

MEMBERS TRANSACTION SURVEY 1999

[PUBLICATION]

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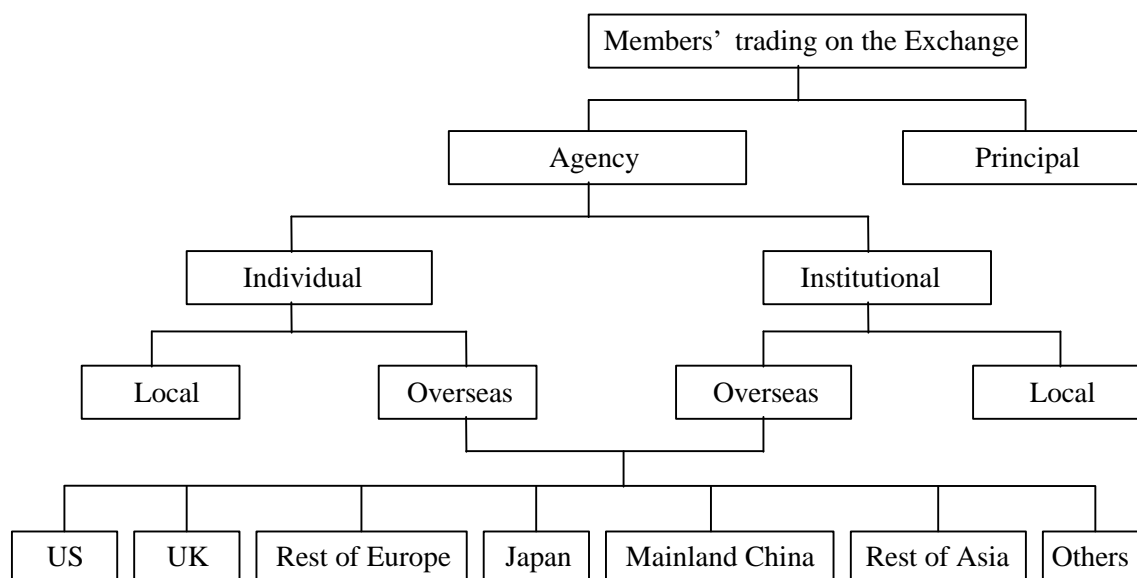
1. INTRODUCTION

The Exchange has conducted the Members Transaction Survey annually since 1991 to ascertain the composition of its members' trading. The main objectives are to understand the relative significance of market participation of different types of investors and the business composition of members with different sizes, and thereby to help formulate the Exchange's market strategies. The types of members' trading were classified as in Figure 1.

The 1999 Members Transaction Survey covered members' transactions from *October 1998 to September 1999*. To further enhance the representativeness, questionnaires of the 1999 Survey were mailed to all Exchange trading members.⁽¹⁾ Out of the 471 questionnaires sent out, 465 duly completed questionnaires were received, representing an excellent overall response rate of 98.7%. The overall responded sample represented 99.6% in turnover value of the target population.

The Survey results indicated that the *absolute* value of all types of trade in 1999 decreased from the previous year. Local investors, including individuals and institutions, remained the major participants in the market, contributing 63% of total market trading in value terms, the same as in 1998. Overseas investors (mainly institutions) contributed 32% of the total, as in 1998. The major origins of overseas participation were the UK (36% of overseas participation) and the US (26%).

Figure 1. Classification of members' trading on the Exchange



⁽¹⁾ In previous years, questionnaires were mailed to all members contributing the top and second one-third of total market turnover value (Group I and II members respectively) and a randomly selected sample comprising about 60% of those members contributing the bottom one-third of total market turnover value (Group III members).

2. MAIN FINDINGS OF 1999 SURVEY

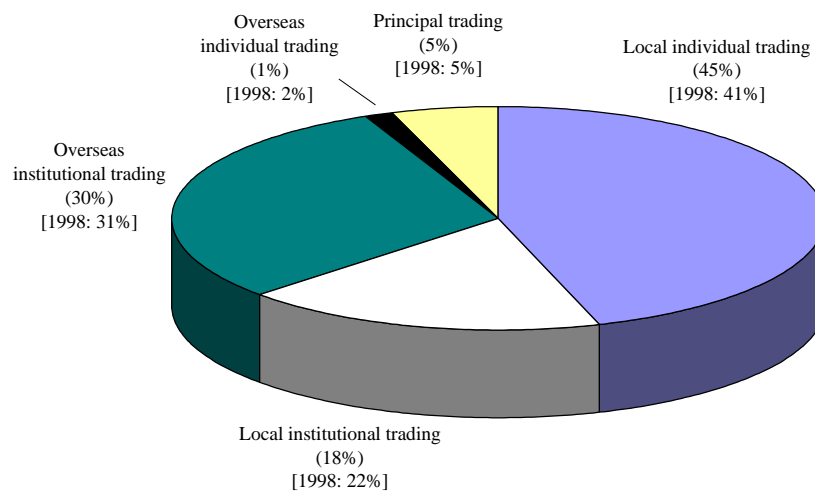
The findings were obtained by weighting each member's response by that member's turnover value.

