



Frequently Asked Questions on Post Authorization Compliance Issues of SFC-authorized Unit Trusts and Mutual Funds

This FAQ is prepared by the Investment Products Division and aims to provide basic information to market practitioners concerning the post authorization compliance issues of SFC-authorized unit trusts and mutual funds. Applicants are encouraged to contact the Investment Products Division if in doubt on any specific issues arising from the application/interpretation of the Code on Unit Trusts and Mutual Funds (“UT Code”). Please note that each application for authorization is considered on a case-by-case basis.

The information set out below is not meant to be exhaustive. This FAQ may be updated and revised from time to time.

Note: For ease of reference, collective investment schemes that are generally known as unit trusts or mutual funds are referred to as “funds” in the following FAQ.

Section 1 (For applications received on or after 1 August 2017): FAQ in respect of the Revamped Post Authorization Process

	Question	Answer
1.	When will the revamped post authorization procedures begin to apply?	The procedures set out in this FAQ will apply to all applications for the approval of post authorization changes (including scheme changes, termination, merger and withdrawal of authorization) and authorization of revised offering documents of SFC-authorized funds received by the SFC on or after 1 August 2017 (the “Effective Date”), being the effective date of the revamped post authorization process (“Revamped Post Authorization Process”) as set out in the circular entitled “ Launch of pilot revamped process to enhance the processing of post authorization applications ” dated 30 June 2017 issued by the Investment Products Division (“June 2017 Circular”).
2.	What should I submit in order for the SFC to	Under the Revamped Post Authorization Process, an application will only be

	Question	Answer
	<p>start processing my application(s) under the Revamped Post Authorization Process?</p>	<p>processed by the SFC when all relevant documents that meet the applicable requirements and are of good quality have been submitted. These documents include:</p> <ul style="list-style-type: none"> • properly completed new application form(s) (posted on the SFC's website); • duly executed confirmations (standardised templates for confirmations are set out in the List of Confirmations of Compliance related to Application for Approval of Scheme Change(s) pursuant to 11.1 of the Code on Unit Trusts and Mutual Funds (UT Code) and in respect of Recognised Mainland Funds (as defined below), the List of Confirmations of Compliance related to Application for Change(s) that Require SFC's Prior Approval in relation to Recognised Mainland Funds; and • all the necessary supporting documents. <p>If the SFC is not satisfied with the completeness or sufficiency of the information contained in the first submission package or considers that documents submitted are not in good order or are otherwise not suitable for clearance, the submission will be returned to the applicant and the application will not be processed. The SFC also reserves the right not to process an application if such application is accompanied by documents that do not in any material aspect meet the requirements of:</p> <ul style="list-style-type: none"> • the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products ("SFC Handbook"); • the UT Code; • the SFC Code on MPF Products (only applicable to approved pooled investment funds offered to retail investors); and/or • the Circular entitled "Mutual Recognition of Funds between the Mainland and Hong Kong" issued by the SFC on 22 May 2015 as may be amended from time to time and related guidance (only applicable to SFC-authorized Mainland funds ("Recognised Mainland Funds") under

	Question	Answer
		<p>the mutual recognition of funds arrangement between the Mainland and Hong Kong).</p> <p>The SFC reserves the right to require further information and/or confirmation(s) where it is considered necessary and appropriate.</p>
3.	What is the “two-stream” approach adopted by the SFC in processing post authorization applications?	As mentioned in the June 2017 Circular, a “two-stream” approach will be adopted by the SFC in processing post authorization applications. Under this approach, post authorization applications will either be classified into a “Simple Applications” stream or a “Complex Applications” stream. In determining which stream under which a post authorization application will be processed, the SFC would have regard to the types of applications as set out in Q.3A below. For the avoidance of doubt, the SFC has the discretion in determining the type of applications (i.e. Simple Applications or Complex Applications) for the purpose of processing the applications.
3A.	In general, what types of applications will be processed under the “Complex Applications” stream and the “Simple Applications” stream?	<p>“Complex Applications” are intended to cover applications which may require more time to process. The following post authorization applications will generally be processed as a Complex Application:</p> <ul style="list-style-type: none"> i. new and/or change of appointment of key operators, namely (a) management company or delegated investment manager(s); (b) trustee / custodian; and/or (c) Hong Kong representative, each of which is not currently acting in the relevant capacity for any SFC-authorized funds;

	Question	Answer
		<ul style="list-style-type: none"> ii. change of place of domicile of SFC-authorized funds; iii. merger¹ of SFC-authorized funds; iv. termination of SFC-authorized funds involving specific issues, considerations and/or circumstances (e.g. a fund to be terminated is subject to unresolved tax issues or pending tax clearance or the underlying investments cannot be liquidated due to trading suspension)¹; and v. there are material issues and/or policy implications (e.g. change of investment policy from investing non-extensively to extensively in financial derivative instruments, a change to an index which is not currently adopted by any existing SFC-authorized unlisted index fund or exchange traded fund) relating to the application. <p>In general, all applications other than those which are deemed to be Complex Applications will be processed as Simple Applications.</p>
3B.	Are there any application processing time limits and response time limits under the “Simple Applications” stream and the “Complex Applications” stream?	<p>Under the Revamped Post Authorization Process, the “Simple Applications” and the “Complex Applications” are subject to different overall processing time to complete the applications and response time limits that are imposed on the applicants in providing proper, complete and substantive responses to the SFC’s requisitions during the process.</p> <p>Unless SFC authorization or approval is granted within 14 business days from the date of receipt of the application, processing of Simple Applications and</p>

¹ Also applicable to merger and termination of the relevant share class and share classes (as the case may be). Upon submission of the application for termination of SFC-authorized fund(s), applicants should also confirm to the SFC if there are any specific issues, considerations and/or circumstances.

	Question	Answer
		<p>Complex Applications will be subject to a maximum period of 2-month and 6-month processing time respectively from the issue of the First Requisition by the SFC (“Lapse Period”).</p> <p>In the First Requisition (and the subsequent requisition(s) issued by the SFC (if any)), the applicant will be reminded of the response time limits (“Response Time Limits”) within which proper, complete and substantive responses should be submitted to the SFC in response to its requisition(s).</p> <p>During the application process, applicants must meet the applicable Response Time Limits as set out below in addressing all the outstanding issues:-</p> <ul style="list-style-type: none"> i. For Simple Applications, the applicants should provide proper, complete and substantive response(s) to the outstanding requisition(s) to the SFC’s satisfaction within 2 months from the date of the First Requisition, which is the Lapse Period; and ii. For Complex Applications, the applicants are required to (a) provide proper, complete and substantive response(s) to the SFC within 14 business days from the date of the First Requisition; and (b) provide proper, complete and substantive response(s) to all SFC’s subsequent requisition(s) (if any) within 10 business days. <p>Applications will lapse if no approval or authorization is granted within the applicable processing time period (i.e. 2 months or 6 months) as indicated in the first requisition issued by the SFC (“Lapse Policy”). The SFC may also refuse an application if the applicant fails to meet the applicable Response Time Limits.</p> <p>For illustrations of the overall Revamped Post Authorization Process for Simple Applications and Complex Applications, applicants may refer to the flow charts entitled “Revamped Post Authorization Process – Flow chart showing the process for Simple Applications” and “Revamped Post Authorization Process –</p>

	Question	Answer
		<p>Flow chart showing the process for Complex Applications” respectively.</p> <p>“First Requisition” refers to the preliminary response to applicants/requisition that may be issued by the SFC within 14 business days from the date of receipt of the application.</p>
4.	When will the applicant know which stream (i.e. the “Simple Applications” stream or “Complex Applications” stream) the SFC will process its application?	<p>If the application is in good order and is accompanied by all the necessary documents in support of the application that meet the applicable regulatory requirements, SFC authorization or approval may be granted within 14 business days from the date of receipt of the application without issuing any First Requisition. In the event that approval/authorization is not granted, the SFC will issue its First Requisition to the applicant for both Simple Applications and Complex Applications within 14 business days from the date of receipt of the application.</p> <p>The SFC will indicate in the First Requisition (if issued) whether an application is a “Simple Application” or a “Complex Application” by setting out the Lapse Period and the applicable Response Time Limit(s) (see Q.3B above) within which the applicant is required to respond to the First Requisition.</p>
5.	What would happen if an applicant fails to meet the Response Time Limits?	<p>Pursuant to 4.1(b) of the Overarching Principles of the Handbook, product providers shall respond to any enquiries made by the SFC in relation to the relevant product and the associated matters promptly and in an open and co-operative manner. Therefore, where an applicant has not responded or provided proper, complete and substantive response to address SFC’s requisition(s) to the SFC’s satisfaction within the applicable Response Time Limits, the SFC reserves the right to refuse the application.</p> <p>i. For a Simple Application, the applicant will be reminded in the First Requisition (if issued) that the SFC would be minded to refuse an application if the applicant fails to address all outstanding issues within 2 months from the date of the First Requisition; and</p>

