

Press release

LCQ8: Investors education

Wednesday, November 5, 2008

Following is a question by the Dr Hon Raymond Ho and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (November 5):

Question:

In recent years, a number of novel investment products, some involving high-risk derivatives, have been launched by financial institutions and sold to retail investors through banks. In this connection, will the Government inform this Council whether:

(a) besides the web site and television programmes on investor education produced by the Securities and Futures Commission, it has promoted basic investment knowledge through other means, including the radio;

(b) it will produce leaflets and require distributors of investment products to distribute the leaflets to members of the public who intend to buy such products, so as to draw their attention to the matters to note before making investment decisions; and

(c) it will require that, where the nature of the investment products allows, the relevant sales contracts shall contain a provision on a cooling-off period to enable investors to unconditionally terminate such contracts during the period?

Answer:

President,

(a) The Government has been attaching great importance to investor protection and education initiatives. Enhancing investor education not only helps protect investors themselves, but is also conducive to maintaining the stability of Hong Kong's financial services industry as a whole and strengthening foreign investors' confidence in Hong Kong's financial markets.

The Securities and Futures Commission (SFC) has been actively carrying out various activities in investor education. Since 1997, the SFC has launched a number of Announcements in the Public Interest in major TV channels and radio stations to publicise issues that investors need to be aware of in making investment. Besides, the SFC has produced TV and radio programmes, and broadcast educational videos on buses. It has also organised different forms of financial knowledge quiz as well as investment experience sharing competitions and seminars with a view to deepening investors' understanding of various investment topics.

Apart from disseminating educational messages through its dedicated investor education website, the SFC has also published educational materials and feature articles in newspapers and magazines to remind investors of the questions they should ask and the issues to which they should pay attention in evaluating investment recommendations.

During the two years between October 2006 and September 2008, the SFC had produced 12 episodes of TV programmes on investor education and broadcast 108 radio programme segments. Besides, the SFC has broadcast 69 educational videos repeatedly on over 1,000 buses, and published a total of 130 educational articles in newspapers. The SFC has also organised 127 seminars for different sectors of the community and a number of credit-based courses in collaboration with local universities with a view to enhancing basic investment knowledge of the public.

The SFC has increased its provisions for investor education in the 2008/09 financial year to further promote the investor education activities. It is now actively considering the allocation of additional resources to this important area.

(b) As part of its investor education initiatives, the SFC has from time to time published different educational materials for investors. Over the years, the SFC has published dozens of brochures and leaflets for investors on a range of topics covering investment products (including stocks, funds, bonds, and structured instruments, etc), areas to note when investing in these products, choice of brokers and investment advisers, portfolio planning, and introduction to the relevant regulations, etc.

Since 2001, the SFC has, in launching investor educational publications, issued circulars to licencees and/or registered institutions to encourage them to distribute such publications to their clients.

(c) In view of the public concern arising from the Lehman Brothers incident, the Financial Secretary has requested the SFC to submit a report by the end of this year on the lessons learned from the incident and to recommend improvement measures. The SFC will consider whether the relevant sales contracts should contain a "cooling-off period" during which investors may unconditionally terminate the contracts. The SFC will also study the feasibility, merits and shortcomings of implementing the proposal with regard to different investment products.

Ends