	Question	Answer
		to or adversely affect Home Jurisdiction investors. The management firm should take into account differences in market conditions and investment practices between the two jurisdictions.
5A.	In respect of Recognised Hong Kong Funds, would the setting up of a new share class for prior approval?	Under the Code on Unit Trusts and Mutual Funds, the setting up of a new share class by an SFC-authorized s prior approval. A Recognised Hong Kong Fund may set up new RMB share class(es) for subscription by Mainland investors under the MRF without prior approval or consultation with the SFC. The management firm should update the Hong Kong offering documents and where appropriate, inform holders in accordance with 11.1B of the Code on Unit Trusts and Mutual Funds, such as stating that a new share class has been / will be set up and the relevant risks associated with the inclusion of this new share class as the management firm considers appropriate e.g. how the new share class may affect the investment returns and risk profile of the fund as a whole (if applicable). The revised Hong Kong offering documents should be filed with the SFC in accordance with 11.1B of the Code on Unit Trusts and Mutual Funds. In addition, where a Recognised Hong Kong Fund has received approval from the CSRC for offering to Mainland investors and/or a share class is only available to Mainland investors, the management firm should disclose these facts in the Hong Kong offering documents.
5B.	required for setting up a new share class for offering to Mainland investors by a Recognised Hong Kong Fund which has already been registered with the CSRC?	

	Question	Answer
6.	Will the management firm be required to create HKD-denominated share class/units for Recognised Mainland Funds to be distributed in Hong Kong? Would the management firm be required to create RMB-denominated share class/units for Recognised Hong Kong Funds to be distributed in the Mainland?	There are no restrictions on the currency denomination for Recognised Mainland Funds and Recognised Hong Kong Funds under the MRF. These funds can set up share classes in multicurrency and issue units in any currency so long as they comply with the relevant laws and regulations and their constitutive documents.
7.	Will funds that use leverage or invest in financial derivative instruments (FDIs) be eligible under the MRF?	Recognised Funds should generally be managed and operate in accordance with the relevant laws and regulations in their Home Jurisdiction and their constitutive documents, including with respect to their use of leverage or FDIs. At the initial stage, only simple products would be eligible. These products are not expected to have high leverage. In the case of Recognised Mainland Funds, the use of FDIs should be for hedging purposes only. In the case of Recognised Hong Kong Funds, the use of FDIs should meet the requirements in Chapter 7 of the Code on Unit Trusts and Mutual Funds.
8.	Will retail SFC-authorized Approved Pooled Investment Funds offered to the public in	

	Question	Answer
	should a management firm categorise a Recognised Fund?	
10.	Are gold ETFs, listed open-ended funds (LOFs), closed-ended funds, fund of funds,	

	Question	Answer

	Question	Answer
		¶

	Question	Answer
		determine, in light of the specific circumstances of a Recognised Mainland Fund, the key risks to be highlighted in the Product KFS. Management firms are also reminded to disclose such risks in the Product KFS in a clear, concise and effective manner. ¶ Risks associated with the MRF arrangement, eg, quota restrictions, failure to meet eligibility requirements, Mainland tax risk, differences in market practices and fund classifications (if applicable); ¶ Investment risks; ¶ Concentration risks / Mainland market risks; ¶ RMB currency and conversion risks; ¶ Mainland equity risks, eg, market risk, volatility risk, liquidity risk, high valuation risk, policy risk, risks associated with small-capitalisation / mid-capitalisation companies; ¶ Mainland debt securities risks, eg, volatility and liquidity risks, counterparty risk, interest rate risk, downgrading risk, credit rating agency risk, risks associated with urban investment bonds, asset-backed securities, debt securities which are rated BB+ or below by a Mainland credit rating agency or unrated, etc; ¶ Risks associated with unlisted index funds, eg, passive investment risk, tracking error risk, index-related risk; ¶ Risks associated with companies listed on boards with generally lower listing eligibility criteria than main boards (eg, ChiNext market, the Science and Technology Innovation Board), eg, higher fluctuation in stock prices, over-valuation risk, differences in regulation, delisting risk, concentration risk; and ¶ Risks associated with securities financing transactions. To provide further guidance to the industry, we set out more detailed explanation of these risks in Appendix A. The above list and related explanation are not intended to be an exhaustive list of the risk disclosures to be included in the Product KFS and/or Hong Kong covering document. Management firms shall exercise their professional judgment and take into

