SECURITIES AND FUTURES COMMISSION

證券及期貨事務監察委員會

Fund Management Activities Survey 2001

2001

Hong Kong
June 2002

2002 6

regulate the fund management industry and to facilit
Kong.

2. In contrast with the two previous surveys which o
exempt persons who have declared fund management a
2001 also invited responses from those registrants w
provision of advice on funds or who had gross operati
management of funds or the provision of advice o
registrants was intended to achieve a more comprehen
management business in Hong Kong.

3. To differentiate between the management of funds
questions that were asked in the survey were divide
focused on the amount of assets that was managed by t
the amount of assets that was the subject matter as t
provided by the respondents.

4. The FMAS 2001 also collected additional informatio
namely whether the funds were invested in Hong Ko
understand their investment diversity.

Responses

5. As in the previous surveys, the FMAS was conduct
Department's annual survey. A total of 159 registran
FMAS 2001, analysed as follows:

Registrants with fund management as a primary busine
rants with provision of advice on funds as a prim
which had gross operating income derived
ment or provision of advice on funds

s

6. Compared with the FMAS 2000 which included data from 160 registrants whose primary business was fund management, data of only 125 such registrants was included in FMAS 2001. This represents a net decrease of 35 registrants, analysed as follows:

First time survey participants	14
Licence with the SFC revoked[1]	(14)
Fund Management was no longer a primary business but had income derived from either management of funds or provision of advisory services	(15)
Ceased fund management operations	(4)
No assets under management as at 31 December 2001	(16)
	(35)

7. In addition to the 159 registrants who responded (see paragraph 5), another 7 had yet to submit their responses while a further 6 continued to engage in the fund management business but did not have assets under management at the end of 2001. Therefore, in total, there were 172 fund management companies at the end of 2001.

8. It will be noted that in the FMAS 2000, there were 203 fund management companies at the end of 2000. The 2000 and 2001 numbers (203 versus 172) are not directly comparable because some of the companies surveyed did not respond in time and a number of companies had during the year handed in their licences because of corporate restructuring.

[1] These registrants had aggregate assets under management of $5.4 billion in 2000 and accounted for 0.4% of assets under management in FMAS 2000. Typically, their licenses were revoked due to their decisions to close down businesses in view of the small amount of assets under management.

Findings[2]

9. The major aggregate figures are summarized in the following table:

Major Aggregate Figures of FMAS 2001

		AUM	
(HK$ in Million)			
Managing Funds or Portfolios			
Total assets under management by the company = (A) Where A = B+C	HK$1,468,597	HK$15,470	HK$1,484,067
Amount of assets directly managed by the company in Hong Kong = (B)	651,375	11,682	663,057
Amount of assets sub-contracted or delegated to other offices/third parties for management = (C) Where C = D+E	817,222	3,788	821,009
Amount of assets sub-contracted or delegated to other offices/third parties in Hong Kong for management =(D			

10. As mentioned in the Executive Summary, total assets under management stood at $1,484 billion, comprising of $1,469 billion reported by respondents who had fund management as a primary business, and $15 billion reported by respondents who had gross operating income derived from fund management.

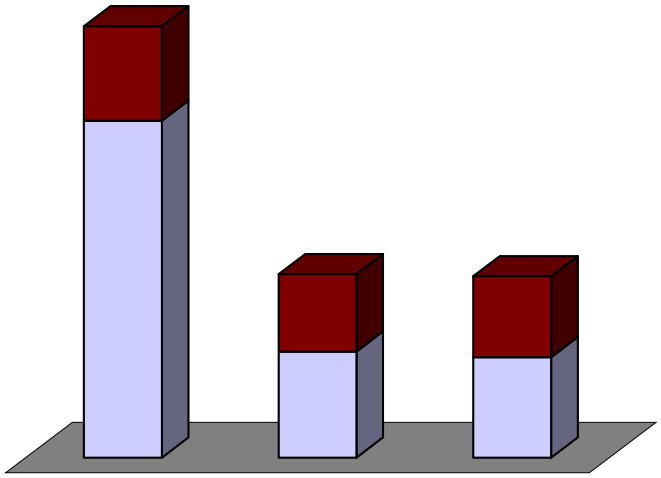
11. Given that FMAS 2000 only collected data from 160 respondents who had fund management as a primary business, all the analyses and comparisons drawn in this report, except where otherwise specified, are based on the $1,469 billion of assets under management (hereafter described as "AUM") reported by 125 respondents who had fund management as a primary business in 2001.

[2] All figures are in Hong Kong dollars unless otherwise specified.

12. The amount of assets under management as at the end of 2001 was largely unchanged from a year earlier. 14 first time survey respondents contributed $37 billion to AUM and another 45 respondents reported an aggregate 9% increase in assets under management to $759 billion, both of which in total nearly offset the 12% decline reported by the remaining 66 respondents.

