



	Question	Answer
		¹ do not require SFC authorization. The SFC derives its fund authorization powers from section 104 of the SFO. The UT Code sets out the basic requirements that an SFC-authorized fund must comply with. The UT Code is available at the SFC website.





	Question	Answer
	jurisdiction?	The guiding principle is that the legal and regulatory framework for these funds and the enforcement of investors' rights in a particular overseas jurisdiction should provide a level of investor protection comparable to that offered in Hong Kong. Recognized the http://www.sfc.hk/web/EN/regulatory-functions/products/product-authorization/list-of-recognised-jurisdiction-schemes-and-inspection-regimes.html page at the SFC website, the authorization process can be streamlined in certain areas. Please also read Q.6 below.
6.	Recognized Jurisdiction	The RJS concept only applies to Chapter 7 Funds (see Q.3 for details). It does not apply to Specialized Schemes under Chapter 8. Funds that are established in one of the RJS jurisdictions and are in compliance with similar regulatory requirements as those contemplated in Chapter 7 of the UT Code are generally deemed to have complied in substance with the core investment restrictions, operational and structural requirements (e.g. meeting procedures for investors) imposed under the UT Code. That said, the funds must still satisfy the SFC as to the eligibility of the fund manager, trustee/custodian, and that the disclosure and post-authorization obligations under the UT Code have been fulfilled. Funds with guaranteed features will be required to comply with the applicable requirements (including requirements on guarantor(s)) under Chapter 7 of the UT Code. A list of the overseas jurisdictions for RJS is set out at the SFC website (see Q.5 above).



	Question	Answer
7.	If my fund is a Specialized Scheme but domiciled in one of the RJS, presumably this fund will have to fully comply with the UT Code requirements. Is this correct?	Yes. If there are any legal or regulatory difficulties that would make it unduly burdensome for your fund structure to comply with the UT Code in full, you should consult us as soon as practicable before proceeding any further with your application.



	Question	Answer
		investment management function should be delegated at all times to a qualified investment delegate in compliance with Chapter 5. You should consult the SFC in case of doubt.
8A.	What are the factors that the SFC may take into account when assessing the acceptability of the management company of futures and options funds?	Relevant requirements are set out in Chapter 5 of the UT Code.
8B.	Can an individual act as the key personnel for one or more management companies and/or investment delegates?	Yes, an individual can be designated as the key personnel for one or more management companies and/or investment delegates, provided that these entities are within the same fund management group and the individual is able to dedicate sufficient time and attention in the management of the relevant SFC-authorized funds for these entities. For management companies and investment delegates within a well-established fund management group, an individual who possesses at least five years investment experience (which may not be in the management of public funds) may be designated as the key personnel for these entities, provided that the management companies and investment delegates on a group-wide basis is able to demonstrate that it possesses the requisite oversight, monitoring and supervision systems to administer public funds. A well-established fund management group means a fund management group of at least five years of establishment in managing public funds with good regulatory records. See Note(1) to 5.5(a) of the UT Code which sets out the factors for assessment of a well-established fund management group. In any event, all management companies and investment delegates of SFC-authorized funds should maintain proper and up-to-date records regarding their key personnel.



	Question	Answer
11.	Could I, a fund manager, be able to delegate my management functions to someone licensed/registered in a non-AIR?	In general, an SFC-authorized fund should adhere to the requirement under Chapter 5.1 of the UT Code that its fund manager and investment delegate(s) for the investment management functions are regulated by the SFC or the relevant regulator in an AIR, save as permitted below. Fund managers of SFC-authorized funds which are licensed by the SFC or subject to regulatory supervision in an AIR and who wish to delegate their investment management functions to their affiliates in a non-AIR jurisdiction (



Question	Answer
	important independent function and have specific duties on the matters set out in 4.5 of the UT Code. As such, in complying with 4.5(b) of the UT Code, custodians of SFC-authorized mutual fund corporations are particularly reminded that they should have in place adequate internal controls and systems to ensure, among other things, that no shares will be issued in excess of the number of authorized shares and that all issuance of shares will comply the applicable legal and regulatory requirements. For the avoidance of doubt, as a custodian of an SFC-authorized fund, the custodian of any such SFC-authorized mutual fund corporation is expected to duly discharge this obligation under the UT Code notwithstanding the board of directors of the



	Question	Answer
11D.	If the directors or officers of the affiliates of the	The above procedures (i) to (iii) are not meant to be exhaustive and trustees/custodians shall put in place proper internal controls and systems that are adequate and sufficient for achieving the key control attributes in Appendix G of the UT Code. Sole reliance on confirmations/representations from the Third Parties (or the fund/management company) in meeting the relevant key control attributes would not satisfy the requirements on trustee/custodian for the purpose of Appendix G of the UT Code.