	Question	Answer
		<p>ii. For Complex Applications, the applicant will be reminded in the First Requisition and all SFC's subsequent requisition(s) that the SFC would be minded to refuse an application if the applicant fails to meet the relevant Response Time Limits.</p>
5A.	Will the SFC extend the Response Time Limits?	In general, the answer is no. Any extension of the Response Time Limits would only be granted by the SFC in limited cases with proper justifications. The mere fact that further internal liaison/communication is required by the applicant, for example, with overseas offices or further liaison/communication with other key operating parties is required in addressing the SFC's requisition(s) will not generally be considered as satisfactory grounds for the SFC granting an extension of the relevant Response Time Limits.
6.	<p>Will my application be liable to refusal by the SFC under any circumstances apart from the failure to meet the relevant Response Time Limits in addressing the SFC's requisition(s)?</p> <p>Also, will my application lapse after a certain period of time? If so, how long? What should I do if my application has lapsed?</p>	<p>Yes. After the receipt of the applications and at any time during the vetting process, in cases of non-compliance with any key requirement(s) under the relevant Codes and regulatory guidance, the application is liable to be refused by the SFC where appropriate.</p> <p>If, for any reason, 2 months (for Simple Applications) or 6 months (for Complex Applications) have elapsed from the date of the First Requisition issued by the SFC and no approval or authorization has been granted, the application (whether it is a Simple Application or a Complex Application) will lapse subject to the SFC's right to grant an extension at its sole discretion. In general, the SFC will only consider granting an extension of the Lapse Period in limited circumstances (see Q.7 below). For applications that are processed under the Revamped Post Authorization Process, applicants will be reminded about the Lapse Period in the First Requisition (if issued by the SFC).</p> <p>Once an application has lapsed or been refused, applicant may re-submit the lapsed/refused application provided that the re-submitted application is well-prepared and in compliance with all applicable requirements, and has properly</p>

	Question	Answer
		addressed/resolved all the outstanding issues previously identified in the lapsed/refused application.
7.	Will the SFC extend the application beyond the applicable Lapse Period?	In general, the answer is no. Any extension of the Lapse Period may be granted by the SFC where there is no substantive outstanding issue at the time of the extension, except for the receipt of the response from overseas regulator by the SFC in the case where overseas regulatory check has to be conducted on the management company or its delegate. In general, the SFC will only consider granting an extension under exceptional circumstances upon the submission of satisfactory grounds by the applicant.
8.	If the Commission has granted approval or authorization with conditions to the application for approval of the post authorization change(s) or authorization of revised offering documents, what and when does the applicant need to submit to the Commission in order for such approval / authorization to become effective?	<p>The SFC may, where it considers appropriate, approve a fund's post authorization change(s) or authorize the issue of a fund's offering document ("Approval / Authorization"), subject to such conditions ("Conditions") as the SFC considers appropriate.</p> <p>In order for such Approval / Authorization to become effective, the applicant must submit to the SFC a duly completed and executed Confirmation of fulfilment of approval/authorization condition(s) or Confirmation of fulfilment of approval/authorization condition(s) in relation to Recognised Mainland Funds confirming, among other things, its agreement to all the Conditions as set out in the SFC's approval or authorization letter ("Approval / Authorization Letter") and that all such Conditions have been fulfilled and/or will be complied with (as the case may be), together with the required documents as stated in the Approval / Authorization Letter generally within 2 months from the date of such letter (or such extended time limit(s) that may be agreed by the SFC upon submission of proper justification by the applicant).</p>
9.	Will the SFC extend the time period for fulfilment of the Conditions by the applicant for an Approval / Authorization to become	In general, the SFC will require fulfilment of the relevant Conditions within 2 months from the date of the Approval / Authorization Letter issued by the SFC. The SFC may consider to extend the time for fulfilment of relevant Conditions

	Question	Answer
	effective beyond 2 months from the date of the Approval / Authorization Letter?	upon the submission of proper justification by the applicant. For example, extended period(s) may be agreed by the SFC on the grounds that in the case of a fund primarily regulated by an overseas regulator, additional time is required for the formal written approval from the home regulator of the fund's scheme change(s) and/or offering documents.
10.	<p>Will the application relating to approved pooled investment funds offered to retail investors be subject to the Revamped Post Authorization Process?</p> <p>What does the applicant need to submit to obtain SFC's Approval / Authorization and for the Approval / Authorization to become effective?</p>	<p>Yes. The application relating to approved pooled investment funds offered to retail investors will also be subject to the "two-stream" approach, the respective applicable Response Time Limit(s) and the Lapse Policy as mentioned above.</p> <p>However, as the post authorization applications relating to approved pooled investment funds offered to retail investors also require the approval/authorization from the Mandatory Provident Fund Schemes Authority ("MPFA"), an approval-in-principle ("AIP") will generally be granted by the SFC within the applicable Lapse Period provided (i) the applicant has addressed all SFC's requisitions (if any) in a satisfactory manner; and (ii) the application is in compliant with the applicable requirements under the UT Code and the SFC Code on MPF Products ("MPF Code").</p> <p>SFC will then grant the Approval / Authorization upon receipt of a duly completed and executed Confirmation of fulfilment of approval-in-principle condition(s) of approved pooled investment funds offered to retail investors ("APIF I") from the applicant confirming that (i) approval from the MPFA has been obtained; and (ii) after the issue of the AIP, there is no subsequent change(s) or additional change(s) which is/are subject to the SFC's prior approval.</p> <p>Where the Approval / Authorization is subject to conditions, the applicant will also be required to submit to the SFC a duly completed and executed Confirmation of fulfilment of approval/authorization condition(s) for the Approval/Authorization to become effective as mentioned in Q.8 above.</p>
11.	Under what circumstances will the AIP granted by the SFC cease to have effect?	After the issue of the AIP, where there is/are subsequent change(s) or any additional change(s) which are subject to the SFC's prior approval in

	Question	Answer
		accordance with the UT Code and/or the MPF Code, the AIP will cease to have effect and the applicant is required to re-submit the application covering all the subsequent changes which require the SFC's prior approval. The re-submission will be considered as a new application whereupon the whole application procedure will be repeated and will also be subject to the "two-stream" approach, the respective applicable Response Time Limit(s) and the Lapse Policy as mentioned above.
12.	<p>Can the applicant submit multiple applications to the SFC concurrently (e.g. submission of applications for the approval of post authorization change(s) and authorization of a new fund concurrently)?</p> <p>If yes, how the SFC will process these multiple applications?</p>	<p>Yes. Multiple applications submitted to the SFC concurrently will be processed in accordance with the applicable response time limit(s) and lapse policy. As such, applications for approval of post authorization change(s) and authorization of revised offering documents will be subject to the applicable Response Time Limit(s) and Lapse Policy under the Revamped Post Authorization Process, while the new fund application will be processed separately under the fund authorization process as set out in the Circular to management companies of SFC-authorized unit trusts and mutual funds - Formal adoption of revamped fund authorization process issued by the SFC on 2 December 2016 (as may be amended from time to time).</p> <p>Applicants must practically assess the time required to respond to the SFC's requisition(s) on multiple applications under the respective timelines and ensure that proper, complete and quality responses are provided to address all outstanding issues within the applicable response time limit(s) and lapse periods.</p>
13.	If the applicant submits a single application with multiple scheme changes which will fall under the "Simple Applications" and "Complex Applications" streams, under which stream will the SFC process the application?	If a single application contains multiple scheme changes which fall under both the "Simple Applications" stream and "Complex Applications" stream as considered by the SFC, the whole application will be processed in accordance with the "Complex Applications" stream.
14.	How would the application be processed if the applicant withdraws one or some of the	In general, the SFC expects the applicant to include all the proposed scheme changes and/or related revisions to the offering documents in the initial

	Question	Answer
	<p>proposed scheme change(s) and/or revision(s) to the offering documents from the initial submission during the application process?</p>	<p>submission as timely and quality submission is key to an efficient approval process. However, applicants may request in writing to withdraw one or some of the proposed scheme change(s) and/or revision(s) to the offering documents from the initial submission supported by proper and reasonable explanation. Applicants must clearly indicate the proposed scheme change(s) and any related / consequential changes to be withdrawn and submit the amended executed application form(s) reflecting the proposed change(s) that remain in the application.</p> <p>Such withdrawal will not affect the processing of the remaining change(s) in accordance with the initial timeframe i.e. the application will still be subject to the Response Time Limit(s) and Lapse Period applicable to the initial submission.</p> <p>Any subsequent application for approval of the withdrawn change(s) will be treated as a new application whereupon the whole application procedure will be repeated and will also be subject to the “two-stream” approach, the respective applicable Response Time Limit(s) and the Lapse Policy as mentioned above.</p>
15.	<p>Does the SFC approve notice(s)(“Notice(s)”) notifying holders of proposed changes to the SFC-authorized fund that are subject to SFC’s prior approval under 11.1 of the UT Code (“11.1 Scheme Change(s)”) ? Will the applicant need to submit the draft Notice(s) in connection with an application for approval of 11.1 Scheme Changes (“Scheme Change Application”) ? Will the SFC comment on the draft Notice(s) ?</p>	<p>In accordance with 11.2A of the UT Code, in general, notices to holders issued by an SFC-authorized fund on matters relating to 11.1 of the UT Code need not be approved by the SFC prior to issuance but are required to be filed with the SFC within one week from the date of issuance of the notice.</p> <p>However, to facilitate holders to be informed of scheme changes in a timely manner, under the Revamped Post Authorization Process, the following will apply:</p> <ul style="list-style-type: none"> • For Simple Applications, applicants will generally not be required to submit the draft Notices to the SFC (unless specifically required by the SFC) but they must set out clearly the salient terms of the proposed 11.1 Scheme Change(s) in the Application Form for Scheme Change(s) (“Application Form”); • For Complex Applications, applicants are expected to submit the draft

	Question	Answer
		<p>Notice(s) in support of the Scheme Change Application to the SFC.</p> <p>Guiding comments on the submitted draft Notice (“Guiding Comments”) may be given by the SFC regarding the information to be disclosed in the final Notice. No revised draft Notice should be submitted to the SFC for further comments upon incorporating all the Guiding Comments (if any) from the SFC.</p> <p>For the avoidance of doubt, Scheme Change Applications must be approved by the SFC prior to the distribution of the relevant Notice(s) to holders. Notices currently subject to SFC’s prior approval pursuant to the UT Code (i.e. notices on merger, termination and withdrawal of authorization) will still be required to be submitted to the SFC for approval.</p> <p>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 SFC-authorized funds of its fund group or client.</p>
16.	Will changes made to the offering documents which are consequential to the 11.1 Scheme Change(s) require the SFC’s prior approval?	Where the 11.1 Scheme Change(s) are subject to the SFC’s prior approval, any consequential amendments to the offering documents will also be subject to the SFC’s prior approval except for the related administrative changes (e.g. update on the address of the newly appointed management company in the offering documents). As such, applicant should also properly set out the consequential changes to the relevant 11.1 Scheme Change(s) in a clear and succinct manner in the relevant application form for authorization of the revised offering documents.
17.	What types of scheme change(s) will fall within 11.1B of the UT Code which are not subject to SFC’s prior approval?	Scheme changes which (i) do not fall within 11.1 of the UT Code; or (ii) are not Immaterial Changes (as defined in FAQ 9 under Section 2 below), will generally be classified as change(s) falling within 11.1B of the UT Code not requiring SFC’s prior approval (“11.1B Changes”). Offering documents may be updated to incorporate 11.1B Changes and reissued without further authorization provided the content and format of such document remains fundamentally the same as the version previously authorized.

