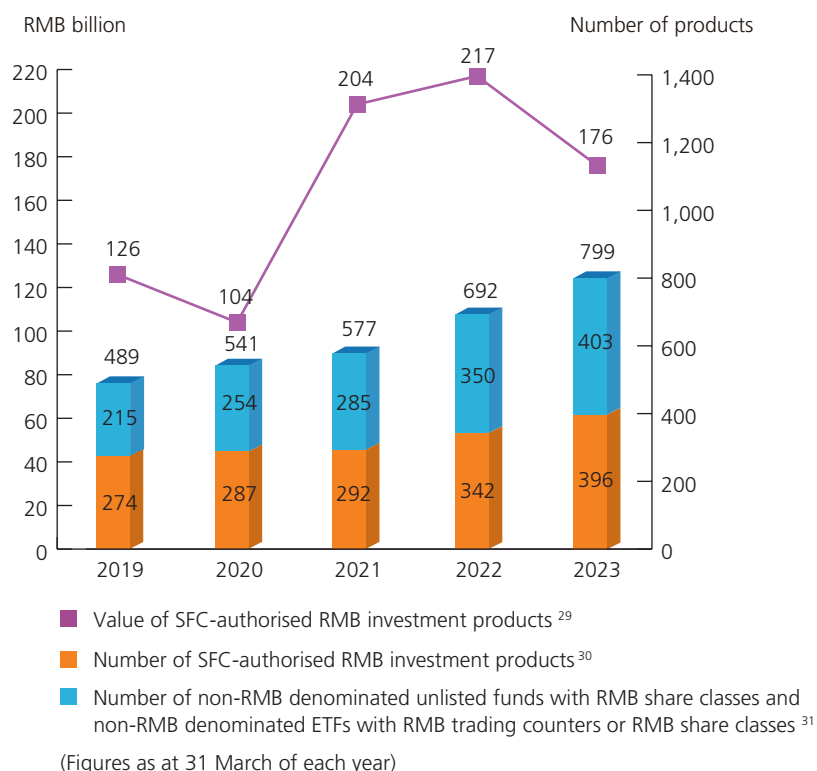


- AUM of MRF funds attributable to Hong Kong investors
- Number of Mainland MRF funds authorised

(Figures as at 31 March for 2023 and 2022, 26 March for 2021, 27 March for 2020 and 31 March for 2019)

## Retail RMB-denominated and Related Products

**Chart 24: Number and Value of SFC-authorized RMB Investment Products**



<sup>29</sup> Comprising:

- net asset value of (i) exchange-traded funds (ETFs) (RMB-denominated) primarily investing in the onshore Mainland securities markets through the Qualified Foreign Investor (QFI) regime, Stock Connect, Bond Connect and the China Interbank Bond Market (CIBM) or offshore RMB bonds, fixed income instruments or other securities; (ii) unlisted funds (RMB-denominated) primarily investing in the onshore Mainland securities markets through QFI, Stock Connect, Bond Connect and CIBM or offshore RMB bonds, fixed income instruments or other securities; (iii) recognised Mainland funds under the Mainland-Hong Kong MRF attributable to Hong Kong investors; (iv) RMB gold ETFs; and (v) RMB leveraged and inverse (L&I) products;
- outstanding amount of unlisted structured investment products issued in RMB;
- RMB-denominated account exposure of paper gold schemes with RMB features;
- market capitalisation of RMB REITs; and
- aggregate net asset value of RMB-denominated share classes of unlisted funds (non-RMB denominated) which were offered to Hong Kong investors.

<sup>30</sup> This represents the number of SFC-authorized RMB Investment Products mentioned in (a) to (d) of note 29 above.

<sup>31</sup> This represents the number of SFC-authorized RMB Investment Products mentioned in (e) of note 29 above, and the number of ETFs (non-RMB denominated) with RMB trading counters or RMB share classes.

## Section III

# Recent Developments and Outlook

### III. Recent Developments and Outlook

#### Facilitating the development of the asset and wealth management industry in Hong Kong

##### Family offices and other tax initiatives

The family office business is becoming an increasingly important sector in the asset and wealth management industry. To support the initiative to create a conducive and competitive environment for global family offices to thrive in Hong Kong, the Government provided profits tax concession to eligible family-owned investment holding vehicles managed by single family offices in Hong Kong for years of assessment on or after 1 April 2022. In addition, to help the industry and the public better understand the SFC's licensing regime, we published quick reference guides to provide more regulatory guidance to support family offices seeking to operate in Hong Kong.