	Question	Answer
	Authorization of Index Funds	



	Question	Answer
		futures contracts, the relevant requirements in Chapter 8.8 of the UT Code will then be applicable.



	Question	Answer
Authorization of ETFs/Listed Funds		
14. to 16.	These FAQs have been removed.	Please refer to the Frequently Asked Questions on Exchange Traded Funds and Listed Funds for details.
Authorization of structured funds		
16A.	Can a structured fund receive unlisted collective investment schemes as collateral?	We generally do not expect an SFC-authorized fund to accept unlisted collective investment schemes as collateral or, in the case of an unfunded swap arrangement, invested assets. However, we are prepared to accept, on a case by case basis, an SFC-authorized structured fund to invest in unlisted collective investment scheme(s) as invested assets under an unfunded swap structure provided that (i) the performance of the structured fund directly relates to that of the unlisted collective investment scheme(s); and (ii) the unlisted collective investment scheme(s) is/are SFC-authorized scheme(s). Please also refer to Q.16C below in respect of the collateral requirements applicable to SFC-authorized funds (including structured funds).
Authorization of structured funds/funds that invest in financial derivative instruments		
16B.	Structured funds and funds that invest extensively in financial derivative instruments are subject to, among other things, the requirements in Chapter 8.9(f)(ii) of the UT Code that the counterparties to over-the-counter derivative transactions or their guarantors shall of institution would be considered as a	Relevant requirements are set out in Chapter 3.13 and 7.28(b) of the UT Code.



	Question	Answer
	of Chapter 8.9(f)(ii) of the UT Code?	
Collateral requirements		
16C.	What are the collateral requirements applicable to SFC-authorized funds?	The collateral requirements for SFC-authorized funds are set out in Chapter 7.36 to 7.38 of the UT Code. Collateral received by SFC-authorized funds is generally envisaged to be bonds, listed stocks, cash or cash equivalent. In line with the requirement in 7.36(l) of the UT Code, we do not expect an SFC-authorized fund to accept synthetic ETFs as collateral. Despite the technical difference between a funded swap and an unfunded swap, the invested assets under an unfunded swap structure essentially serve the same risk exposure to an individual counterparty. Accordingly, invested assets should also comply with the collateral requirements applicable to SFC-authorized funds.
Investment in real estate investment trusts (“REITs”) by SFC-authorized funds		
17.	Are SFC-authorized funds allowed to invest in the initial public offering of a REIT seeking to list on a stock exchange?	SFC-authorized funds are



	Question	Answer
19.	Are SFC-authorized schemes required to obtain approval from their shareholders/unitholders and serve them advance notices if they now commence investments in listed REITs?	The offering document of SFC-authorized schemes should clearly state their investment objectives, policies and investment restrictions. Therefore, where fund managers make use of the flexibility to invest in listed REITs, they should determine and, where appropriate, seek legal advice, as to whether they have to seek approval from investors or provide them with prior notice, in accordance with the terms of the constitutive documents and offering documents of their funds.
Investment in government and other public securities by SFC-authorized funds		
19A.	Can an SFC-authorized fund invest in debt securities issued or guaranteed by Mainland policy banks? Can these securities be considered Government and other public securities as referred to under paragraphs 7.4 and 7.5 of the UT Code?	Yes, an SFC-authorized fund may invest in debt securities issued or guaranteed by the three Mainland policy banks (the Agricultural Development Bank of China, the China Development Bank and The Export-Import Bank of China), subject to the investment restrictions under paragraphs 7.4 and 7.5 of the UT Code.
Investment in ETFs by SFC-authorized funds		
20.	Does the SFC consider ETFs as listed securities or Collective Investment Schemes (CIS) for the purpose of Chapter 7 of the UT Code?	

Investment in insurance-linked securities (“ILS”) and ILS-



Question	Answer
	Fund managers should observe the Restrictions and comply with the following requirements if their SFC-authorized fund(s) may invest in ILS issued outside Hong Kong





