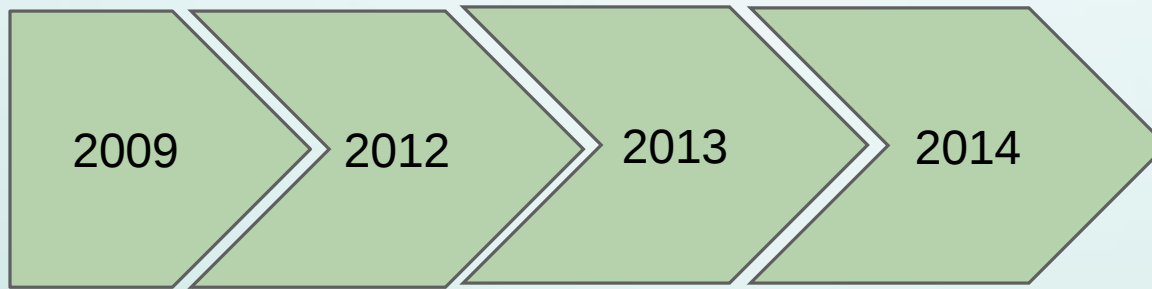


Mutual Recognition of Funds Symposium

3 July 2015

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Key milestones



General regulatory principles



Fund operation,
investment
strategy and
fund operators

Steps taken by SFC since announcement

Circular

Information checklist

KFS template

Disclosure examples

FAQs

Enquiries, meetings and briefings to industry associations

Continue to resolve outstanding operational and implementation issues with relevant Mainland and Hong Kong authorities

Key aspects of MRF requirements

Eligibility – funds

Eligibility – key operators

Operational and ongoing requirements

Disclosure, sale and distribution



Eligibility – funds

Key requirements:

Established and managed at home jurisdiction

Registered / authorized for offering to the public in the home jurisdiction

Established for more than 1 year

Minimum fund size of RMB200 million

Not primarily invest in the host jurisdiction

The value of shares/units sold to host jurisdiction investors should not be more than 50% of the value of the fund's total assets

Eligible fund types: Regular/simple products, e.g. equity funds, bond funds, mixed funds, unlisted index funds and physical index-tracking ETFs



Eligibility – funds

Points to note:

Delegation: No overseas delegation. Investment adviser is permitted without jurisdictional requirements (FAQ A4)

Established for more than 1 year: For SFC-authorized funds re-domiciled from overseas jurisdictions to Hong Kong – calculated from the day on which the fund received SFC authorization (FAQ A1)

Value of units sold to host jurisdiction investors not more than 50% of total assets: No compulsory redemption when fail to meet the requirement (FAQ B1)

Not primarily invest in the host jurisdiction: No more than 20% invested in the host jurisdiction. H-shares and Red Chips are treated as Hong Kong securities (FAQ A2)

Eligibility– key operators

Key requirements:

Fund managers

Registered, operate and licensed in the home jurisdiction

Have not been the subject of any major regulatory actions in the past three years

Custodians

Qualified to act as custodians for publicly offered funds pursuant to home jurisdiction laws and regulations

Local representatives

Appoint a qualified firm in the host jurisdiction to be the fund's local representative and process agent



Operational and ongoing requirements

Key requirements:

Same treatments to investors in the Mainland and Hong Kong in respect of investor protection, exercise of rights, compensation, and disclosure of information

Scheme changes and revisions of offering documents

Changes should generally be made in accordance with home jurisdiction laws and regulations and constitutive documents

Changes that affect the eligibility of a Recognised Mainland Fund will require SFC's prior approval

Breach of eligibility requirements

Notify the host regulator immediately

Cease to be marketed to the public in the host jurisdiction and cease to accept new subscriptions



Operational and ongoing requirements

Points to note:

Nominee account: Nominee accounts can be used for recognized Mainland and Hong Kong funds (FAQ E3)

Cut-off time: (FAQ E4)

Fair, forward-pricing, and no late trading

Fund management firms are responsible, and should perform necessary due diligence, regular review and ongoing monitoring on distributors and order-routing channels

Distributors should legally commit and strictly follow cut-off time for receiving orders from investors

Dealing arrangements: For investors in the host jurisdiction, practicable only on vtpracticable only on vtpracticable only on vtpracticable

Disclosure, sale and distribution

Key requirements:

Hong Kong offering documents include

The latest CSRC-registered offering documents

Hong Kong covering document

Product key facts statement

Sales and distribution based on host rules



Disclosure, sale and distribution

Points to note:



Thank you