The SFC also actively participates in the Government's review of the existing tax concession regimes for funds and carried interest in response to the industry's feedback. These initiatives would complement Hong Kong's competitive advantages and enhance the competitiveness of our tax regime for the asset and wealth management sector.



## ETF Connect

ETF Connect allows Mainland and Hong Kong investors to trade eligible ETFs listed on each other's market through their local brokers. Launched on 4 July 2022, the scheme made fund products eligible for trading under Stock Connect for the first time, marking a key milestone in mutual market access.

ETF Connect started solidly in July 2022, and has continued to maintain strong momentum. As the debut year came to a close, the average daily turnover of Southbound ETF trading reached \$4.64 billion in June 2023 – 21 times of that in July 2022, contributing 18.4% of these eligible Hong Kong ETFs' trading during the month. The connectivity has played a vital role in driving an aggregate inflow of \$42.5 billion into the eligible ETFs since their inclusion under the scheme, representing 22% of their total AUM as of 30 June 2023. Currently, there are six Hong Kong ETFs eligible for southbound trading under the scheme and 131 Mainland ETFs (including 76 on the Shanghai Stock Exchange and 55 on the Shenzhen Stock Exchange) eligible for northbound trading.

By attracting more capital and liquidity, ETF Connect supports the growth of Hong Kong as an ETF hub in the Asia Pacific region. It also reinforces Hong Kong's role as a unique platform connecting Mainland markets with international investors.

### Greater Bay Area Wealth Management Connect

The Greater Bay Area Wealth Management Connect (WMC) scheme helps asset managers in Hong Kong expand their investor base by making eligible SFC-authorized Hong Kong-domiciled funds available to Mainland investors in the Guangdong-Hong Kong-Macao Greater Bay Area.

Since the scheme's launch, both northbound and southbound investment showed a steady increase, with the number of participating investors growing by 55,500 and total cross-boundary remittance reaching around RMB4.7 billion.

To enhance the scheme, the SFC is working closely with the Hong Kong Monetary Authority (HKMA) and Mainland regulators to explore expanding the scope of eligible investment products, allowing more firms to participate and improving product distribution arrangements.

### ETFs and leveraged and inverse products

As of 30 June 2023, 174 SFC-authorized ETFs were listed on the Stock Exchange of Hong Kong Limited (SEHK), including 25 leveraged and inverse (L&I) products, with total market capitalisation of \$362 billion (June 2022: \$414 billion). During the year ended 30 June 2023, net inflows of \$37.9 billion to these ETFs and L&I products were recorded. Their average daily turnover increased 31% year-on-year to \$13 billion.

The SFC authorised the first green bond ETF tracking the Bloomberg MSCI Asia ex Japan USD Green Bond Index in July 2022.

The SFC also worked with SEHK to enhance the ETF market infrastructure by including actively traded ETFs and L&I products under the volatility control mechanism<sup>32</sup> since May 2022.

<sup>32</sup> The volatility control mechanism provides a temporary cooling off period when a security or futures contract experiences extreme price volatility, a price limit is set to confine trading within a specified price range.

### Virtual asset futures ETFs

Following a circular issued in October 2022 setting out our requirements for authorising ETFs with exposure to virtual assets through futures, the SFC authorised the first batch of virtual asset futures ETFs during the year. These ETFs primarily invest in virtual asset futures traded on the Chicago Mercantile Exchange including the world's first ether futures ETF and Asia's first bitcoin futures ETF. The SFC worked closely with the Investor and Financial Education Council (IFEC) to produce investor education materials explaining the key features and risks of these novel ETFs.

## Mutual recognition of funds

The SFC promotes cross-border offerings of eligible Hong Kong public funds to the Mainland and other overseas markets through mutual recognition arrangements. This broadens the investor base for Hong Kong public funds, strengthens Hong Kong's position as a competitive global asset and wealth management centre and supports the development of local investment expertise.

As part of its efforts to expand market access for public funds, the SFC maintains discussions with the CSRC to enhance the Mainland-Hong Kong MRF scheme, including relaxing the sales limit and restrictions for overseas delegation.