Question



	Question	Answer
25.	This FAQ is obsolete and has been removed.	
26.	This FAQ is obsolete and has been removed.	
27.	If a fund has a master offering document prepared outside Hong Kong, may I submit a Hong Kong Offering Document instead of the full version of the master offering document?	Appendix C of the UT Code. The Hong Kong Offering Document must satisfy the UT Code requirements. If the Hong Kong Offering Document relies on references or information in the master offering document to form a complete disclosure document, the SFC may require that the master offering document also be authorized. A fund should not circulate to the Hong Kong public its master offering document, which is prepared for distribution outside Hong Kong, if the document has not been authorized by the SFC.
27A.	Is the requirement to disclose the risk management policy under C2 of Appendix C of the UT Code applicable to funds with a net derivative exposure (as defined under the UT Code) of more than 50% of the ?	Yes, funds (including UCITS funds) with a net derivative exposure (as defined under the UT Code) of more than disclose, among other things, the RMP in place in their offering documents.
27B.	Does a fund manager need to approach the SFC before it offers a new share class in respect of an SFC-authorized fund?	Pursuant to C5 of Appendix C of the UT Code, the offering document of an SFC-authorized fund should contain a description of the different types of units/shares, including their currency of denomination. As such, the types of share classes that are offered to the public in Hong Kong for subscription should be clearly disclosed in the offering document A fund manager should consult the SFC in advance if it would like to offer a new



Question	Answer
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share class in relation to an SFC-authorized fund:

- (a) which is an unlisted unit/share class of an ETF;
- (b) which is a listed unit/share class of an unlisted fund; or
- (c)



Question	Answer
in respect of its existing SFC-authorized fund?	



	Question	Answer
		increase in distributable income for the payment of dividends, its offering document should also include a prominent risk warning that the fund charges all or part of its fees and expenses to capital which means that the fund may effectively pay dividend out of capital and disclose the associated risks and impact on investors. For the avoidance of doubt, the disclosure and other requirements mentioned in FAQs 34, 34A, 34B and 34C shall not be applicable to a fund or a share class of a fund which does not pay dividend or make any distribution at all according to its distribution policy (for example, any accumulation share class of a fund.) Subject to the transitional period for existing SFC-authorized funds set out in FAQ 34C in respect of the Dividend Composition Information (as defined in (d) below), at a minimum, prominent disclosure to the following effect should be made in the a. (i) the fund / the investment manager may at its discretion pay dividend out of the capital of the fund; or (ii) the fund / the investment manager may at its discretion pay dividend out of to/ out of the capital of the fund, resulting in an increase in distributable income for the payment of dividends by the fund and therefore, the fund may effectively pay dividend out of capital. b. Payment of dividends out of capital amounts to a return or withdrawal of part of original investment. c. tal or



	Question	Answer
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Question		Answer		
		share	distributable income for the month	out of capital
	Jan 201[X]	HK\$10	100%	0%
	Feb 201[X]	HK\$10	90%	10%
	Mar 201[X]	HK\$10	80%	20%



	Question	Answer
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- i. _____, dividend
income and interest income net of fees and expenses) attributable to the



Question	Answer
	addition to the minimum information as required in the illustrative example above (eg, NAV, dividend yields, total return, other additional ways to present dividend composition by way of annualised, cumulative or 12-month rolling basis based on unaudited management accounts, etc), please ensure that the additional information provided is fair, accurate and not misleading. g. Dividend Composition Information should be disclosed and/or presented in a manner which is fair, accurate and not misleading. Income equalisation adjustments are sometimes made by fund managers to, among other things, smooth out the impact of large subscriptions/redemptions and/or cater for individual investors' tax reporting purposes in other jurisdictions. We understand that not all SFC-authorized funds adopt income equalisation adjustments. Hence, in order to provide a common basis of comparison by investors, income equalisation adjustments should not be adopted for the purposes of disclosing et s of the Dividend Composition Information should be calculated in accordance with the requirements stated in (c) above <u>without</u> making any income equalisation adjustments. In case of doubt, early consultation with the SFC is encouraged.



Question	Answer								
the fund in the past 12 months preceding the publication date of this FAQ i.e. 8 November 2012 Also, do I need to make available to investors all of the historical information on compositions of dividends that has been previously disclosed?	make available / disclose, at minimum, the Dividend Composition Information in respect of the following distributions during the following periods once distribution is made: <table border="1"> <thead> <tr> <th data-bbox="958 475 1503 592">Illustrated Period</th><th data-bbox="1503 475 2056 592">Information on composition of dividends in respect of the following distributions is to be made available / disclosed</th></tr> </thead> <tbody> <tr> <td data-bbox="958 592 1503 671">After the Effective Date and until and after the Dec 2012 distribution</td><td data-bbox="1503 592 2056 671">Dec 2012</td></tr> <tr> <td data-bbox="958 671 1503 751">After the Mar 2013 distribution and prior to the Jun 2013 distribution</td><td data-bbox="1503 671 2056 751">Dec 2012, Mar 2013</td></tr> <tr> <td data-bbox="958 751 1503 836">After the Jun 2013 distribution and prior to the Sept 2013 distribution,</td><td data-bbox="1503 751 2056 836">Dec 2012, Mar 2013, Jun 2013</td></tr> </tbody> </table>	Illustrated Period	Information on composition of dividends in respect of the following distributions is to be made available / disclosed	After the Effective Date and until and after the Dec 2012 distribution	Dec 2012	After the Mar 2013 distribution and prior to the Jun 2013 distribution	Dec 2012, Mar 2013	After the Jun 2013 distribution and prior to the Sept 2013 distribution,	Dec 2012, Mar 2013, Jun 2013
Illustrated Period	Information on composition of dividends in respect of the following distributions is to be made available / disclosed								
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After the Jun 2013 distribution and prior to the Sept 2013 distribution,	Dec 2012, Mar 2013, Jun 2013								