	Question	Answer
		<p>Set out below are some examples of 11.1B Changes:</p> <ul style="list-style-type: none"> • changes of operators which are not key operators of the fund as referred to in 11.1(b) of the UT Code; • administrative changes e.g. change in address of the key operators, addition and resignation of directors of the scheme; • changes to punctuation or grammar; and • correction of a manifest error.
18.	<p>What are the requirements for mark-up and annotation of the changes to the revised offering documents?</p>	<p><u>For mark-up and annotation requirements, the general guidance is set out below:</u></p> <p><u>11.1 Scheme Change(s)</u></p> <p>Change(s) made to the offering documents to reflect 11.1 Scheme Change(s) which are subject to SFC's prior approval, including amendments consequential to the 11.1 Scheme Change(s) ("11.1 ROD Changes"), must be shown as mark-up and annotated clearly in the:</p> <ul style="list-style-type: none"> • draft revised offering documents at the initial submission and throughout the application process for authorization of the revised offering documents; and • revised offering documents at the time of submission of the Confirmation of fulfilment of approval/authorization condition(s). <p>Nature or brief details of the 11.1 ROD Changes must also be set out in the relevant application forms in a clear and succinct manner at the initial submission.</p> <p><u>Other Changes</u></p> <p>For post-filing purpose, (i) Immaterial Changes (as defined in FAQ 9 under Section 2 below); and (ii) changes which do not fall within 11.1 of the UT Code, are required to be shown as mark-up in the revised offering documents filed to</p>

	Question	Answer
		<p>the SFC though annotation is not required.</p> <p>Applicants must set out the relevant section number / heading of these changes in the relevant filing forms in a clear and succinct manner to facilitate the SFC to conduct post-vetting.</p>
19.	Who can sign the application forms relating to approval of 11.1 Scheme Change(s) and authorization of revised offering documents and filing forms for scheme change(s) and revised offering documents which do not require SFC's prior approval?	At the initial submission of the relevant application and post-filing of the relevant documents, the relevant application forms and filing forms should be duly completed and properly executed by the senior ranking executive of the management company with overall responsibility for the application. However, the senior ranking executive of the management company may designate an appropriate person to execute and sign the relevant forms on their behalf.

Section 2 – Others

	Question	Answer
1.	Once a fund is authorized by the SFC, is it required to comply with any on-going requirements?	<p>Yes. An SFC-authorized fund has to comply with the post-authorization requirements as set out in Chapters 10 and 11 of the UT Code. To facilitate better compliance by SFC-authorized funds, the following forms are provided on the SFC website:</p> <ul style="list-style-type: none"> ▪ <i>Pricing Error Form</i> – information to be supplied to the SFC on discovery of pricing errors ▪ <i>Merger / Restructuring / Termination Form</i> – information to be supplied to the SFC for proposed mergers / restructuring / termination of funds ▪ <i>Money Market Funds Form</i> – information to be supplied to the SFC by money market funds
2.	What documents should I submit when I am seeking SFC authorization to amend the Offering Document of an authorized fund?	<p>After the Effective Date, for revision of a fund’s Offering Document, you are expected to provide, at least, the following documents to us:</p> <ul style="list-style-type: none"> ▪ a covering letter identifying the changes that are to be made in the current Offering Document, the authorization date of the current version and other references (where applicable) ▪ a marked-up version of the draft revised Offering Document ▪ proper annotation for revised sections ▪ properly completed new application form(s) (posted on the SFC’s website) ▪ confirmation of compliance signed by a senior-ranking executive of the management company (or an appropriate person designated by the senior-ranking executive of the management company) with overall responsibility for the application ▪ no fee is required for authorization of changes if they do not involve the authorization of a new fund <p>Where applicable, applicants may make reference to the Guide on Practices and Procedures for Application for Authorization of Unit Trusts and Mutual Funds</p>

	Question	Answer
		<p>which contains a set of minimum disclosure requirements for the funds' offering documents to facilitate applicants' preparation of the revised offering documents of their funds.</p> <p>For funds that have made substantial amendments or a series of changes on various occasions to its Offering Document, you are advised to consolidate these amendments in one single Offering Document and seek authorization for the consolidated version. It would be much easier for your investors to understand the changes made in one self-contained version of the disclosure document, rather than a document that has been amended by various addenda in a piecemeal fashion.</p> <p>Our requirements for processing amendments to Constitutive Documents of a fund are substantially the same as above.</p>
2A.	<p>What steps should a management company take when they issue notice(s) which contain(s) information that affects the disclosure in the offering documents of SFC-authorized fund(s)?</p>	<p>SFC-authorized funds must issue an up-to-date offering document, which should contain information necessary for investors to be able to make an informed judgement of the investment proposed to them.</p> <p>Where a management company issues notice(s) which contain(s) information that affects the disclosure in the offering document of SFC-authorized fund(s), the management company should update the offering document with such information as soon as reasonably practicable. In the event that the offering document is yet to be updated, the offering document is expected to be accompanied by such notice(s). As such, the management company should make appropriate arrangements with its distributors and the Hong Kong Representative (if applicable) to provide the offering document together with copies of the relevant notice(s) to investors.</p>
3.	<p>Under what circumstances can dealings in an SFC-authorized fund be suspended?</p>	<p>Suspension of dealings may be provided for only in exceptional circumstances, having regard to the interests of holders. Notification to the SFC and holders has to be made pursuant to 10.6 and 10.7 of the UT Code.</p> <p>In addition, we have issued a circular to give further guidelines on dealing suspension, including the circumstances that justify suspension in dealings, the</p>

	Question	Answer
		<p>means of notification of such suspension and resumption of dealings. Please refer to the circular revised as of 30 January 2015, which is posted on the SFC website http://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=15EC7.</p>
3A.	<p>Would there be any changes to the notification requirements regarding suspension of dealings as set out in the General Circular to SFC Approved Fund Management Companies issued by the SFC on 26 November 2001 (“2001 Circular”) in light of the amendments made to 10.7 of the UT Code on 30 January 2015?</p>	<p>Yes. We note that some of the provisions in the 2001 Circular were prepared on the basis that suspension notices were required to be published in newspapers. Given that SFC-authorized funds would have the flexibility in determining the appropriate publication means under the revised 10.7 of the UT Code, (i) the requirement that the fact of dealing is suspended must be published in the newspaper(s) in which a fund’s prices are normally published under paragraph 9 of the 2001 Circular, and (ii) paragraph 11 of the 2001 Circular shall no longer be applicable. We have issued a revised version of the 2001 Circular, which is posted on the SFC website http://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=15EC7, to reflect the above change on 30 January 2015.</p>
3B.	<p>What should the fund manager of an SFC-authorized fund note if there is a suspension of trading on the securities market(s) on which all or a substantial part of the investments of the fund are traded and such suspension continues until the close of such market(s) (“Market Suspension”)?</p>	<p>Pursuant to the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products, fund managers are required to manage SFC-authorized funds with due skill, care and diligence.</p> <p><i>Issues to consider</i></p> <p>A fund manager should critically assess the potential impact of Market Suspension on SFC-authorized funds under its management and the investors of the funds, and should ensure that it has in place appropriate policies and procedures (including contingency plans) to address such impact in the event of Market Suspension. In particular, the issues that a fund manager should consider if a Market Suspension is triggered include, without limitation:</p>

	Question	Answer
		<ul style="list-style-type: none"> ▪ how the net asset value of the fund(s) should be calculated; ▪ if/how any fair valuation adjustments should be made²; ▪ how to ensure: <ul style="list-style-type: none"> a. strict compliance with the principle of forward pricing³; b. all investors are treated fairly and that existing investors' interests are protected and not diluted as much as possible; and c. the policies and procedures to be put in place (and any revisions thereto) are done in the best interests of the fund; ▪ how the dealing and settlement arrangements will be affected, such as: <ul style="list-style-type: none"> a. whether the day on which Market Suspension occurs is still a dealing day for the fund; b. if so, whether the fund manager will suspend dealing on that day or make any changes to the cut-off time for accepting subscription and redemption orders; and if it is the latter case, <ul style="list-style-type: none"> i. whether the subscription and redemption orders received after the cut-off time on that day will be carried forward to the next dealing day; and ii. whether investors can cancel the subscription and redemption orders received after the cut-off time on that day; and c. the arrangement for prolonged Market Suspension; and

² Fund managers are reminded to comply with the requirements as set out in (i) the SFC Circular to Management Companies and Trustees/Custodians of SFC-authorized Funds Relating to Fair Valuation of Fund Assets issued on 20 July 2015 (as amended from time to time) for further guidance on fair valuation of fund assets, and (ii) the SFC Circular to Management Companies of SFC-authorized Funds – Suspension of Dealings revised as of 30 January 2015 (as amended from time to time).

