



As a regulator, we have to move with the times. We continuously seek new frontiers to enable you, as market participants, to capture new opportunities. It is these opportunities that have galvanised the industry into taking positive action to innovate and improve in terms of products, processes and infrastructure.

Mutual recognition of funds between the Mainland and Hong Kong

Real breakthroughs are few and far in between in financial markets. The mutual recognition of funds between the Mainland and Hong Kong (MRF) is what I would consider the next breakthrough for the asset management industry in Hong Kong. This is because MRF will be the first mutual recognition of funds arrangement between the Mainland and an overseas market. Hong Kong's financial market has been waiting in anticipation for this industry game changer.

During the HKIFA Conference last year, the China Securities Regulatory Commission (CSRC) shared with the audience the latest development of the Mainland capital markets, including the MRF. I was frequently asked during public events about MRF's launch timetable. Recently, I have heard rumours that the industry is beginning to cast doubts as to the likelihood of the launch of MRF.

The facts are this. For quite some time, we have urged the industry to start preparing for the MRF. It was never a question of "whether or not to launch MRF", but more a question of "when MRF is going to be launched".

I can tell you that after the Shanghai-Hong Kong Stock Connect is launched, the MRF will follow.

On a number of occasions, we have explained that for a fund to qualify under this initiative, it must be a SFC-authorized Hong Kong-domiciled fund, managed by a SFC-licensed fund manager in Hong Kong. The aim is to ensure that there is an effective regulatory handle over the qualified funds and their managers. Also, only simple fund products would be covered at the initial stage.

Indeed, since we first unveiled to the public our discussion with the Mainland authorities about the MRF, we have been seeing an increasing number of SFC-authorized funds domiciled in Hong Kong. We have also received proposals from various fund managers about re-domiciling their funds to Hong Kong. In fact, during the past two years, 48 SFC-authorized funds were re-domiciled to Hong Kong. Clearly, these funds wish to position themselves to get ready for the launch of the MRF.

Need for cooperation between regulators and the industry

While much emphasis has been placed on the launch date of the MRF, the future path and development of the Hong Kong asset management landscape depends heavily on the joint efforts of both industry players and regulators.

The long term success of an international financial centre cannot simply rest on new



While the future development of the asset management landscape is premised on a sound and robust regulatory framework, it requires the collaboration of every stakeholder in the ecosystem in order to make this a success.

We, as the regulator, will continue to authorize publicly offered investment products and their offering documents in a prudent manner. Whether they are Hong Kong-domiciled funds, or foreign funds that enter Hong Kong through different recognition schemes – and that will include Mainland funds once the MRF is launched, these funds need our authorization. We require proper disclosure, and appropriate governance structure, for investor protection. Our authorization, however, is not an assurance of the success or performance of an investment product. Distributors and investors should also play their part. Distributors must perform proper product due diligence and know-your-client procedures to ensure the suitability of the



work in partnership to fully utilise the RQFII quota that the Mainland has granted to different markets.