Question



Question	Answer
	deduction is permitted by applicable laws and regulations and (ii) the manager is acting in good faith and on reasonable grounds.



	Question	Answer
37.	Where an SFC-authorized fund is subject to a fixed rate of ongoing charges, can the maximum rate of the ongoing charges applicable to the SFC-authorized fund be disclosed in the KFS pursuant to the Guidelines?	If an SFC-authorized fund is subject to a fixed rate of ongoing charges and any excessive level of expenses / charges will not be borne by the fund, the fund manager may disclose the maximum level of the ongoing charges figure calculated in accordance with the Guidelines if this maximum figure is higher than the actual figure. Otherwise, the ongoing charges figure shall be calculated based on the latest annual or interim financial statements in accordance with the Guidelines.
38.	This FAQ has been removed.	Please refer to the Frequently Asked Questions on Exchange Traded Funds and Listed Funds for details.
Cross-border offering of Hong Kong CIS in Australia pursuant to the Australia–Hong Kong Mutual Recognition of Funds (Australia-HK MRF)		
39.	Australian Securities and Investments 08/506] Hong Kong collective investment giving effect to the Declaration on Mutual Recognition of Cross-border Offering of Collective Investment Schemes signed between ASIC and the SFC on 7 July 2008. The Class Order was repealed on 1 October 2018. Does the repeal of the Class Order affect the Declaration?	Notwithstanding the repeal of the Class Order, ASIC has confirmed that it remains committed to the aim of the Declaration and that the repeal of the Class Order is an operational change rather than a policy change. ASIC has further confirmed that, following the expiry of the Class Order, it will continue to give effect to the Declaration b Kong CIS to obtain individual relief from registration in Australia under Regulatory Guide 178 <i>Foreign collective investment schemes</i>



	Question	Answer
		(a) the Hong Kong CIS is authorized by the SFC; (b) the manager of the Hong Kong CIS is licensed by the SFC; (c) none of the Hong Kong CIS, its manager or its trustee/custodian is exempted from any Hong Kong regulatory requirements because the Hong Kong CIS, its manager or its trustee/custodian is also regulated elsewhere; and (d) the Hong Kong CIS is not principally marketed to investors in Australia. A Hong Kong CIS is currently not considered as principally marketed to investors in Australia if Australian investors account for no more than 30% of the value of the Hong Kong CIS. It is expected that the manager of the Hong Kong CIS will monitor and ensure compliance with this threshold limit.
39B.	What are the arrangements under the Streamlined Process?	ASIC recognises that the Hong Kong regulatory regime for public funds is sufficiently equivalent to Australia. Starting from 1 October 2018, despite the expiry of the Class Order, Eligible Hong Kong CIS may make an individual application for relief from ASIC under the Streamlined Process. The information which ASIC requires as part of the application and the criteria to be assessed by ASIC in granting the relief under the Streamlined Approach are identical to what ASIC previously set out under the Class Order. That is, the applicant is only required to provide certain documents about itself (as currently set out in section RG 178.73 of the RG 178 and previously set out in the Schedule B of the Class Order) and is not required to provide additional documentation (in particular, the information as currently set out under sections RG 178.75 and RG 178.76 of the RG 178) to demonstrate sufficient equivalence of the Hong Kong regulatory regime. An application fee is payable for making an application. The fees that currently apply to applications for relief under RG 178 are



Question	Answer
	set out in item 80 of Schedule 1 to the Corporations (Fees) Regulations 2001 , which may change over time. Please contact ASIC for information about current fees



Question	Answer
	requirements in respect of their conduct in Australia as if the conduct occurred in Hong Kong in like circumstances; and (2) ensure that each of its agents and representatives that engages in conduct in Australia has entered into a deed as required by this paragraph as if references to the company were references 92.23 re6th

