

Products

Authorisations

During the quarter ended 30 September, we authorised 40 unit trusts and mutual funds (including 25 Hong Kong-domiciled funds), one investment-linked assurance scheme (ILAS) and 73 unlisted structured investment products for public offering in Hong Kong.

In July, we authorised the first two sets of leveraged and inverse products tracking the CSI 300 Index, a Mainland equity benchmark.

Also in July, we authorised the first exchange-traded fund (ETF) under our new streamlined requirements¹ for ETFs adopting a master-feeder structure.

Mutual Recognition of Funds

Under the Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme, as of 30 September, we had authorised a total of 50 Mainland funds (including two umbrella funds), and the China Securities Regulatory Commission (CSRC) had approved 29 Hong Kong funds.

As of 30 September, the cumulative net subscription for Mainland funds was about RMB433.58 million and that for Hong Kong funds was about RMB14.58 billion. During the quarter, Mainland funds recorded a net subscription of about RMB103.21 million, up from RMB6.18 million in the previous quarter. Hong Kong funds recorded a net redemption of about RMB2.35 billion this quarter, compared to a net subscription of RMB1.65 billion last quarter.

Open-ended fund companies

In September, we released consultation conclusions on proposed enhancements to the open-ended fund companies (OFC) regime. Key changes, which took effect on 11 September, included removing all investment restrictions for private OFCs in Hong Kong and expanding the eligibility requirements for private OFC custodians to include securities brokers. A statutory mechanism for the re-domiciliation of overseas corporate funds to Hong Kong will be introduced upon completion of the legislative process.

We also launched a further consultation on proposals to better align the customer due diligence requirements for OFCs with the practices adopted by other funds in Hong Kong.

REITs

In November, we released consultation conclusions on proposed amendments to the Code on Real Estate Investment Trusts (REIT Code) to provide Hong Kong REITs with more flexibility in making investments. The revised REIT Code took effect on 4 December.

Mainland-Hong Kong ETF cross-listing

We and the CSRC announced the approval of four ETFs in August under a scheme which facilitates the cross-listing of ETFs between the Hong Kong and Mainland markets. In October, the two Mainland ETFs were cross-listed on The Stock Exchange of Hong Kong Limited and the two Hong Kong ETFs were cross-listed on the Shenzhen Stock Exchange. All four adopt a master-feeder fund structure and invest in the underlying master ETFs through the Renminbi Qualified Foreign Institutional Investor (RQFII) or Qualified Domestic Institutional Investor channels. The scheme provides investors in both markets with more product choice and investment opportunities.

Regularising COVID-19 relief measures

In August, we issued FAQs to regularise the temporary relief measures provided for product-related applications due to the COVID-19 outbreak such as allowing documents to be submitted in soft copy only and providing flexibility for fee payments.

Asset and Wealth Management Activities Survey

The *Asset and Wealth Management Activities Survey* for 2019, released in August, showed that Hong Kong's asset and wealth management business posted strong growth despite the challenges facing global markets. Assets under management (AUM) increased by 20% year-on-year to \$28,769 billion and net fund inflows of \$1,668 billion² were recorded during the same period.

¹ See "Circular on streamlined requirements for eligible exchange traded funds adopting a master-feeder structure" dated 16 December 2019.
² Some fund inflows were attributable to business restructuring by international firms which allocated more AUM to Hong Kong in 2019.

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Authorised collective investment schemes

	As at 30.9.2020	As at 31.3.2020	Change (%)	As at 30.9.2019	YoY change (%)
Unit trusts and mutual funds – Hong Kong-domiciled	800	762	5	792	1
Unit trusts and mutual funds – non-Hong Kong-domiciled	1,375	1,373	0.1	1,417	-3
ILAS	300	299	0.3	299	0.3
Pooled retirement funds	33	33	0	33	0
Mandatory provident fund (MPF) schemes	27	29	-6.9	29	-6.9
MPF pooled investment funds	210	206	1.9	192	9.4
Others	25 ^a	26	-3.8	25	0
Total	2,770	2,728	1.5	2,787	-0.6

a Comprising 13 paper gold schemes and 12 REITs.

Authorised unit trusts and mutual funds domiciled in Hong Kong – fund flows by type^a

For the six months ended 30 September, Hong Kong-domiciled funds reported overall net inflows of US\$7,062 million, which was primarily attributed to bond funds and index funds.

	Six months ended 30.9.2020			Six months ended 31.3.2020			Six months ended 30.9.2019		
	Subscription (US\$ mil)	Redemption (US\$ mil)	Net subscription/ (redemption) (US\$ mil)	Subscription (US\$ mil)	Redemption (US\$ mil)	Net subscription/ (redemption) (US\$ mil)	Subscription (US\$ mil)	Redemption (US\$ mil)	Net subscription/ (redemption) (US\$ mil)
Bond	11,047	6,516	4,531	8,813	8,402	411	10,207	5,723	4,484
Equity	8,912	9,164	(252)	7,579	8,583	(1,004)	6,641	8,376	(1,735)
Mixed	2,401	3,284	(883)	3,828	3,952	(124)	3,192	4,240	(1,048)
Money market	8,612	8,409	203	6,356	5,071	1,285	3,153	2,604	549
Fund of funds	2,413	2,532	(119)	2,275	2,167	108	2,252	2,199	53
Index ^b	17,437	13,849	3,588	13,576	13,380	196	11,517	13,626	(2,109)
Guaranteed	0	6	(6)	0	4	(4)	1	7	(6)
Other specialised ^c	0	0	0	0	0	0	25	31	(6)
Total	50,822	43,760	7,062	42,427	41,559	868	36,988	36,806	182

a Based on data reported by funds domiciled in Hong Kong.

b Including ETFs and leveraged and inverse products.

c Including futures and options funds, structured funds and funds which invest in financial derivative instruments.

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Authorised unlisted structured investment products

	As at 30.9.2020	As at 31.3.2020	Change (%)	As at 30.9.2019	YoY change (%)
Unlisted structured investment products ^a	145	146	-0.7	148	-2

a On a "one product per key facts statement" basis, including equity-linked investments and deposits.

SFC-authorized renminbi investment products

	As at 30.9.2020
Unlisted products	
Unlisted funds primarily investing in the onshore Mainland securities markets ^a or offshore renminbi bonds, fixed income instruments or other securities	51
Unlisted funds (non-renminbi denominated) with renminbi share classes	241
Paper gold schemes with renminbi features	1
Recognised Mainland funds under Mainland-Hong Kong MRF arrangement	50
Unlisted structured investment products issued in renminbi ^b	145
Listed products	
ETFs primarily investing in the onshore Mainland securities markets ^a or offshore renminbi bonds, fixed income instruments or other securities	32
ETFs (non-renminbi denominated) with renminbi trading counters	18
Renminbi leveraged and inverse products	2
Renminbi gold ETFs ^c	1
Renminbi REITs	1

a Refers to onshore Mainland investments through the RQFII, Stock Connect, Bond Connect and the China Interbank Bond Market.

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

c Only includes gold ETF denominated in renminbi.