Under the scheme, there were 47 Mainland MRF funds authorised by the SFC and 37 Hong Kong MRF funds approved by the CSRC as of 31 March 2023 and the aggregate cumulative net subscription for both Mainland and Hong Kong MRF funds was about RMB15.7 billion. For the year ended 31 March 2023, Mainland MRF funds recorded a net redemption of around RMB20.6 million whilst Hong Kong MRF funds recorded a net subscription of around RMB2.5 billion.

In late 2022, the CSRC accepted retail SFC-authorised approved pooled investment funds offered to the public in Hong Kong that fulfil MRF eligibility requirements for registering with the CSRC for public offering in the Mainland via the scheme. Updated frequently asked questions (FAQs) were issued in November 2022 to provide more clarity about the requirements for pooled investment funds authorised by the SFC for public offering in Hong Kong to apply for registration with the CSRC under the MRF regime.

### Open-ended fund companies

During the year ended 31 March 2023, the SFC registered 69 OFCs with 126 sub-funds, including 37 SFC-authorized funds which comprised 10 ETFs with a total market capitalisation of over \$250 million. The SFC registered four re-domiciled private OFCs between April 2022 and June 2023.

The SFC administers the Government's grant scheme for OFCs, which has been well received by the asset management industry with the number of registered OFCs increasing by more than eight times since the grant scheme's introduction in May 2021.

OFCs are now eligible under the WMC scheme, Mainland-Hong Kong ETF cross-listing initiative and ETF Connect. This will provide the impetus for continued growth. The SFC is working closely with the Government to refine the OFC regime with a focus on winding-up procedures, register inspections, anti-money laundering and counter-financing of terrorism.

### Real Estate Investment Trusts

To bolster the competitiveness of the Hong Kong REIT market, the SFC is working on legislative amendments to introduce a statutory compulsory acquisition regime and a scheme of arrangement mechanism for REITs. These will help facilitate takeovers and mergers of REITs and put them on a level playing field with other Hong Kong listed companies.

With a fast-growing Mainland REIT market, the SFC expects to see more opportunities and greater connectivity in the long run. The SFC will continue to work with Mainland regulators to explore potential regulatory cooperation and connectivity between Hong Kong and Mainland REITs.

## Enhancing the regulatory regime for better investor protection

### Investment-linked assurance schemes

Starting from 30 April 2023, all Investment-linked assurance scheme (ILAS) products offered to the Hong Kong public must comply with enhanced requirements<sup>33</sup>, unless an extension is granted by the SFC. To facilitate a smooth transition, the SFC engaged with the industry and published additional FAQs to provide additional guidance. As of 30 June 2023, the SFC authorised 16 ILAS under the enhanced requirements.

The enhanced ILAS authorisation process, introduced in November 2021, has significantly shortened approval time. As of 30 June 2023, the average processing time for new ILAS applications under the enhanced process decreased by 58%, from 4.8 months to 2 months. The SFC also worked with the IFEC to promote the public's understanding of ILAS.

<sup>33</sup> The enhancements foster better investor protection by requiring ILAS fees and charges to be commensurate with comparable alternative products and aligned with the insurance protection offered, as well as by reducing product complexity and enhancing disclosures relating to fees.

### **Licensing/ registration of depositories of SFC-authorized funds**

The SFC engaged with the industry and worked closely with the HKMA to prepare for the introduction of the new Type 13 regulated activity (RA 13), which will bring depositories of SFC-authorized funds under the SFC's direct supervision. In March 2023, the SFC released consultation conclusions on proposed amendments to subsidiary legislation and SFC codes and guidelines to implement the regime. Following completion of the legislative process, RA 13 will come into operation on 2 October 2024. The SFC has provided guidance to the depository industry via a workshop in June 2023 and will issue FAQs to facilitate the transition to the new regime.

### **Pooled retirement funds**

The 12-month transitional period for pooled retirement funds and their underlying investment portfolios and key operators to comply with the revised Code on Pooled Retirement Funds ended on 30 November 2022. The revisions were made to strengthen investor protection and ensure the regulations for these funds are up-to-date and fit for purpose.



## Fostering the development of green and sustainable finance

### Asset managers

The SFC's revised Fund Manager Code of Conduct took effect on 20 November 2022. It requires fund managers to systematically assess climate-related risks associated with their investment strategies and portfolios and provide investors with appropriate disclosures. The SFC is closely monitoring the implementation of the new requirements.

