

HK investors driven into riskier products by new investor protection regime

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Fund investor protection measures in Hong Kong are driving people into buying riskier products to avoid lengthy sales processes, according to a new survey.

The poll, conducted in February by Fidelity Investment Management HK, found almost a third of those surveyed have stopped investing in funds in favour of direct stocks and currencies, as well as bank deposits.

This is because they believe investor protection measures brought in following the financial crisis and requiring much deeper client fact-finding by fund distributors take “too much time.”

The poll – of more than 1,000 investors - also found widespread indifference to investor protection, with just over half of respondents stating they were neither satisfied nor dissatisfied with the measures.

Almost 40% said the sales process takes too long. But some were positive about the new sales regime, with 39% saying they gained a better understanding of the products as a result of it. A further 36% said they felt better informed and 34% felt “more protected”.

Fidelity said it undertook the research in order to gain an insight into investors’ perception of regulatory measures introduced in the wake of the financial crisis and Lehman mini-bond mis-selling cases, as well as their views on the performance of regulators.

Regulator: 'average job'

On the latter question, most investors believed regulators did an “average” job. Most also said they would like to see enhanced regulation generally, and in particular around intermediaries’ conduct and “transparency”.

However, this desire to see greater regulation seems to contradict investors’ apparent dislike of the effect the beefed up investor protection measures are having on buying an investment.

The survey also found a general unwillingness among investors to research investments, or even read detailed information about products they are buying. Only 41% read fund prospectuses, and even fewer, 36%, read brochures and fact sheets.