

CWK GLOBAL SNAPSHOT

SFC QUARTERLY REPORT: REVEALING MARKET TREND THROUGH FINANCIAL DATA ANALYSIS



BACKGROUND

The Securities and Futures Commission (SFC) has released its Quarterly Report for the period of July to September 2023, highlighting significant regulatory work and market data. Notably, the report focuses on the asset management sector, with exchange-traded funds (ETFs) demonstrating positive performance.

ETF PERFORMANCE AND MARKET DATA

Hong Kong-listed ETFs experienced strong net inflows of \$16.2 billion, and their average daily turnover (ADT) increased by 12% compared to the previous quarter, reaching \$14.8 billion. The report also indicates that as of the end of September, there were 175 SFC-authorized ETFs with a collective market capitalization of \$369.5 billion.

MAINLAND-HONG KONG ETF CONNECT GROWTH

The Mainland-Hong Kong ETF Connect platform experienced significant growth in turnover, with southbound trading reaching an average daily turnover (ADT) of \$3.6 billion. This accounted for a 15% share of the total ADT for eligible Hong Kong ETFs during the quarter. Notably, this share of eligible ETFs' ADT doubled compared to the six-month period ending in March.

IMPRESSIVE GROWTH OF OPEN-ENDED FUND COMPANIES (OFCS)

In addition to the positive ETF data, the number of open-ended fund companies (OFCS) also witnessed impressive growth. The SFC registered 36 new OFCs in the quarter, contributing to a year-on-year increase of 87% to a total of 187 OFCs.

NET INFLOWS AND GROWTH OF SFC-AUTHORIZED ESG FUNDS

Hong Kong-domiciled funds continued to experience net inflows, amounting to \$11.7 billion for the current quarter. Additionally, there was sustained growth in the number and assets under management (AUM) of SFC-authorized ESG (Environmental, Social, and Governance) funds, with a 7.2% increase in total number and a 1.8% increase in AUM compared to the previous quarter.

LISTING MARKET UPDATES AND MARKET ACCESS ENHANCEMENTS

Regarding the listing market, the SFC processed 39 new listing applications during the quarter, including four applications from pre-profit biotech companies. In order to enhance mutual market access, regulators agreed to introduce block trading to Stock Connect and expand the range of products, investors, and eligible participants in Wealth Management Connect.

EFFORTS TO ENHANCE MARKET LIQUIDITY

To enhance market liquidity in Hong Kong, the SFC actively participated in the work of the Task Force on Enhancing Stock Market Liquidity during the quarter. This effort resulted in the submission of a report to the Financial Secretary in October and the implementation of certain measures as announced in the Chief Executive's Policy Address. The SFC will collaborate with Hong Kong Exchanges and Clearing Limited to address medium to long-term issues identified in the report.

INCREASE IN LICENCE APPLICATIONS AND APPROVALS

In addition, the SFC experienced an increase in the number of licence applications, rising by 13% compared to the previous quarter and 6% compared to the same period last year. During the quarter, the SFC approved 33 corporate licences, with a focus on asset management (Type 9) and advising on securities (Type 4). To strengthen market resilience, the SFC developed a comprehensive risk management framework for futures brokers after conducting a consultation process (Note 1).

PROACTIVE STEPS IN VIRTUAL ASSETS REGULATION

Regarding virtual assets, the SFC took proactive steps to enhance information dissemination on virtual asset trading platforms (VATPs). It published multiple lists of VATPs online, including a list of applicants. Additionally, in response to suspected fraudulent activities, the SFC issued a dedicated list of suspicious VATPs, which currently comprises nine entities (Note 2).

NOTES:

1. The guidelines will become effective on 25 February 2024
2. The SFC maintains a dedicated list of suspicious VATPs on its website to enhance investors' awareness and help them identify suspicious VATPs doing business in Hong Kong.

IMPORTANT

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Our core services include Initial Public Offerings (IPO) consultancy, corporate finance consultancy, trust and fund consultancy, global tax planning, internal control review, listed corporates "Environmental, Social and Governance" (ESG) analysis and reporting, accounting, auditing, and company secretarial services.

CWK CPA is one of the registered Public Interest Entities (PIE) Auditors in Hong Kong, which provides auditing services for listed groups and multinational conglomerate companies.

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