### ESG funds

As of 31 March 2023, there were 188 SFC-authorized ESG funds with AUM of US\$151.7 billion, representing year-on-year increases of 55% and 6% respectively. During the year, the SFC hosted workshops to provide guidance to the industry and worked with the IFEC to enhance investor awareness of ESG funds.

## Ensuring an orderly market

### Unauthorised CIS alert list

The SFC performs surveillance of advertisements and handles complaints about property-related or other arrangements suspected to be CIS which may not be offered to the public in Hong Kong. To warn the public, the SFC also posts these arrangements on the Suspected Unauthorised CIS Alert List on the SFC's website. During the year ended 31 March 2023, 15 of these arrangements were published on the alert list involving mostly overseas real estate and alternative investments such as staking arrangements of crypto assets.

## Scope and Survey Methodology

1. The Asset and Wealth Management Activities Survey (AWMAS) is conducted annually by the Securities and Futures Commission (SFC) to collect information and data on the asset and wealth management industry in Hong Kong. It helps the SFC plan its policies and operations.
2. As in previous years, this survey covers the asset and wealth management activities of the following types of firms in Hong Kong:
  - (a) corporations licensed by the SFC which engage in asset management and fund advisory business (collectively “licensed corporations” or LCs);
  - (b) banks engaging in asset management, private banking and private wealth management business (collectively “registered institutions” or RIs), which are subject to the same regulatory regime as licensed corporations, ie, the Securities and Futures Ordinance (SFO), in respect of their asset management activities;
  - (c) insurance companies (ICs) registered under the Insurance Ordinance, but not licensed with the SFC, which provide services constituting classes of long-term business as defined in Part 2 of Schedule 1 of the Insurance Ordinance and derive gross operating income from wealth management products; and
  - (d) firms providing trust services (trustees).
3. The AWMAS analyses the asset and wealth management industry from the perspectives of both firms (ie, LCs, RIs, ICs and trustees) and clients (ie, clients of private banking and private wealth management businesses derived from assets or relationships managed out of Hong Kong by LCs and RIs).
4. As in previous years, survey questionnaires were sent to licensed corporations and, with the assistance of the HKMA, the Insurance Authority and the Hong Kong Trustees’ Association, to registered institutions, insurance companies and trustees to enquire about their asset and wealth management activities as at 31 December 2022.
5. Unless stated otherwise, the values given in this report are in Hong Kong dollars.
6. 1,162 (2021: 1,019) firms reported that they conducted asset management, fund advisory, private banking and private wealth management business or trust services during the survey period. These included 1,049 (2021: 906) licensed corporations, 47 (2021: 45) registered institutions, 38 (2021: 40) insurance companies and 28 (2021: 28) trustees. The response rate improved compared to the previous year. Please refer to Appendix II for details of respondents.

**Details of Survey Respondents**

**Licensed corporations**

1. A breakdown of the activities of the 1,049 licensed corporations which engaged in (i) asset management (AM), (ii) fund advisory business (ADV) or (iii) private banking and private wealth management business (PB) is shown below:

Respondents with AM only	694
Respondents with ADV only	73
Respondents with PB only	15
Respondents with AM and ADV	225
Respondents with AM and PB	17
Respondents with ADV and PB	3
Respondents with AM, ADV and PB	22
	<hr/>
	1,049
	<hr/>

**Registered institutions**

2. A breakdown of the activities of the 47 registered institutions which engaged in AM or PB is shown below:

Respondents with AM only	4
Respondents with PB only	35
Respondents with AM and PB	8
	<hr/>
	47
	<hr/>

**Insurance companies**

3. 38 insurance companies which carried out long-term business of providing services covering wealth management, life and annuity and retirement planning products, but were not licensed by the SFC, responded to the survey.

**Trustees**

4. 28 trustees providing trust services in Hong Kong responded to the survey.

**Breakdown of Asset and Wealth Management Business in 2022**

The table below provides a numeric illustration of the composition of the asset and wealth management business in terms of the type of business and the nature of the entity to which the assets relate.