³ Forward pricing is a fundamental principle in the regulation of SFC-authorized funds. Forward pricing ensures that incoming, continuing and outgoing investors are treated equitably such that subscription and redemptions of fund units/shares are effected on the basis of an unknown/forward price only in order to minimise the risks related to late trading and market timing. In line with such principle, SFC-authorized funds that are affected by Market Suspension are generally expected not to accept subscription and redemption orders received after the occurrence of Market Suspension and not to process such orders on the same day. Otherwise, certain investors may be able to take advantage of knowledge about development in financial markets occurred after the Market Suspension is triggered and exploit fund unit/share prices that are based on the last traded prices of securities in the fund's portfolio, when the Market Suspension is triggered.

	Question	Answer
		<ul style="list-style-type: none"> ▪ if any revisions should be made to the existing dealing and settlement procedures and operational guidelines of the fund after considering the above. <p>The fund manager should consult the trustee to address these issues where appropriate.</p> <p>Additionally, fund managers of SFC-authorized ETFs should consider the following if a Market Suspension is triggered:</p> <ul style="list-style-type: none"> ▪ the arrangement for partially filled orders; ▪ if secondary trading should be suspended; and ▪ whether substantial trading premium/discount would arise and how it should be addressed. <p>The fund manager should discuss with the relevant participating dealers as necessary when putting in place the relevant arrangements relating to Market Suspension.</p> <p>The fund manager should also remind its distributors to treat all investors dealing through such distributor in a fair and consistent manner.</p>
3C.	<p>What disclosure issues should a fund manager consider for the implementation of any policies and procedures in addressing the potential impact of Market Suspension on an SFC-authorized fund? In addition, would prior notice to investors and prior approval from the Commission be required regarding the changes made as a result of such implementation?</p>	<p>SFC-authorized funds must issue an up-to-date offering document, which should contain the information necessary for investors to be able to make an informed judgement of the investment proposed to them.</p> <p>On implementation of any policies and procedures in addressing the potential impact of Market Suspension on an SFC-authorized fund, a fund manager should consider whether the current disclosures and risk warnings on Market Suspension and the associated dealing and settlement arrangements in the fund offering documents require further update.</p> <p>Relevant changes to the dealing and settlement arrangements of an SFC-authorized fund to comply with the applicable legal and/or regulatory requirements would generally be regarded as Immaterial Changes (as defined in FAQ9 below)</p>

	Question	Answer
		<p>provided that the Overriding Requirements (as defined in FAQ9) can be satisfied, and thus do not require the Commission's prior approval.</p> <p>Save as otherwise provided in FAQ9, the Commission would normally expect the fund manager to inform existing holders of the fund of such changes as soon as reasonably practicable and where appropriate, the notices should prominently remind investors that their distributors may have different dealing and settlement arrangements, and that investors should check with their distributors on the relevant arrangements.</p> <p>No further authorization of the revised offering documents is required to be obtained from the Commission to the extent it solely reflects such changes. Fund managers are reminded to comply with the relevant filing requirements as set out in FAQs 9 and 10.</p>
4.	<p>If a pricing error has occurred in relation to a UCITS fund authorized by the SFC for public offering in Hong Kong, what steps does the manager of the UCITS fund have to take to comply with the relevant provisions in 10.2 of the UT Code?</p>	<p>All SFC-authorized schemes are required to comply with 10.2 of the UT Code. However, in view of UCITS funds being subject to home regulators' supervision and with a view to streamlining the processing of pricing errors of UCITS funds reported to the SFC, set out below are the process and required documents adopted with immediate effect.</p> <p>Where a pricing error has occurred and the manager of the relevant UCITS fund has dealt with the rectification of the pricing error (including the calculation and making of compensation to be made to investors, if any, in accordance with 10.2 of the UT Code), the manager of the UCITS fund is in general only required to file with the SFC the following information and confirmations in writing:</p> <ul style="list-style-type: none"> ▪ summary of the nature of the pricing error and the remedial measures (e.g. whether compensation needs to be made to investors, and if so, a statement as to whether payments have been made); ▪ whether Hong Kong investors have been affected, and if so, how many; ▪ confirmation that 10.2 of the UT Code is complied with; ▪ confirmation that the home regulator has no comment on the pricing error and the rectification measures (including compensation to be made to investors); and

	Question	Answer
		<ul style="list-style-type: none"> ▪ bilingual notice (if any) sent to affected Hong Kong investors. <p>The SFC reserves the right and power to require the submission of further information and documents as it deems appropriate in respect of any pricing error of any SFC-authorized funds (including UCITS funds) on a case-by-case basis.</p>
5.	<p>The offering document of an existing scheme has disclosed that the scheme may extensively use FDI for investment purposes, i.e. investing in FDI other than for hedging purposes.</p> <p>Does the Commission expect one month's prior written notice to be provided to holders if such offering document and/or the product key fact statement (KFS) of such scheme is revised to state that the scheme may only use FDI for hedging purposes or will not use FDI for any purposes at all, notwithstanding the offering document already discloses that the scheme may invest in FDI for investment purposes?</p>	<p>For any changes to a scheme regarding the use of FDI, whether the Commission expects at least one month's prior written notice to be provided to holders depending on the nature of the changes.</p> <p>If the offering document of a scheme already discloses that the scheme may extensively use FDI for investment purposes and the offering document and/or KFS of such scheme is changed so that the use of FDI is restricted to hedging purposes only or is not used at all, the Commission's prior approval pursuant to 11.1 of the UT Code is required notwithstanding that the Commission would not require one month's prior written notice to be provided to holders. Nevertheless, the Commission would expect the management company to inform existing holders of the scheme as soon as reasonably practicable (whether by a specific notice or in its monthly factsheet or next financial report) in order to enable existing investors to appraise the position of the scheme.</p> <p>On the other hand, for changes to a scheme to allow the use of FDI for investment purposes, the Commission's prior approval pursuant to 11.1 of the UT Code is required and the Commission would normally expect one month's prior written notice (or such longer period as required under applicable laws and regulations or the provisions as set out in the offering or constitutive documents) to be provided to holders in respect of such changes pursuant to 11.1A of the UT Code.</p>
6.	<p>Under 11.5 of the UT Code, notices for mergers should be submitted to the Commission for prior approval. Do I need to send notice to investors of the "receiving fund" (i.e. the absorbing fund in a merger) informing them of the merger and submit such notice for the Commission's prior approval?</p>	<p>For the purpose of 11.5 of the UT Code, notices are not required to be given to investors of the "receiving fund" (i.e. the absorbing fund) in a merger and you are not required to submit such notices to the Commission for prior approval.</p> <p>For the avoidance of doubt, the Commission requires notices to be sent to investors of the "merging fund" (i.e. the absorbed fund in a merger) in a merger and such notices should be submitted to the Commission for prior approval.</p>

	Question	Answer
7.	<p>Under 11.1(b) of the UT Code, a proposed change of the controlling shareholder(s) of a key operator of a scheme should be submitted to the Commission for prior approval.</p> <p>For a proposed change in the controlling shareholder(s) of a key operator where:</p> <ul style="list-style-type: none"> • that controlling shareholder(s) is an intermediate shareholder; and • the proposed change of the intermediate shareholder(s) will not result in any change in the ownership interest of the ultimate shareholder(s) in the key operator; <p>does the above change require prior approval from the SFC pursuant to 11.1 of the UT Code?</p> <p>What would be the expected notice period required for the above scheme change?</p>	<p>11.1(b) of the UT Code applies to both direct and indirect change(s) of the controlling shareholder of a key operator. However, where a proposed change of intermediate shareholder(s) will not result in any change in the ownership interest of the ultimate shareholder(s), such change will not require the Commission's prior approval and the applicant is only required to file the "Filing Form for Notice of Scheme Change(s) falling within 11.1B of the Code on Unit Trusts and Mutual Funds (UT Code) and Do Not Require SFC's Prior Approval" and the following information and confirmations from the relevant key operator in writing with the Commission as part of the filing of the scheme change:</p> <ul style="list-style-type: none"> • there is no impact on or change in the management or operations of the relevant key operator of the scheme as a result of the change of intermediate shareholder(s); • there is no material adverse impact on the scheme; and • there is no change in the ownership interest and control of the ultimate controlling shareholder(s) of the relevant key operator. <p>In respect of the above scheme change, if the information relating to the shareholding structure of the relevant key operator is not disclosed in the Offering Documents of the scheme and notice informing holders about the change in the shareholding structure will not be issued to holders of the scheme in other jurisdictions, the Commission would not normally require any notice to be provided to holders for such a scheme change upon submission by the applicant. On the other hand, if the Offering Documents contain disclosure regarding the shareholding structure of the relevant key operator, notwithstanding that the Commission would not require one month's prior written notice to be provided to holders, holders of the scheme should be informed as soon as reasonably practicable and the relevant notice should also be filed to the Commission within one week from the date of issuance.</p> <p>In case of doubt, early consultation with the Commission is encouraged.</p>