2.1 Distribution of trading by type of trade (Figure 2)

The *absolute* value of all types of trade in 1999 decreased from the previous year. But different types of trade had different decreasing rates so that their *relative* market share increased or decreased accordingly.

- The distribution of trading by type of trade showed no significant change from 1998.
- Local agency trading contributed 63% of the total market turnover, the same as in 1998.
- The contribution of local individual trading increased slightly from 41% in 1998 to 45%.

Figure 2. Distribution of trading by type of trade



2.2 Members' business composition by type of trade (Table 1)

Members were classified into Group I, II and III by their turnover, each contributing the top, middle and bottom one-third of total market turnover value. The respondents consisted of 12 member firms in Group I, 50 in Group II and 409 in Group III. The response rates are 100% for Group I and II and 98.5% for Group III.

- Agency trading remained the core business for all member groups (91% or more of total turnover value for each group).
- The main business for Group I members was institutional trading (77%). Group III members mainly relied on local individual trading (79%).
- Group I members had 63% of their business originating overseas. In contrast, Group II and Group III members had respectively 64% and 93% of their business coming from local clients.

Table 1. Business composition of different member groups by type of trade

Type of trade	Group I members		Group II members		Group III members	
	%		%		%	
	1998	1999	1998	1999	1998	1999
Principal trading	5.04	5.13	8.53	8.72	1.54	2.25
Overseas individual trading	1.27	1.04	1.59	0.99	1.75	1.88
Overseas institutional trading	55.73	62.42	31.39	25.94	4.55	3.24
Local institutional trading	22.31	14.89	28.51	26.07	14.07	13.50
Local individual trading	15.65	16.52	29.98	38.28	78.08	79.13
All trading	100.00	100.00	100.00	100.00	100.00	100.00

2.3 Distribution of market share in different types of trade by member group (Table 2)

- Group I members captured 52% of the institutional trading (local and overseas) while Group III members captured 59% of the individual trading (local and overseas).
- Group I and II members together captured the bulk of overseas agency trading (95%).
- Group I members alone captured 67% of overseas institutional trading. The proportion decreased to 29% by Group II members and 4% by Group III members.

Table 2. Distribution of market share in different types of trade by member group

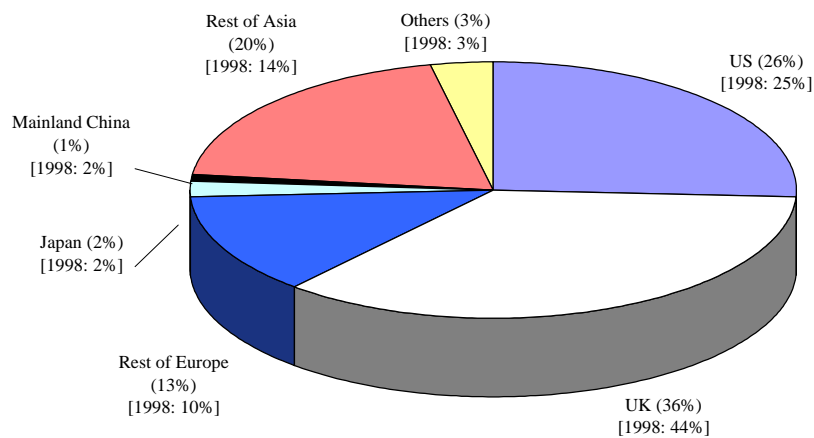
Type of trade	Group I members		Group II members		Group III members		All members
	%		%		%		%
	1998	1999	1998	1999	1998	1999	1998 & 1999
All Trading	33.17	32.57	33.71	33.95	33.12	33.48	100.00
Agency	33.18	32.66	32.48	32.76	34.34	34.58	100.00
Principal	33.04	31.03	56.85	54.99	10.10	13.98	100.00
Agency Trading	33.18	32.66	32.48	32.76	34.34	34.58	100.00
Individual	13.15	12.39	24.93	28.88	61.93	58.74	100.00
Institutional	49.54	51.98	38.65	36.45	11.80	11.57	100.00
Agency Trading	33.18	32.66	32.48	32.76	34.34	34.58	100.00
Local	20.04	16.22	31.38	34.63	48.57	49.15	100.00
Overseas	58.88	65.56	34.62	29.00	6.50	5.44	100.00
Individual Trading	13.15	12.39	24.93	28.88	61.93	58.74	100.00
Local	12.61	11.99	24.56	28.97	62.83	59.04	100.00
Overseas	27.47	26.03	34.82	25.68	37.71	48.29	100.00
Institutional Trading	49.54	51.98	38.65	36.45	11.80	11.57	100.00
Local	34.15	26.62	44.35	48.58	21.50	24.80	100.00
Overseas	60.45	67.27	34.61	29.14	4.93	3.59	100.00