	Question	Answer
		account the specific circumstances of a Recognised Mainland Fund in preparing the risk disclosures in the Product KFS and/or Hong Kong covering document.
4.	What information should be included in the Hong Kong covering documents of Recognised Mainland Funds regarding FATCA?	The offering documents (including the Product KFS) of a Recognised Mainland Fund should contain the information necessary for investors to make an informed judgement about the SFC-authorized funds, including information on FATCA compliance if relevant. Please refer to FAQ35 on the Code on Unit Trusts and Mutual Funds for further guidance on FATCA-related disclosure.
5.	What information should be included in the Product KFS of Recognised Mainland Funds?	The Product KFS should highlight the key information in respect of the Recognised Mainland Fund, including its key features and risks, in a clear, concise and effective manner. Please follow this link for the Product KFS template for Recognised Mainland Funds (http://www.sfc.hk/web/EN/regulatory-functions/products/product-authorization/products-key-facts-statements.html).
6.	What are the language requirements for the Hong Kong offering documents of Recognised Mainland Funds?	The Hong Kong offering documents of the Recognised Mainland Funds should be prepared in English and traditional Chinese. documents at the time of application. Applicants are required to submit the traditional Chinese version of such offering documents prior to authorization becoming effective. Applicants should submit completed translation certificate (in prescribed form as set out in the Information Checklist http://www.sfc.hk/web/EN/forms/products/forms.html) regarding the truth and accuracy of the English and traditional Chinese translation. The traditional Chinese translations should take into account market practices and customary use of Chinese language in Hong Kong.

	Question	Answer
		E of the Code on Unit Trusts and Mutual Funds (UT Code). It is noted that annual reports and half-yearly reports of all SFC-authorized funds are required to contain the Portfolio Disclosure under Appendix E of the UT Code. As such, the Portfolio Disclosure requirements in paragraph 30(a) of the Circular are not applicable to quarterly reports of a Recognised Mainland Fund. For the avoidance of doubt, quarterly reports of a Recognised Mainland Fund are only required to comply with the disclosure requirements in paragraph 30(b) of the Circular, if the fund is described as having been authorized by the SFC in its quarterly reports as per 1.10 of the Overarching Principles Section of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (Handbook).

	Question	Answer
		as possible.
2.	How should notices be dispatched to Hong Kong investors?	The management firm shall take reasonable steps and measures to ensure that notices are dispatched to investors in the Mainland and Hong Kong at the same time. Notices to Hong Kong investors should be in English and traditional Chinese. Management firms should dispatch the notices to Hong Kong investors by posting the notices on the website of the Recognised Mainland Fund or such other means as specified in the Hong Kong offering documents. The Hong Kong representative of the Recognised Mainland Fund should comply with the ongoing obligations regarding provision of information to investors under Chapter 9 of the Code on Unit Trusts and Mutual Funds. Hong Kong distributors are also reminded of their ongoing disclosure obligations to their clients under the relevant Hong Kong laws and regulation.
3.	Are Recognised Mainland Funds required to maintain a separate website for Hong Kong investors?	A Recognised Mainland Fund should, as a matter of best practice, maintain a website for Hong Kong investors for publication of its offering documents, circulars, notices, announcements, financial reports and the latest available offer and redemption prices or net asset value of the scheme.
4.	What are the changes to a Recognised Mainland Fund that will require SFC prior approval?	Changes to a Recognised Mainland Fund shall be made in accordance with the applicable Mainland laws and regulations and the provisions of the constitutive documents. These changes shall be effective upon approval by the CSRC or compliance with the appropriate procedures. Thereafter, such changes shall be

	Question	Answer
		¶ correction of a manifest error.
4B.	Does the SFC approve notice(s) (Notice(s)) notifying holders of proposed Prior Approval Change(s)? Will the applicant need to submit the draft Notice(s) in connection with an application for Prior Approval Change(s) (Application for Prior Approval Change(s))?	

	Question	Answer
		termination and withdrawal of authorization) will still be required to be submitted to the SFC for approval. In case of doubt, an applicant should contact the team supervisor or case officer of the Investment Products Division who is responsible for overseeing the Recognised Mainland Funds of its fund group or client.
5.	Will changes to the Hong Kong offering documents of a Recognised Mainland Fund	In general, changes made to the Hong Kong offering documents to reflect Prior Approval Change(s)
5A.	What steps should the management firm take when they issue notice(s) which contain(s) information that affects the disclosure in the Hong Kong offering documents of Recognised Mainland Fund(s)?	

	Question	Answer
		consequential to the Prior Approval Change(s) (Prior Approval ROD Changes), must be shown as mark-up and annotated clearly in the: ¶ draft revised Hong Kong offering documents at the initial submission and throughout the application process for authorization of the revised Hong Kong offering documents; and ¶ revised Hong Kong offering documents at the time of submission of the Confirmation of fulfilment of approval / authorization conditions in relation to Recognised Mainland Fund.