	Question	Answer
Streamlined Measures to Enhance the Processing of Application for Scheme Changes and Revision of Offering Documents of SFC-authorized Funds		
8.	<p>What streamlined measures have the Commission introduced in respect of the processing of application for scheme changes and revision of offering documents of SFC-authorized funds?</p> <p>When will the streamlined measures begin to apply?</p>	<p>On 14 June, 2013, the Circular to Management Companies of SFC-authorized Funds dated 14 June 2013 entitled “Streamlined Measures to Enhance the Processing of Application for Scheme Changes and Revision of Offering Documents of SFC-authorized Funds” (the “Circular”) was issued by the Commission. The Circular sets out, among other things, the streamlined measures (“Streamlined Measures”) introduced by the Commission pursuant to which prior approval would not be required from the Commission in respect of certain immaterial changes proposed to be made to the relevant SFC-authorized funds and consequential amendments to their offering documents.</p> <p>With reference to the Circular, illustrative examples of Immaterial Changes and Related Revised Documents (as defined in the Circular) for the purpose of the Streamlined Measures are set out in FAQs 9 to 14 below in order to provide further guidance to the industry in this regard. These illustrative examples however are not intended to be exhaustive and are subject to amendments and updates from time to time, as and where appropriate. Management companies are encouraged to contact the Investment Products Division in case of doubt concerning specific circumstances. Where necessary, early consultation with the Commission is encouraged.</p> <p>The Streamlined Measures will take effect on the Effective Date as stated in the Circular (i.e. 24 June, 2013) and will apply to all applications for the approval of scheme changes and/or authorization of revised offering documents of SFC-authorized funds submitted on or after the Effective Date. For all Existing Applications (as defined in the Circular), the management companies are encouraged to adopt the Streamlined Measures to the extent applicable. The management companies may, however, choose to continue with the Existing Applications (as defined in the Circular) and not make use of the Streamlined Measures.</p> <p>Please refer to the Circular for further information regarding the Streamlined Measures.</p>

	Question	Answer
9.	<p>Does (i) an amendment to a scheme in the nature of clarifications or enhancement of its investment objectives, policies and restrictions; (ii) a change or an extension of a scheme's dealing deadline and/or frequency; (iii) a reduction of a scheme's fees and charges from the current level; or (iv) adoption of additional trading counter(s) for an ETF, require prior approval from the Commission pursuant to 11.1(c) of the UT Code? Would prior notice be required to be provided to the investors regarding the amendments and/or changes?</p>	<p>Pursuant to 11.1(c) of the UT Code, prior approval is required from the Commission in respect of any changes in investment objectives, policies and restrictions (including the purpose or extent of use of derivatives), fee structure and dealing and pricing arrangements of a scheme, and it is normally expected that one-month's prior notice will be provided to investors in respect of the changes.</p> <p>For the reasons set out in the Circular, the Commission is prepared to streamline the prior approval requirements in 11.1 of the UT Code and adopt a post-vetting approach in respect of certain immaterial changes to the investment objectives, policies and restrictions, fee structure and dealing and pricing arrangements of a scheme ("Immaterial Changes"). Under the post-vetting approach, prior approval is not required from the Commission in respect of the Immaterial Changes which might otherwise fall under 11.1(c) of the UT Code.</p> <p>Set out below are the overriding principles and requirements ("Overriding Requirements") that must be satisfied in order for any changes to be Immaterial Changes:</p> <ul style="list-style-type: none"> • the changes do not amount to a material change to the scheme; • there will be no material change or increase in the overall risk profile of the scheme following the changes; and • the changes do not materially prejudice the rights or interests of investors of the scheme. <p>Below are some illustrative examples of Immaterial Changes which do not require the Commission's prior approval under the post-vetting approach mentioned above:</p> <ol style="list-style-type: none"> a. <i>Investment objective, policies and restrictions</i> <ol style="list-style-type: none"> i. elaboration on the primary/principal investment objective, strategy, or policy of a scheme by way of a specified investment threshold/limit and the removal of and/or amendments to such threshold/limit, based on the existing investment objective, strategy or policy of the scheme as disclosed

	Question	Answer
		<p>in the offering documents;</p> <ul style="list-style-type: none"> ii. elaboration on the ancillary investment strategy, objective or policy of a scheme by way of a specified investment threshold/limit and the removal of and/or amendments to such threshold/limit, based on the existing investment objective, strategy or policy of the scheme as disclosed in the offering documents; iii. variation (including addition or removal) of examples of underlying assets or investment areas in which a scheme may invest, based on the existing investment objective, strategy or policy of the scheme as disclosed in the offering documents; iv. elaboration on or minor amendments to the internal stock selection method/process within the scope of a scheme's existing investment objective, strategy or policy as disclosed in the offering documents; v. elaboration on the existing investment objective, strategy, policy or restriction of a scheme as required by other regulators and/or as a result of the scheme's compliance with applicable legal and/or regulatory requirements; and vi. adoption of a physical replication strategy by a synthetic ETF⁴. <p><i>b. Fee structure and dealing and pricing arrangements</i></p> <ul style="list-style-type: none"> i. reduction of fees and charges from their current level; ii. increase in or reduction of initial charges/subscription fees payable by investors; iii. change in the minimum initial subscription amount and/or subsequent

⁴ For the avoidance of doubt, the adoption of a synthetic replication strategy (in part or in full) by a physical ETF will generally not be regarded as an Immaterial Change as there is usually a material change and/or an increase in the overall risk profile of the ETF following such change.

	Question	Answer
		<p>subscription amount (unless it is due to any regulatory requirement or controls under any applicable laws and regulations);</p> <ul style="list-style-type: none"> iv. change of frequency and/or rate of dividends payment; v. change of distribution policy from paying dividend out of capital / effectively out of capital to no longer paying dividend out of / effectively out of capital (i.e. solely out of net distributable income); vi. removal of fee item(s) payable by the investors and/or the scheme; vii. extension of dealing deadline and/or increase in dealing frequency (e.g. from monthly or weekly to daily) of a scheme, which are beneficial to investors, provided that in the former case, the extended deadline is still well before the pricing/ NAV cut off time to ensure forward pricing in accordance with the provisions of its offering and constitutive documents and the provisions of Chapter 6 of the UT Code; viii. changes in settlement/payment periods for the subscription or redemption of units/shares of a scheme, which are beneficial to investors or are necessary to comply with regulatory, fiscal or other statutory or official requirements, provided that the provisions of Chapter 6 of the UT Code can be complied with; ix. adoption of additional trading counter(s) for an ETF; and x. changes in primary market dealing arrangement of an ETF to which all participating dealers of the ETF have agreed. <p>For any changes in the frequency, and/or rate of dividends payments of a scheme and change of distribution policy from distribution out of / effectively out of capital to solely out of net distributable income or any changes which shorten the settlement period for subscription money payable by investors or extend the payment period for redemption moneys receivable by investors, the Commission would normally expect that at least one month's prior notice should be given to existing holders of the scheme in respect of the change. In respect of the change of distribution policy, the management company should ensure the notice containing information regarding the reasons for the change, implication of the</p>

	Question	Answer
		<p>change on the fund, share class and/or investors (e.g. any impact on the frequency of dividend payment and/or rate of dividend payment etc.) and the timeframe which the historical information on the dividend compositions will continue to be available to investors as considered appropriate by the management company to enhance the transparency of the fund's distribution policy.</p> <p>Regarding other Immaterial Changes as mentioned above, the Commission would expect the management company to inform existing holders of the scheme of the relevant Immaterial Changes as soon as reasonably practicable in order to enable them to appraise the position of the scheme.</p> <p>As part of the filing of the scheme change, the management company is required to file the "Filing Form for Notice of Scheme Change(s) falling within 11.B of the Code on Unit Trusts and Mutual Funds and Do Not Require SFC's Prior Approval" confirming, among other things, compliance with the Overriding Requirements. The Immaterial Changes will be subject to post-vetting by the Commission.</p>
10.	Will authorization be required to be obtained from the Commission prior to the issuance of the revised offering document of an SFC-authorized fund which solely reflects the Immaterial Changes referred to in FAQ9 above?	No further authorization of the revised offering document of an existing SFC-authorized fund is required to be obtained from the Commission to the extent it solely reflects the Immaterial Changes. Nevertheless, the above revised offering document should be filed with the Commission pursuant to 11.1B of the UT Code together with a properly completed "Filing Form for Revised Offering Documents that Incorporate Changes Falling within 11.1B of the Code on Unit Trusts and Mutual Funds (UT Code) and Do Not Require SFC's Prior Approval" confirming, among other things, compliance with the requirements mentioned in this FAQ10. Please refer to FAQ5 above which sets out an example pursuant to which prior written notice would not be required to be provided to holders pursuant to 11.1 of the UT Code if the offering document and/or KFS of a scheme is changed so that the use of FDI is restricted to hedging purposes only or is not used at all.
11.	Do changes to the constitutive documents of an existing SFC-authorized fund which (a)	Pursuant to 11.1(a) of the UT Code, prior approval is required from the Commission in respect of any changes to constitutive documents of a scheme.

	Question	Answer
	<p>solely reflect (i) the Immaterial Changes referred to in FAQ9 above and/or (ii) changes falling within 11.1B of the UT Code (“11.1B Changes”) and/or (b) is a UCITS, require prior approval from the Commission pursuant to 11.1(a) of the UT Code?</p>	<p>For the reasons set out in the Circular, the Commission is prepared to adopt a streamlined approach in respect of certain amendments to constitutive documents of SFC-authorized funds (“Immaterial CD Amendments”). Under the streamlined approach, prior approval is not required from the Commission in respect of Immaterial CD Amendments under 11.1(a) of the UT Code. Set out below are overriding principles and requirements (“Requirements”) that need to be satisfied in order for any amendments to constitutive documents to be Immaterial CD Amendments:</p> <p>(i) <u>For non-UCITS:</u></p> <ul style="list-style-type: none"> • the amendments do not require holders’ prior approval pursuant to the constitutive documents of the scheme or (for funds established in a recognized jurisdiction) the requirements under its home jurisdiction/(for funds which are not established in a recognized jurisdiction) the requirements under 6.15(f) and/or 6.7 of the UT Code; • notwithstanding holders’ approval is required, the amendments are only made to comply with the (for funds established in a recognized jurisdiction) applicable legal and/or regulatory requirements under its home jurisdiction / (for funds which are not established in a recognized jurisdiction) the fiscal or other statutory or official requirements under 6.7 of the UT Code; • (for funds established in a recognized jurisdiction) the amendments have been approved by the home regulator of the scheme (if applicable); • such amendments have been notified to the trustee/custodian and the trustee/custodian does not have any objection thereto; • the amendments do not materially prejudice the rights or interests of investors of the scheme; • the amendments do not amount to a material change to the scheme; and • the amendments are not changes falling within 11.1 of the UT Code (other than 11.1(a) of the UT Code) which would otherwise be subject to the Commission’s prior approval pursuant thereto.

