

**Box 4.1**

**Overseas investors in Hong Kong’s securities market**

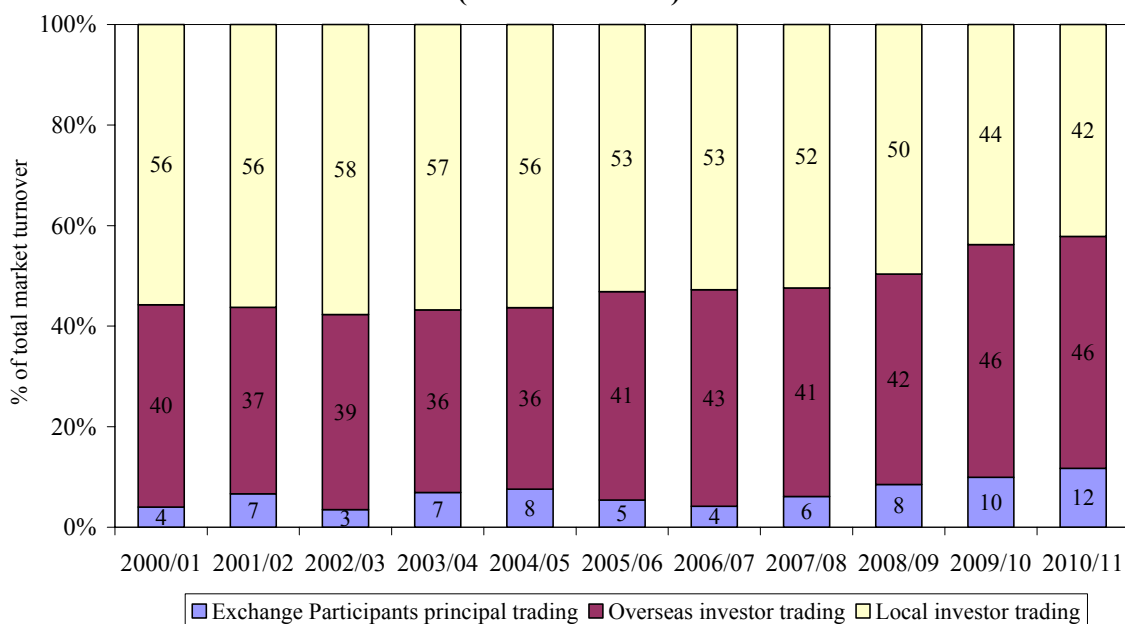
The securities market in Hong Kong is renowned for the active participation of both local and overseas investors. To better understand different types of investors’ involvement in the market, the Hong Kong Exchanges and Clearing Limited (HKEx) has been conducting an annual survey on investor profile since 1991. The latest issue, “Cash Market Transaction Survey 2010/11”, covered HKEx’s securities market turnover<sup>(1)</sup> from October 2010 to September 2011 and was published in March 2012.

*Trading value by investor type*

In 2010/11, total turnover in the securities market surged by 20% over a year earlier to \$19.0 trillion. Though remaining 17% below the peak in 2007/08, total turnover has indeed surged at an average annual growth rate of 25% from 2001/02 to 2010/11. Within the total, Exchange Participants (EP) principal trading (i.e. trading of the participant firm’s own account), overseas and local investors all recorded very substantial growth, at 39%, 27% and 21% per annum respectively.

Reflecting the rapid growth in the past ten years, the share of EP principal trading in total trading expanded from a mere 4% in 2000/01 to 12% in 2010/11. Overseas investors contributed 46% of total market turnover in 2010/11, compared with 40% ten years ago. Meanwhile, the contribution of local investors dropped sharply from 56% to 42%, the lowest level on record. Indeed, since 2009/10 the contribution of overseas investors has surpassed that of local investors.

**Chart 1 : Distribution of securities market trading value by investor type (2000/01-2010/11)**



(1) Securities market turnover included trading of shares, bonds, funds, derivative, warrants and other products traded on HKEx.

**Box 4.1 (Cont'd)**

*Overseas investors by origin*

Further analysis showed that investors from the advanced economies had an active participation in the securities market. Turnover by US and European investors together accounted for a high 69% of overseas investor trading in 2010/11, though this represents a dip from the 76% a decade ago. Meanwhile, despite some fluctuations over the years, the contribution of Asian investors notched up from 18% in 2000/01 to 22% in 2010/11. Mainland investors were the major driving force, with their share rising from only 3% to 10%. Meanwhile, the share of Asian investors (excluding Mainland) retreated from 15% to 12%.

**Chart 2 : Distribution of overseas investor in the securities market by origin**