	Question	Answer
1.	What should be the dealing arrangements for a Recognised Fund on the days that are holidays in either the Mainland or Hong Kong?	Subscription and redemption is generally only practicable on days that are working days in both the Mainland and Hong Kong. For any other arrangements that affect investors in the Host Jurisdiction, please consult the Host Jurisdiction regulator.
2.	Are there any requirements regarding the routing of subscription/redemption orders and confirmations? Are management firms and distributors required to route orders and confirmations via any particular centralised platforms?	There are no specific regulatory requirements. The routing of orders and confirmations is a commercial decision to be agreed by the management firms, the distributors and other relevant parties.
3.	Units of funds are usually registered under the names of the end investors in the Mainland, but under the names of the nominees (usually the distributors) in Hong Kong. What is the arrangement for Recognised Mainland Funds to be sold in Hong Kong?	The sales and distribution arrangements of Recognised Mainland Funds to be sold in Hong Kong should follow the relevant laws and regulations and common market practices in Hong Kong. Units of a Recognised Mainland Fund sold in Hong Kong can be registered in the name of a nominee.

	Question	Answer
		incumbent on management firms to take reasonable care and proper measures to perform due diligence, regular review and ongoing monitoring on distributors and order-routing channels to ensure that orders which do not meet the principle of forward-pricing and may constitute late trading are not accepted. Distributors should legally commit, and have proper measures in place, not to accept orders from investors -off time. Subject to compliance with the foregoing, it is recognised that distributors may need

	Question	Answer
		acceptable to the SFC. The Code on Unit Trusts and Mutual Funds does not mandate that the Hong Kong representative must be licensed or registered for any particular regulated activity. However, Hong Kong representatives that carry on regulated activities under the Securities and Futures Ordinance must be licensed or registered accordingly. For example, if the Hong Kong representative would like to distribute the Recognised Mainland Fund in Hong Kong, it would need to be licensed for Type 1 Regulated Activity. Please refer to Chapter 9 of the Code on Unit Trusts and Mutual Funds for further details.
2.	Can different Hong Kong representatives be appointed for different Recognised Mainland Funds managed by the same management firm?	Yes.
	G. Sales and distribution	
1.	Who can issue marketing materials in respect of Recognised Mainland funds? prior authorization?	All advertisements and marketing materials in relation to a Recognised Mainland Fund issued in Hong Kong shall comply with the relevant Hong Kong laws and regulations, including but not limited to the requirements set out in the Advertising Guidelines Applicable to Collective Investment Schemes Authorized under the Product Codes issued by the SFC. Recognised Mainland Funds should issue advertisement and marketing materials via a representative or distributor who is licensed or registered for Type 1, 4 or 6 regulated activity or based on other applicable exemptions under section 103 of the Securities and Futures Ordin

	Question	Answer
		and marketing materials that it issues.
2.	Can non-Hong Kong investors invest in Recognised Mainland Funds sold in Hong Kong?	Hong Kong is an open market. Non-Hong Kong investors may invest in Recognised Mainland Funds sold in Hong Kong according to relevant Hong Kong laws and regulations.
3.	What are the licensing requirements for selling or distributing Recognised Mainland Fund in Hong Kong?	Any corporation, which intends to carry on a business in selling or distributing funds in Hong Kong, needs to hold a Type 1 licence (dealing in securities). Any individual, who intends to perform a regulated function for a licensed corporation in relation to a regulated activity carried on as a business in Hong Kong, needs a licence as well. If a licensed corporation, which holds a Type 1 licence for selling or distributing funds, intends to engage any individual to perform a regulated function in relation to its Type 1 regulated activity, such individuals also have to be licensed for Type 1 regulated activity. In other words, SFC will not grant a licence to any individual unless s/he is accredited to a licensed corporation in Hong Kong to perform a regulated function for it. Any person (corporate or individual), who applies for an SFC licence, has to satisfy us that it/he/she is fit and proper to be licensed. Individuals intending to seek a licence

	Question	Answer
	identify and verify the underlying customers of the Mainland distributor in the Mainland?	It should be noted that if the omnibus account is not opened in the own name of the Mainland distributor but in the name of its nominee subsidiary company, such nominee subsidiary company may not be able to satisfy these SDD criteria. In such case, the

	Question	Answer
1A.	What are the requirements for submitting documents and application fee in support of a new fund application to the SFC?	To commence an application, various documents, including offering documents, duly signed and completed application form, information checklist and confirmations, as well as the application fee are required to be submitted to the SFC via e-IP. *A) Submission of application documents by soft copy* Applicants shall submit all application-related documents by soft copy. The official receipt date of a new fund application shall be a business day on which the full and complete set of soft copy documents is received by the SFC via e-IP at or before 6 pm (after which the receipt date will be deemed as the following business day). *B) Signing of application documents* During the application process, you must complete the signing process for certain application documents (including the application form) in e-