	Question	Answer
		<p>For example, amendments to constitutive documents which solely reflect (i) the Immaterial Changes referred to in FAQ9 above subject to the satisfaction of the Requirements; and/or (ii) 11.1B Changes would generally be considered as Immaterial CD Amendments.</p> <p>(ii) <u>For UCITS</u>: the management company confirms that the constitutive documents of the scheme(s) have complied with all applicable home jurisdiction's laws and regulations and home regulator's requirements and have complied with 9.10 of the UT Code; and such constitutive documents are the latest version that have been submitted to / filed with the home regulator; and in addition, the scheme(s) has / have also complied with D12 of Appendix D to the UT Code regarding connected party transactions.</p>
12.	Will authorization be required to be obtained from the Commission prior to the issuance of the revised offering document of an SFC-authorized fund which solely reflects the Immaterial CD Amendments referred to in FAQ11 above?	No further authorization of the revised offering document of an existing SFC-authorized fund is required to be obtained from the Commission to the extent it solely reflects the Immaterial CD Amendments. Nevertheless, the above revised offering document should be filed with the Commission pursuant to 11.1B of the UT Code together with a properly completed "Filing Form for Revised Offering Documents that Incorporate Changes Falling within 11.1B of the Code on Unit Trusts and Mutual Funds (UT Code) and Do Not Require SFC's Prior Approval" confirming, among other things, compliance with the requirements mentioned in this FAQ12.
13.	Will further authorization be required to be obtained from the Commission prior to the issuance of the revised offering document of an SFC-authorized fund which solely reflects the withdrawal of authorization of an SFC-authorized fund?	<p>Following the withdrawal of authorization of an SFC-authorized fund ("Deauthorized Fund"), the offering document of an existing SFC-authorized fund which contains information of the Deauthorized Fund should be updated as soon as practicable to reflect such deauthorization.</p> <p>No further authorization of the revised offering document of an existing SFC-authorized fund which solely reflects the deauthorization of the Deauthorized Fund is required to be obtained from the Commission. However, the above revised offering document should be filed with the Commission pursuant to 11.1B of the UT Code together with a properly completed "Filing Form for Revised Offering Documents that Incorporate Changes Falling within 11.1B of the Code on Unit</p>

	Question	Answer
		Trusts and Mutual Funds (UT Code) and Do Not Required SFC's Prior Approval".
14.	Would prior notice be required to be provided to holders for any proposed change in the controlling shareholder(s) of the scheme's HK representative?	<p>Under 11.1(b) of the UT Code, prior approval is required from the Commission in respect of a proposed change of the controlling shareholder(s) of key operators of a scheme (including the HK representative) and at least one-month's prior notice is normally expected to be provided to holders in respect of such change (see Note (1) to 11.1A of the UT Code).</p> <p>However, if the offering document of the scheme does not contain any disclosure as to the shareholding structure of the HK representative and notice informing holders about the change in the controlling shareholder of the HK representative will not be issued to holders of the scheme in other jurisdictions which the scheme is publicly offered, the Commission would not normally require any notice to be provided to holders for such a scheme change upon submission by the applicant.</p> <p>Please refer to FAQ7 above on the approval and/or shareholders' notice requirements with respect to the proposed change in the controlling shareholder(s) of a key operator of a scheme where the controlling shareholder(s) is an intermediate shareholder of that key operator.</p>
15.	What kind of information should be disclosed to investors in light of the changes in the RQFII quota administration policy of the State Administration of Foreign Exchange (SAFE) pursuant to which no specific quota will be granted to a particular product?	<p>RQFII fund managers are reminded of their duty to inform investors as soon as reasonably practicable of any information concerning the scheme which is necessary to enable investors to appraise the position of the scheme. Following the changes in SAFE's RQFII quota administration policy, an RQFII holder now has the flexibility to allocate its RQFII quota granted by SAFE across different public fund products under its management and there will be no specific quota granted by SAFE to a particular product. In this connection, RQFII fund managers are expected to update the disclosure in the offering documents (including the product key facts statements) of their SFC-authorized RQFII funds and inform investors as soon as reasonably practicable. The revised offering document should be filed with the SFC pursuant to 11.1B of the UT Code together with a properly completed "Filing Form for Revised Offering Documents that Incorporate Changes Falling within 11.1B of the Code on Unit Trusts and Mutual Funds and Do Not Require SFC's Prior Approval."</p>

	Question	Answer
		<p>In addition, RQFII ETF managers are expected to keep investors informed should the creation of units in an ETF is suspended due to, among other things, the full utilization of RQFII quota allocated to that ETF by the manager. In this connection, please also refer to the Circular to Management Companies of SFC-authorized Exchange Traded Funds dated 18 November 2010 jointly issued by the Commission and HKEx regarding potential events triggering ongoing disclosure by ETF managers.</p>
16.	<i>Revised and moved to FAQ15 under Section 1</i>	
16A.	<p>Are there any content requirements for the Notice(s) referred to in FAQ 15 under Section 1 above?</p>	<p>It is the management companies' responsibility to ensure notices to holders are not misleading and contain accurate and adequate information to keep investors informed and to ensure they comply with all applicable legal and regulatory requirements. In preparing the final Notice(s), the management company should take into account the Guiding Comments (if any) and ensure that they have been properly addressed before distributing the Notice(s).</p> <p>The SFC will continue to conduct post-vetting of Notice(s) filed with us to monitor compliance as well as to see whether the Guiding Comments have been properly addressed. The SFC takes non-compliance seriously and reserves its right to take any necessary regulatory actions to ensure that the interests of investors are safeguarded.</p>
16B.	<p>In providing the Guiding Comments, if any, what would the SFC focus on in reviewing the draft Notice(s) submitted by an applicant mentioned in FAQ 15 under Section 1 above?</p>	<p>Below are some illustrative examples of information/disclosure that are expected to be included in Notice(s) regarding 11.1 Scheme Changes. Additional disclosures may be required depending on the particular circumstances of each case.</p> <ol style="list-style-type: none"> a. Clear description of the salient terms of the proposed 11.1 Scheme Changes, including, if applicable, the following key features and risks of the fund(s): <ol style="list-style-type: none"> i. The implications on the features and risks applicable to the fund(s). ii. Any proposed changes in the operation and/or manner in which the

	Question	Answer
		<p>fund(s) is/are being managed and the effects on existing investors.</p> <ul style="list-style-type: none"> iii. Any change in the fee level/cost in managing the fund(s) following the implementation of the proposed 11.1 Scheme Changes. iv. Any costs and/or expenses that will be incurred in connection with the proposed 11.1 Scheme Changes and who (e.g. the fund and/or the management company) will bear them. v. Any matters/impact arising from the proposed 11.1 Scheme Changes that may materially prejudice the existing investors' rights or interests. <ul style="list-style-type: none"> b. Reasons and rationale of the proposed 11.1 Scheme Changes. c. The publication date of the Notice(s) and the effective date of the proposed 11.1 Scheme Changes, including a clear description of all conditions such as shareholders' and/or regulatory approvals that are required to be fulfilled before the 11.1 Scheme Changes could take effect and the consequence(s) thereof. d. Where applicable, a list of documents and an address in Hong Kong where they can be obtained and/or inspected free of charge or purchased at a reasonable price. e. If available, website address of the fund(s) which contains publication of the fund(s)' offering documents etc. f. Hong Kong contact (including address and telephone number) for enquiries by investors. g. Applicable warning and responsibility statements, such as a warning statement to the effect that "THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE" and the responsibility statement that the management company accepts full responsibility for the accuracy of the information contained in the Notice etc. <p>Management companies should include such other information that are necessary</p>

	Question	Answer
		for the holders of the SFC-authorized funds to appraise and to comprehend the 11.1 Scheme Changes proposed to be made to the funds.
16B1.	Can the SFC provide some guidance as to the key information or disclosure expected to be set out in the Notice(s) regarding 11.1 Scheme Change(s)?	<p>Illustrative examples of information/disclosure that are expected to be included in Notice(s) regarding 11.1 Scheme Changes are set out in Q.16B under Section 2 above. Set out below are more specific illustrative examples of key information or disclosure expected to be set out in the Notice(s) regarding certain 11.1 Scheme Changes:</p> <p><i>(a) <u>Changes in investment objectives, policies and restrictions of the fund</u></i></p> <ul style="list-style-type: none"> • Clear description of the proposed revised investment objectives, policies and restrictions (e.g. the new types of underlying investment instruments), and the key difference(s) from the existing investment objectives, policies and restrictions. • Implications of the change on the features and the overall risk profile of the fund (e.g. whether the fund and/or investors will be subject to additional risk(s) such as the fund will be more susceptible to the volatility or development of a particular market or industry sector) and where applicable, description of these additional risks and impact on the fund and/or investors. • In the case of revising the extent of the use of financial derivative instruments, clear description of the intended extent of usage and any impact on the fund's leverage level and the consequential impact on the fund and/or investors (where applicable). • Elaboration of any changes in the operation and/or manner in which the fund is being managed and the effects on existing investors. Where there is no change or impact, negative statement is expected to be set out in the Notice(s). <p><i>(b) <u>Change in key operator(s) of the fund</u></i></p> <ul style="list-style-type: none"> • In the case of a new appointment, reason for the new appointment, a clear description of the relationship between the proposed new key operator(s) and