(\$ billion)	LCs	RIs	ICs	Trustees	Asset and Wealth Management Business	Asset Management and Fund Advisory Business	Private Banking and Private Wealth Management Business	Assets Held under Trusts
Private banking and private wealth management business (excluding Item 1 below)	932	6,662	-	-	7,594	-	7,594	-
Asset management business provided to private banking and private wealth management clients (Item 1)	234	1,137	-	-	1,371	1,371	1,371	-
Asset management business for other clients	17,360	174	1,081	-	18,615	18,615	-	-
Fund advisory Business	2,211	-	-	-	2,211	2,211	-	-
SFC-authorized REITs	191	-	-	-	191	191	-	-
<b>Assets held under trusts</b>								
- managed by LCs/RIs	-	-	-	-	-	-	-	4,447
- attributable to non-LCs/RIs	-	-	-	559	559	-	-	559
<b>Total</b>	20,928	7,973	1,081	559	30,541	22,388	8,965	5,006
<b>Relevant section in this report</b>					<b>Section I A</b>	<b>Section I B</b>	<b>Section I C</b>	<b>Section I D</b>

## Definitions

- “Asset and wealth management business” comprises asset management, fund advisory, private banking and private wealth management, trust services and management of SFC-authorized real estate investment trusts in Hong Kong.
  - “Asset management” refers to:
    - (i) the provision of services which constitute Type 9 regulated activity as defined in Schedule 5 of the SFO carried out by licensed corporations and registered institutions (excluding assets from clients who are also licensed by or registered with the SFC); and
    - (ii) the management of financial assets arising from the provision of services which constitute classes of long-term business as defined in Part 2 of the First Schedule of the Insurance Ordinance (Chapter 41) (excluding assets sub-contracted or delegated to other licensed corporations or registered institutions in Hong Kong for management),  
but excludes fund advisory business and private banking and private wealth management business. Assets managed shall be construed in the same manner.
  - “Fund advisory business” refers to the provision of pure investment advisory services for funds or portfolios generating gross operating income for the service providers. It constitutes Type 4 and Type 5 regulated activities as defined in Schedule 5 of the SFO. Such service is generally provided to overseas managers who manage a global or regional portfolio and need expert advice from a manager in Hong Kong or its delegate with respect to the Hong Kong portion or a specific geographic segment of the global or regional portfolio.
  - “Private banking and private wealth management business” is a generic term which refers to the provision of banking or other financial services to private banking customers.  
Total assets of private banking and private wealth management business refers to total assets under private banking and private wealth management clients’ accounts which have been generated, managed or served by Hong Kong relationship managers, or to which the relationship managers are accountable, and assets managed by licensed corporations and registered institutions in Hong Kong, including i) assets managed and services provided which constitute regulated activities as defined in Schedule 5 to the SFO and ii) assets managed and services provided beyond those activities regulated under the SFO, including but not limited to cash and deposits, spot foreign exchange, currency-linked deposits/notes/instruments and physical commodities.
- “AUM” means assets under management.
- “Insurance company” means an insurance company registered under the Insurance Ordinance (Chapter 41) which provides services that constitute classes of long-term business as defined in Part 2 of the First Schedule of the Insurance Ordinance and is not licensed by the SFC. For those insurance companies which are also licensed by the SFC, their reported AUM are categorised with those of other licensed corporations.
- “Licensed corporation” means a corporation granted a licence under section 116 or 117 of the SFO to carry on a regulated activity in Hong Kong.

- “Private Wealth Management Relevant Practitioners” refers to Relevant Practitioners as set out in a circular issued by the Hong Kong Monetary Authority entitled “Update on Enhanced Competency Framework on Private Wealth Management (ECF-PWM)” and pages 2 to 5 of the ECF-PWM document dated 14 July 2021 enclosed therewith.
- “Professional investors” includes institutional professional investors, corporate professional investors and individual professional investors.
  - “Institutional professional investors” refers to persons falling under paragraphs (a) to (i) of the definition of “professional investor” in section 1 of Part 1 of Schedule 1 to the SFO;
  - “Corporate professional investors” refers to trust corporations, corporations or partnerships falling under sections 3(a), (c) and (d) of the Securities and Futures (Professional Investor) Rules (Chapter 571D) (“Professional Investor Rules”); and
  - “Individual professional investors” refers to individuals falling under section 3(b) of the Professional Investor Rules.
- “Registered institution” means an authorised financial institution registered under section 119 of the SFO. An authorised financial institution means an authorised institution as defined in section 2(1) of the Banking Ordinance (Chapter 155).
- “REITs” refers to SFC-authorized real estate investment trusts.