2.4 Distribution of overseas agency trading by origin (Figure 3)

Overseas agency trading contributed 32% of total market turnover value.

- The UK remained the largest source of overseas orders (36%) and the US came the second (26%).
- Investors in Asia remained significant contributors, with their total contribution increasing from 18% in 1998 to 23% in 1999.

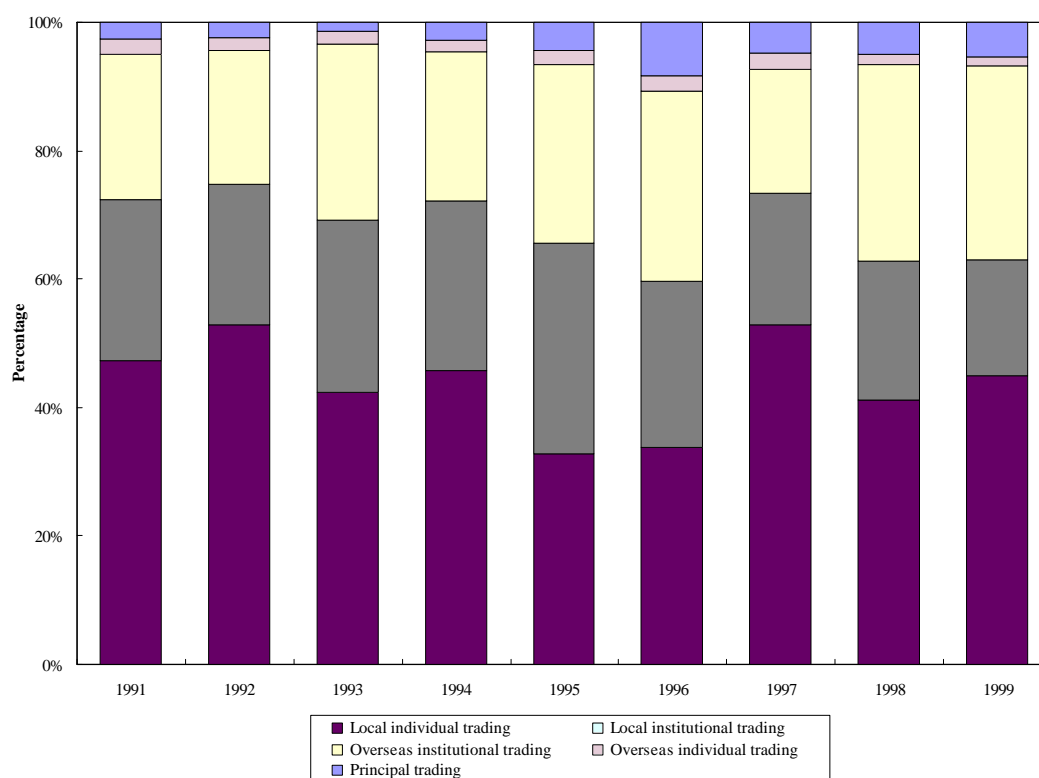
Figure 3. Distribution of overseas agency trading by origin