	Question	Answer
		<p>the existing key operator(s) where applicable (e.g. whether the newly appointed delegated investment manager is related to the management company), related costs and/or expenses that will be incurred and who will bear them, and any change(s) in the fee level/cost in managing the fund following the new appointment. If any conflicts of interests may result, clear description of why the fund or investors will not be prejudiced.</p> <ul style="list-style-type: none"> • Where the new appointment or removal of existing key operator(s) will affect the existing authorization condition granted by the SFC or the home regulator, clear description of the impact and the related arrangement (e.g. the management company will at all time delegate the investment management function to the newly appointed investment delegate possessing the relevant qualification). <p><i>(c) Change in dealing or pricing arrangement of the fund</i></p> <ul style="list-style-type: none"> • Clear description of the proposed new dealing or pricing arrangement, how the new arrangement will apply (e.g. only applicable to certain sub-fund(s) or share class(es)), reason for adopting the new arrangement, the key difference(s) from the existing arrangement, any impact on the processing, valuation or settlement timeline for subscription, switching and redemption, any impact on the fund or existing investors and whether the fund or existing investors will be prejudiced, otherwise a negative statement is expected to be set out in the Notice(s). In addition, fund managers should ensure the new dealing/pricing arrangement will not affect the fund's strict compliance with the principle of forward pricing and fair valuation. • Where the dealing of the fund will be suspended for the purpose of implementing the new dealing or pricing arrangement, clear description of the details including the suspension period, the arrangement in handling the subscription, switching and redemption requests submitted before and after the cut-off date applicable to the suspension, commencing date to use the new dealing or pricing arrangement etc. to ensure that fair and equitable treatment to all investors.

	Question	Answer
		<ul style="list-style-type: none"> In the case of imposition of anti-dilution practice, clear description of the anti-dilution mechanism to be put in place (e.g. anti-dilution levy, swing pricing), how such mechanism works (e.g. the adjustment that will apply to the subscribing and redeeming investors), the circumstance(s) upon which the application of the anti-dilution mechanism will be triggered, the maximum limit of the anti-dilution adjustment (e.g. maximum level of the anti-dilution levy, redemption gate or swing factor), impact on the fund or existing investors in the fund. Illustrative examples may be set out in the Notice(s) to facilitate investors to understand the mechanism or how the new / revised dealing arrangement, pricing arrangement or charging basis of the fees (e.g. performance fees) will apply. <p>(d) <u>Change in fee structure of the fund</u></p> <ul style="list-style-type: none"> Where a new type of fee is imposed, clear description of the reason for such imposition, the basis of levying the fee (e.g. expressed as a percentage of the net asset value of the fund, whether subject to any minimum or maximum level of fee) and the party(ies) receiving the new type of fee. <p>The above is not an exhaustive list of examples and management companies should consider to include such other information that are necessary for the holders of the SFC-authorized funds to fully understand the 11.1 Scheme Change proposed to be made to the funds for the purpose of appraising the position of the funds.</p>
16C.	Will fund managers be required to include a statement in Notice(s) confirming that the proposed 11.1 Scheme Change(s) is/are in the best interest of the holders (“Best Interest Confirmation”)?	<p>Pursuant to 5.10(a) of the UT Code, management companies must manage their funds in accordance with the funds’ constitutive documents in the best interest of the holders.</p> <p>In general, fund managers are not required to include the Best Interest Confirmation in the Notice(s) in respect of proposed 11.1 Scheme Change(s), especially in view of the fact that it is a general obligation of management company in the UT Code. However, the SFC reserves its power and discretion to</p>

	Question	Answer
		<p>raise requisitions where appropriate depending on specific circumstances of each case. For example, where it is not apparent to the SFC or where SFC has concerns as to whether a proposed 11.1 Scheme Change is in the best interest of holders as required by 5.10(a) of the UT Code. In such case, a Best Interest Confirmation may be required to be explicitly disclosed in the Notice(s).</p>
16D.	<p>Is it a requirement that fund managers must offer free redemption/switching to holders in respect of all proposed 11.1 Scheme Changes?</p>	<p>It is clearly stated under 11.4 and 11.5 of the UT Code that the alternatives available to investors (including, if possible, a right to switch without charge into another SFC-authorized fund) should be included in the notices to holders in respect of a merger, termination and/or withdrawal of authorization of an SFC-authorized fund. As such, fund managers are expected to make available, to the extent possible, free redemption/switching as alternatives to holders under these circumstances.</p> <p>In general, fund managers would not be required to offer free redemption / switching to holders in respect of all proposed 11.1 Scheme Changes. However, the SFC reserves its power to do so where it deems appropriate for safeguarding investor interest on a case-by-case basis, taking into account the specific facts and circumstances of each case. Fund managers may, however, out of their own initiatives offer free redemption/switching to investors when they are effecting proposed 11.1 Scheme Changes.</p>
17.	<p>A management company is required to have two key personnel as required under 5.5 of the UT Code. What should the management company do if there is any change to the key personnel after the fund is authorized by the Commission?</p>	<p>Management companies are required to comply with 5.5 of the UT Code at all times, including the key personnel requirement. Under 4.1(c) of the Overarching Principles Section of the Handbook, the management company shall inform the Commission promptly should there be any material breach of the Handbook.</p> <p>Accordingly, if there is any change or proposed change to the key personnel subsequent to authorization of the fund (e.g. resignation or departure or relocation of key personnel for a fund for any reason) which may result in non-compliance with 5.5 of the UT Code, the management company should inform the Commission as soon as practicable. A management company is strongly encouraged to inform the Commission as early as possible, e.g. after it has received the resignation notice of the relevant key personnel.</p>

	Question	Answer
		<p>In addition, the management company is expected to rectify the situation without delay. Depending on the situation, the management company may be required by the Commission to cease marketing and offering the SFC-authorized funds concerned to the public and to cease accepting subscriptions from new investors, pending rectification of the issue to the SFC's satisfaction. The Commission takes non-compliance seriously and reserves its rights to take any necessary regulatory actions to ensure that the interests of investors are safeguarded.</p> <p>In case of doubt, early consultation with the Commission is encouraged.</p>
18.	<p>How are SFC-authorized unlisted index funds which are no longer marketed to the public of Hong Kong expected to comply with the requirements set out in the Circular to Management Companies of SFC-authorized Exchange Traded Funds and Unlisted Index Funds dated 4 July 2014 entitled "Disclosure of Tracking Difference and Tracking Error" (the "TE/TD Circular")?</p>	<p>For unlisted index funds which are authorized in accordance with the UT Code but are no longer marketed to the public of Hong Kong, if the updated tracking difference is not reflected in the KFS pursuant to the TE/TD Circular, such information should be made available to investors upon request.</p>
19.	<p>What are the disclosure and approval requirements for an existing SFC-authorized fund which intends to make investments in the Mainland market through the Northbound Shanghai Trading Link⁵ and the Northbound Shenzhen Trading Link under the Shanghai-</p>	<p>Where an existing SFC-authorized fund intends to make investments through the Stock Connect, the following principles apply:</p> <ul style="list-style-type: none"> the fund's proposed investments via Stock Connect must be consistent with and within the existing investment objectives and strategy of that fund as disclosed in its offering documents;

⁵ The "Northbound Shanghai Trading Link" and the "Northbound Shenzhen Trading Link" are defined in the joint announcement of the China Securities Regulatory Commission and the SFC dated 16 August 2016.

	Question	Answer
	<p>Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect⁶ (collectively, “Stock Connect”) respectively?</p>	<ul style="list-style-type: none"> • the fund manager must at all times ensure that the disclosures in the offering documents (including KFS) are true, accurate, complete and not misleading and updated in a timely manner to include all information that is necessary for investors to appraise their investments in the funds; and • all other applicable requirements under the SFC Handbook including the UT Code and other relevant laws and regulations must be complied with at all times. <p>Subject to compliance with the above principles, we would like to give the following general guidance to the industry:</p> <p><u>Substantial investment in A shares (i.e. 30% or more of the fund’s NAV)</u></p> <p>a. Where an existing SFC-authorized fund’s investment objective or policy already includes substantial (i.e. 30% or more) investment in the Mainland A share market⁷, in general no prior SFC approval is required under 11.1 of the UT Code for any proposed use of the Stock Connect (whether through the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect, or a combination of both). In this case:</p> <ul style="list-style-type: none"> ➤ the management company could consider using Stock Connect as a means in accessing the Mainland A share market to be an “Immaterial Change” as set out in FAQ 9 above if the Overriding Requirements as set out in FAQ 9 above are satisfied. The fund manager is expected to inform existing investors of the fund as soon as reasonably practicable pursuant to FAQ 9 above; ➤ the management company should update the fund’s offering documents (including the KFS) regarding its intended proportion of investments via the Stock Connect as well as any additional key risks

⁶ The “Shanghai-Hong Kong Stock Connect” and the “Shenzhen-Hong Kong Stock Connect”, as defined in the joint announcements of China Securities Regulatory Commission and the SFC dated 10 April 2014 and 16 August 2016 respectively, are pilot programmes for establishing mutual stock market access between Mainland China and Hong Kong.

⁷ Whether the investment is currently done through one or a combination of the following means: QFII, RQFII, the Shanghai-Hong Kong Stock Connect, or A share market access products.