13. Respondents who reported gains in assets under management generally attributed the increase to contributions

17. 45% of AUM, or $654 billion, were managed in Hong Kong, representing a growth of 4% from 2000. The remaining $814 billion were subcontracted or delegated to other offices / third parties overseas for management.



18. In line with the data for the prior two years, virtually all of the assets managed in Hong Kong were directly managed by the respondents, with only 0.5% being sub-contracted or delegated to other offices or third parties in Hong Kong for management.

(HK$ in Millions)						
Assets directly managed in HK	651,375	*99.5%*	622,920	*99.4%*	752,468	*98.2%*
Assets sub-contracted or delegated to other offices/third parties in HK for management	2,979	*0.5%*	3,536	*0.6%*	13,710	*1.8%*
Total	***654,354***	*100.0%*	***626,456***	*100.0%*	***766,178***	*100.0%*

19. The increase in assets managed in Hong Kong was mainly driven by two factors, namely the growth of other funds (primarily government funds) and the development of the MPF System, the latter of which requires the investment managers of the funds to be

incorporated in Hong Kong, thus playing an important role in the promotion of the investment management business in Hong Kong.

20. An analysis of total assets managed in Hong Kong by type of funds is shown in the following charts:

21. The following table illustrates the changes in the proportion of funds managed in Hong

31. Respondents were asked if they conducted any business activities on the Internet or through other electronic means. 21 of the respondents reported that they had carried out advertising or marketing activities on the Internet, including 18 companies which considered management of funds as a primary business. 11 of them managed SFC authorised retail funds.

32. Two of the respondents, one of whom managing SFC authorised retail funds, stated that they provided dealing facilities, namely subscription, redemption and switching of SFC authorised funds, on the Internet.

33. Both findings were virtually unchanged from the year before.

34. Three of the respondents indicated that they provided portfolio planning services on website for investors, up from only one respondent in 2000.

35. 34 of the 159 respondents reported that their Hong Kong operations were their regional

Conclusion

36. The significant share of assets sourced from non-Hong Kong investors during the year suggested that Hong Kong continues to play a major role in attracting funds in the region for investment management. However, efforts have to be made to ensure that the flow of funds into Hong Kong not only continues but that funds are retained in Hong Kong for management.

37. To this end, the Commission has to maintain a market facilitative approach by accommodating different types of investment products that fund managers can offer to their clients. The Commission must continue to review its policies on a regular basis to ensure that they keep up with changes in the investment industry and the needs of the investors. The existence of a wide range of investment products for management in Hong Kong will also enable the development of local expertise, which is crucial to the development of Hong Kong as a major fund management centre. It will also provide a broad range of investment products with different characteristics to cater to different investor needs.

38. The Commission should also maintain its proactive and transparent approach to the regulation of the fund management industry so that more foreign fund management companies will choose Hong Kong as their Asian base. In this regard, the Commission must ensure that its regulatory standards are comparable to internationally recognized levels and adequate consultation with industry players is performed.

9.	“SFC authorised retail funds”	Retail funds authorised by the SFC. Where funds authorised by the SFC are offered to institutional clients only, these should be classified under “Institutional Funds”. Where funds are offered to both retail and institutional clients, these should be separately identified and classified accordingly.
10.	“Other funds”	Other types of funds, e.g. government funds (funds from a government or a state), charity funds (funds from a charitable organisation).
11.	“Assets sourced from Hong Kong investors”	Assets that are attributable to Hong Kong investors. The respondent is expected to use its best efforts to classify the underlying investors based on available information. Investors with non-Hong Kong registered addresses may be classified as Hong Kong investors if it is known to the respondent that the assets were sourced from Hong Kong. Similarly, for nominee accounts, if the underlying investors or sources are known to the company, they should be identified and classified accordingly.
12.	“Assets sourced from non-Hong Kong investors”	Assets that are attributable to non-Hong Kong investors.
13.	"Assets invested in Hong Kong"	Assets invested in instruments (e.g. equities, bonds, money market instruments, derivatives) that are issued by an entity incorporated in Hong Kong or incorporated overseas but operating in Hong Kong, issues that are listed in Hong Kong, or deposits with an Authorised Institution in Hong Kong as defined under the Banking Ordinance. For any other investments, the respondent is expected to use its best efforts to identify if the investment has a Hong Kong origin.
14.	"Assets invested outside Hong Kong"	Assets invested in instruments of origins other than Hong Kong.
15.	"Total assets under advice"	All those assets being the subject of contracts entered into by the respondent company and its “clients” for pure investment advisory services by the respondent or its delegates, i.e. all assets sub-