	Question	Answer
		Option 2: An applicant may submit scanned copies of the Relevant Forms signed by a person who meets the signatory requirements. While the SFC will take up a new fund application when the application fee is the only outstanding matter, an applicant is expected to submit the application fee as soon as practicable upon receipt of the Take-up Letter from the SFC.
2.	Will the Guide on Practices and Procedures for Application for Authorization of Unit Trusts and Mutual Funds (the Guide), as revised/updated from time to time, apply to authorization?	applications seeking SFC's authorization of unit trusts and mutual funds and compliance with the requirements under the SFC Handbook for Unit Trusts and D00300

Appendix A

Mainland-Hong Kong Mutual Recognition of Funds (MRF)

Explanation of illustrative examples of risk disclosures in the Hong Kong covering document of a Recognised Mainland Fund

Set out below is the explanation of the illustrative examples of risk disclosures that are expected to be included, if applicable, in the Hong Kong covering document of a Recognised Mainland Fund.

1. Risks associated with the MRF arrangement

¶ *Quota restrictions*: The MRF scheme is subject to an overall quota restriction. Subscription of units in a Recognised Mainland Fund may be suspended at any time if such quota is used up.

¶ *Failure to meet eligibility requirements*: If the Fund ceases to meet any of the eligibility requirements under the MRF, it may not be allowed to accept new subscriptions. In the worst-case scenario, the SFC may withdraw its authorization for the Fund to be publicly offered in Hong Kong for breach(es) of eligibility requirements. There is no assurance that the Fund can satisfy these requirements on a continuous basis.

¶ *Mainland tax risk*: Currently, certain tax concessions and exemptions are available to the Fund and/or its investors under the MRF regime. There is no assurance that such concessions and exemptions or Mainland tax laws and regulations will not change. Any change to existing concessions and exemptions as well as relevant laws and regulations may adversely affect the Fund and/or its investors, who may suffer substantial losses as a result.

¶ *Different market practices*: Market practices in the Mainland and Hong Kong may be different. In addition, operational arrangements of the Fund and other public funds offered in Hong Kong may be different in certain ways. For example, subscriptions or redemptions of units of the Fund may only be processed on a day when both the Mainland and Hong Kong markets are open, or the Fund may have different cut-off times or dealing day arrangements versus other SFC-authorized funds. Investors should ensure that they understand these differences and their implications.

¶ *Different fund classifications* [applicable to *enhanced index funds]*: The fund classifications and names used by Recognised Mainland Funds (including the Fund) may be different from those that are customarily used in Hong Kong. The Fund is an
in the Mainland. rities
that closely match the performance of an index and by actively managing the remaining portion. The Fund is different from a typical SFC-authorized passively managed index tracking fund in Hong Kong and should be regarded as an actively managed/general equity fund in Hong Kong. Investors should read the offering documents to understand the investment strategy deployed by the Fund.

2. Investment risks

¶ The Fund is an investment fund. There is no guarantee on the repayment of principal or payment of dividends or distribution. Further, there is no guarantee that the Fund will be able to achieve its investment objectives , or that the stated strategies can be successfully implemented.

3. Concentration risks / Mainland market risks

¶ The Fund invests primarily in securities related to the Mainland market and may be subject to additional concentration risks. Investing in the Mainland market may give rise to different risks including political, policy, tax, economic, foreign exchange, legal, regulatory and liquidity risks.

4. RMB currency and conversion risks

¶ RMB is currently not freely convertible and is subject to exchange controls and restrictions which, under exceptional circumstances, may cause a delay in payment of redemptions and/or dividend payments in RMB.

5. Mainland equity risks *[for equity funds / mixed funds]*

¶ *Market risk*: The F and its value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

¶ *Volatility risk*: High market volatility and potential settlement difficulties in the Mainland equity markets may also result in significant fluctuations in the prices of securities traded on such markets and may

¶ *Risks associated with small-capitalisation / mid-capitalisation companies*: The stocks of small-capitalisation / mid-capitalisation companies may have lower liquidity and their prices are more volatile and susceptible

7. Risks associated with unlisted index funds

¶ *Passive investment risk*

10. Risks associated with reverse repurchase transactions

¶ The collateral pledged under the reverse repurchase transactions in the interbank market may not be marked to market. In addition, the Fund may suffer substantial losses as there may be delays and difficulties in recovering the cash placed out or realising the collateral, or proceeds from the sale of collateral may be less than the cash placed with the counterparty owing to inadequate valuation of the collateral and market movements upon the default of the counterparty.