	Question	Answer
		<p>associated with the Stock Connect. For instance, the risks should include, without limitation, the fact that the fund might not be able to make its intended investments through Stock Connect given that it is subject to a daily quota which does not belong to the fund and can only be utilized on a first-come-first serve basis, and the risks associated with investment in shares listed on the ChiNext Board and/or the Small and Medium Enterprise Board (“SME Board”) of the Shenzhen Stock Exchange⁸; and</p> <ul style="list-style-type: none"> ➤ the updated offering documents should be filed with the SFC as soon as reasonably practicable as set out in FAQ 10 above. <p>b. Where an existing SFC-authorized fund’s investment objective or policy does not cover substantial investment in the Mainland A share market, for example, it invests mainly in US or European equities or is a bond fund, any proposed scheme change by the fund to make substantial (i.e. 30% or more) investment in the Mainland A share market, whether through the Stock Connect or other means, will be subject to the SFC’s prior approval under 11.1 of the UT Code. Normally, 1 month’s prior notice is expected to be given to investors before such scheme change is to take effect.</p> <p><u><i>Ancillary investment in A shares (i.e. more than 10% but less than 30% of the fund’s NAV)</i></u></p> <p>c. Where an existing SFC-authorized fund proposes to make ancillary investment (i.e. more than 10% but less than 30%) in the Mainland A share market, whether through the Stock Connect or any other means, in general no prior SFC approval is required under 11.1 of the UT Code. However, management companies are reminded that:</p> <ul style="list-style-type: none"> ➤ they should ensure that the relevant fund’s offering documents are up-to-date containing all relevant disclosures and risks associated with

⁸ In general, if an SFC-authorized fund intends to invest 30% or more of its NAV in shares listed on the ChiNext Board and/or the SME Board, such exposure and the associated risk(s) are expected to be disclosed in the sections headed “Objectives and investment strategy” and “What are the key risks?” of the KFS respectively.

	Question	Answer
		<p>investment in the Mainland A share market (including, for example, any additional risks associated with the use of the Stock Connect);</p> <ul style="list-style-type: none"> ➤ any updated offering documents should be filed with the SFC pursuant to FAQ 10 above which will be subject to post-vetting by the Commission; and ➤ existing investors of the fund should be informed as soon as reasonably practicable pursuant to FAQ 9 above regarding any scheme change relating to the fund’s ancillary investment in the Mainland A share market. <p><u>Minimal investment in A shares (i.e. not more than 10% of the fund’s NAV)</u></p> <p>d. Where an existing SFC-authorized fund’s proposed investment in the Mainland A share market via the Stock Connect is minimal (i.e. not more than 10%), in general no prior SFC approval is required under 11.1 of the UT Code. Management companies must however review the disclosures contained in the relevant fund’s offering documents and exercise professional judgement to determine whether any enhanced disclosures and/or clarifications are required to be made to the offering documents. Any updated offering documents should be filed with the SFC in accordance with 11.1B of the UT Code.</p>
20.	What are the disclosure and approval requirements for an existing SFC-authorized fund which intends to make investments in the Mainland debt securities market through the CIBM Initiative ⁹ and/or the Bond Connect ¹⁰ ?	<p>Where an existing SFC-authorized fund intends to make investments via the CIBM Initiative and/or the Bond Connect, the following principles apply:</p> <ul style="list-style-type: none"> • the fund’s proposed investments via CIBM Initiative and/or the Bond Connect must be consistent with and within the existing investment objectives and strategy of that fund as disclosed in its offering documents;

⁹ In February 2016, the People’s Bank of China announced the opening-up of the mainland China’s Interbank Bond Market (“CIBM”) to a wider group of eligible foreign institutional investors free of quota restriction (the “CIBM Initiative”).

¹⁰ As defined in the joint announcement of the People’s Bank of China and the Hong Kong Monetary Authority dated 16 May 2017, the “Bond Connect” is an arrangement that establishes mutual bond market access between Hong Kong and mainland China. Overseas investors can invest in the CIBM through Northbound Trading of the Bond Connect.

	Question	Answer
		<ul style="list-style-type: none"> • the management company must at all times ensure that the disclosures in the offering documents (including KFS) are true, accurate, complete and not misleading and updated in a timely manner to include all information that is necessary for investors to appraise their investments in the funds; and • all other applicable requirements under the SFC Handbook including the UT Code and other relevant laws and regulations must be complied with at all times. In particular, the management company must always ensure that proper custodian arrangements in the Mainland are put in place for the safe custody and segregation of the fund's assets with respect to the fund's investment in the Mainland securities market (whether through the CIBM Initiative or the Bond Connect). • where the fund invests primarily¹¹ in the Mainland securities market, whether via QFII/RQFII or the CIBM Initiative, the Hong Kong offering documents of the fund should include extracts of a Mainland legal opinion (or its corresponding confirmation, where applicable¹²) as well as the trustee's arrangements related to safe custody and segregation of the fund's assets with respect to such investment. <p>Subject to compliance with the above principles, we would like to give the following general guidance to the industry:</p> <p><u><i>Substantial investment in Mainland debt securities market (i.e. 30% or more of the fund's NAV)</i></u></p> <p>a. Where an existing SFC-authorized fund's investment objective or policy includes substantial (i.e. 30% or more) investment in the Mainland debt</p>

¹¹ For funds primarily regulated by the SFC, this means 70% or more of the fund's NAV. For UCITS funds, this means at least two thirds of the fund's NAV, which is generally understood to be the minimum investment threshold for primary investment.

¹² The extracts of a Mainland legal opinion shall be included in the case of a single fund or the first sub-fund under an umbrella fund that invests primarily in the Mainland securities market using QFII/RQFII quota or the CIBM Initiative. For other sub-funds under the same umbrella fund that invest primarily in the Mainland securities market using QFII/RQFII quota or the CIBM Initiative, the management company and trustee may, in place of obtaining such Mainland legal opinion, provide a confirmation to the effect that the arrangements for safe custody and segregation of the assets of the sub-funds are in compliance with the UT Code and are the same as the initial sub-fund, and that there are no material adverse changes to its operational conditions.

	Question	Answer
		<p>securities market, whether the investment is currently done via QFII or RQFII, in general no prior SFC approval is required under 11.1 of the UT Code for any proposed use of the CIBM Initiative and/or the Bond Connect. In this case:</p> <ul style="list-style-type: none"> ➤ the management company could consider using CIBM Initiative and/or the Bond Connect as a means in accessing the Mainland debt securities market to be an “Immaterial Change” as set out in FAQ 9 under Section 2 above if the Overriding Requirements as set out in FAQ 9 under Section 2 above are satisfied. The management company is expected to inform existing investors of the fund as soon as reasonably practicable pursuant to FAQ 9 under Section 2 above; ➤ the management company should update the fund’s offering documents (including the KFS) regarding its intended proportion of investments via the CIBM Initiative and/or the Bond Connect as well as any additional key risks associated with the CIBM Initiative and/or the Bond Connect. For instance, the risks should include, without limitation, the uncertainty in relation to the tax arrangement for investment via the CIBM Initiative and/or the Bond Connect; and ➤ the updated offering documents should be filed with the SFC as soon as reasonably practicable as set out in FAQ 10 under Section 2 above. <p>b. Where an existing SFC-authorized fund’s investment objective or policy does not cover substantial investment in the Mainland debt securities market, for example, it invests mainly in US or European debt securities or is an equity fund, any proposed scheme change by the fund to make substantial (i.e. 30% or more) investment in the Mainland debt securities market, whether through the CIBM Initiative, the Bond Connect or other means, will be subject to the SFC’s prior approval under 11.1 of the UT Code. Normally, 1 month’s prior notice is expected to be given to investors before such scheme change is to take effect.</p> <p><u>Ancillary investment in Mainland debt securities market (i.e. more than 10% but less than 30% of the fund’s NAV)</u></p> <p>c. Where an existing SFC-authorized fund proposes to make ancillary investment</p>

	Question	Answer
		<p>(i.e. more than 10% but less than 30%) in the Mainland debt securities market, whether through the CIBM Initiative, the Bond Connect or any other means, in general no prior SFC approval is required under 11.1 of the UT Code. However, management companies are reminded that:</p> <ul style="list-style-type: none"> ➤ they should ensure that the relevant fund's offering documents are up-to-date containing all relevant disclosures and risks associated with investment in the Mainland debt securities market (including, for example, any additional risks associated with the use of the CIBM Initiative and/or the Bond Connect); ➤ any updated offering documents should be filed with the SFC pursuant to FAQ 10 under Section 2 above which will be subject to post-vetting by the Commission; and ➤ existing investors of the fund should be informed as soon as reasonably practicable pursuant to FAQ 9 under Section 2 above regarding any scheme change relating to the fund's ancillary investment in the Mainland debt securities market. <p><u>Minimal investment in Mainland debt securities market (i.e. not more than 10% of the fund's NAV)</u></p> <p>d. Where an existing SFC-authorized fund's proposed investment in the Mainland debt securities market, whether through the CIBM Initiative, the Bond Connect or any other means, is minimal (i.e. not more than 10%), in general no prior SFC approval is required under 11.1 of the UT Code. Management companies must however review the disclosures contained in the relevant fund's offering documents and exercise professional judgement to determine whether any enhanced disclosures and/or clarifications are required to be made to the offering documents. Any updated offering documents should be filed with the SFC in accordance with 11.1B of the UT Code.</p>
21.	Are the applicants required to file a soft copy of the issued offering documents to the SFC?	Yes. To enable the SFC to post the offering documents of the SFC-authorized funds onto the information repository at the "List of Investment Products" on the SFC's website, a soft copy of the authorized offering documents shall be filed with the SFC within <u>one week</u> after issuance. The authorized offering documents and

	Question	Answer
		<p>the document file name shall be saved in the format as set out in the SFC's authorization letter and shall be text-searchable and virus free.</p> <p>Applicants may submit the authorized offering documents by way of e-mail to their case officer(s) of the Investment Products Division who is responsible for overseeing the relevant fund group.</p>

Last updated: 11 July 2017