3. DISTRIBUTION OF MARKET TRADING OVER TIME (FIGURES 4 & 5)

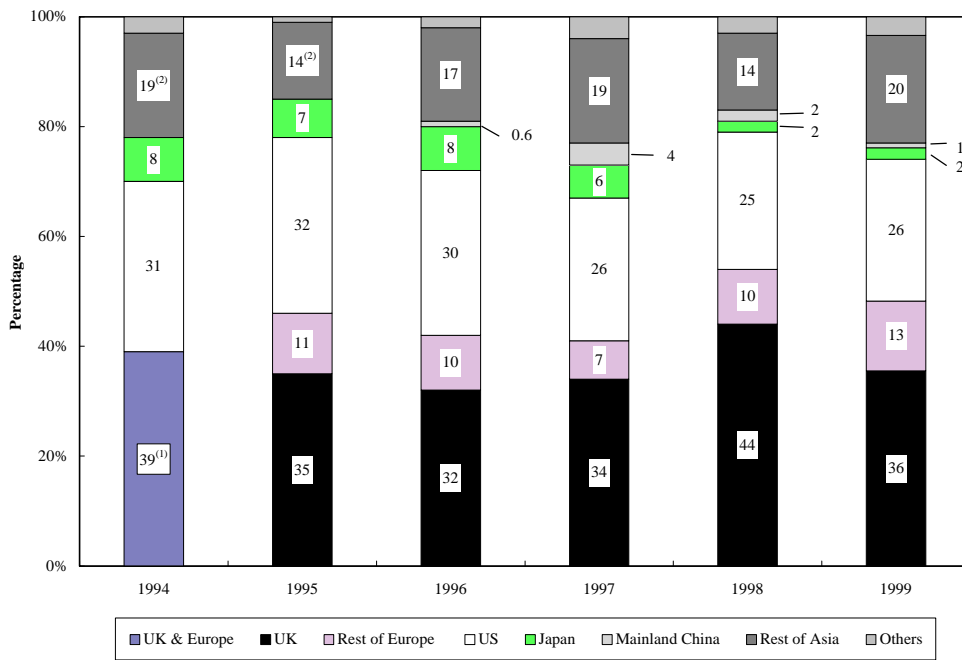
- Over time, overseas institutional trading has been relatively stable (about 30%), except in bullish 1997 in which local individual trading was dominant.
- The UK and the US remained the major sources of overseas agency business for the past 5 years.
- The contribution of local individual trading fluctuated strongly in response to changes in market sentiment. For example, the contribution of local individual trading decreased significantly in 1998 (from 53% in 1997 to 41%) and 1995 (from 46% in 1994 to 33%) when the market turned bearish.
- Local agency trading contributed the majority of total market turnover (60-70%) throughout the past 9 years. Local individuals contributed most to the 9-year cumulative market turnover (43%).

Figure 4. Distribution of trading by type of trade (1991-1999)



Type of trade	1991 %	1992 %	1993 %	1994 %	1995 %	1996 %	1997 %	1998 %	1999 %	% of 1991-1999 market turnover
Principal trading	2.60	2.33	1.43	2.70	4.43	8.43	4.77	5.06	5.38	5.15
Overseas agency trading	25.04	22.84	29.43	25.15	30.02	31.84	21.85	32.11	31.53	28.42
Individual trading	2.36	2.05	1.96	1.85	2.08	2.35	2.49	1.54	1.30	2.01
Institutional trading	22.68	20.79	27.47	23.30	27.94	29.49	19.36	30.58	30.23	26.41
Local agency trading	72.36	74.83	69.14	72.15	65.54	59.73	73.38	62.83	63.09	66.43
Individual trading	47.24	52.80	42.40	45.75	32.73	33.76	52.94	41.16	44.87	43.12
Institutional trading	25.12	22.03	26.74	26.40	32.81	25.97	20.44	21.67	18.22	23.30

Figure 5. Distribution of overseas agency trading by origin (1994-1999)



Notes: (1) UK was combined with Europe in the 1994 Survey.
 (2) Mainland China was included in the rest of Asia in the 1994 and 1995 Surveys.

GLOSSARY OF TERMS

Group I members :

Members of the Exchange who contributed the top one-third of the total market turnover value for the period October 1998 to September 1999.

Group II members :

Members of the Exchange who contributed the second one-third of total market turnover value for the period October 1998 to September 1999.

Group III members :

Members of the Exchange who contributed the bottom one-third of total market turnover value for the period October 1998 to September 1999.

Principal trading :

Trading in the member firm's own account.

Agency trading :

Trading on behalf of the member firm's clients.

(Local / Overseas) individual trading :

Trading on behalf of individual clients in Hong Kong or overseas.

(Local / Overseas) institutional trading :

Trading on behalf of institutional clients in Hong Kong or overseas.

Individual clients :

Clients who trade on their personal accounts.

Institutional clients :

Clients who are not individual clients.