SECURITIES AND FUTURES COMMISSION
證券及期貨事務監察委員會

SFC Code on MPF Products

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Explanatory Notes:

(a) **The Mandatory Provident Fund Schemes Authority (MPFA) is the primary regulator for the Mandatory Provident Fund (MPF) system established under the Mandatory Provident Fund Schemes Ordinance (MPFSO) and its subsidiary legislation. It is responsible for the overall administration of the MPF system including the regulation of master trust schemes, industry schemes and the underlying pooled investment funds. The Securities and Futures Commission (the Commission) is involved in the regulation of these products only to the extent that their offering documents and marketing materials are required to be authorized by the Commission prior to their issue or publication in Hong Kong. In addition, the investment managers of these products are also required to be approved by the Commission.**

(b) **This Code, which is published pursuant to section 399(1) of the Securities and Futures Ordinance (SFO), provides guidance in relation to the authorization by the Commission, pursuant to section 104(1) of the SFO, of collective investment schemes that are:**

(i) **master trust schemes and industry schemes (both of which include constituent funds) (collectively referred to as MPF schemes); and**

(ii) **pooled investment funds.**

(c) **The issue of any advertisement, invitation or document to the public in Hong Kong to participate or invest in unauthorized MPF schemes or pooled investment funds may amount to an offence under section 103(1) of the SFO. The Commission is empowered under section 105(1) of the SFO to authorize any advertisement, invitation or document referred to in section 103(1) and to impose any corresponding authorization conditions as it considers appropriate.**

(d) **Applicants should note that, in reviewing applications for authorization, the Commission will not be responsible for vetting against the provisions of the MPFSO and its subsidiary legislation or the guidelines issued separately by the MPFA. Applicants are therefore advised to refer to the legislation and guidelines to ensure full compliance under the MPF system.**

(e) **The Commission may review its authorization at any time and may modify, add to or withdraw such authorization as it deems fit.**

(f) **The Commission may modify or relax the application of a requirement in this Code if it considers that, in particular circumstances, strict application of the requirement would operate in an unduly burdensome or unnecessarily restrictive manner.**

(g) **This Code is established having regard to the regulatory objectives of the Commission set out in section 4 of the SFO. The spirit of this Code should be observed.**

(h) **This Code does not have the force of law.**

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PART I: GENERAL MATTERS

Chapter 1: Authorization Matters

General

1.1 All MPF schemes and pooled investment funds established for the purpose of the MPF system are expected to comply with the provisions of this Code in order to be authorized by the Commission in Hong Kong. Applications for authorization which seek waivers from any provisions of this Code must give detailed reasons why waivers are sought.

1.2 Applicants should also note that, pursuant to the MPFSO and its subsidiary legislation, MPF schemes are required to be registered, and constituent funds and pooled investment funds approved, by the MPFA.

1.3 Applications of MPF schemes and pooled investment funds should be made to both authorities under separate cover. Under the current arrangement, an application will first be reviewed by the MPFA. Upon clearance by the MPFA, the Commission will proceed to review the application in accordance with the provisions of this Code.

Responsibilities of the Commission

1.4 The Commission will consider the following matters in vetting the application for authorization of an MPF scheme and pooled investment fund:

(a) qualifications and experience of the investment manager and its delegates; and

(b) disclosure requirements of the offering document.

1.5 The Commission is also responsible for the authorization of advertisements and marketing materials of MPF schemes and pooled investment funds pursuant to section 105(1) of the SFO on an ongoing basis.

1.6 All other aspects of the registration and approval of MPF schemes and pooled investment funds are regulated by the MPFA.

Separate Authorization for MPF Schemes and Pooled Investment Funds

1.7 An MPF scheme may consist of one or more constituent funds. Authorization of an MPF scheme will include all constituent funds within it. Subsequent additions to or deletions from an MPF scheme of constituent funds will be treated as modifications to the initial authorization and must be submitted to the Commission for prior authorization (see 8.1 and 8.2).

1.8 Where a constituent fund invests in pooled investment funds, applicants are required to seek authorization from the Commission for each pooled investment fund intended to be offered to an MPF scheme pursuant to section 104(1) of the SFO.

1.9 Authorization requirements for both MPF schemes and pooled investment funds are set out in Part II of this Code.

Chapter 2: Administrative Arrangements

Authorization Powers

2.1 The Commission has delegated its powers to authorize MPF schemes and pooled investment funds under section 104(1) of the SFO to an Executive Director and the Director (Investment Products).

2.2 Powers are normally exercised by the Director (Investment Products). According to section 8 of the SFO, the Commission is empowered to set up committees, whether for advisory or other purposes. The Commission will establish a Product Advisory Committee for the purposes of consultation and advice on matters which may relate to collective investment schemes within the scope of this Code. The remit of the Products Advisory Committee and its membership will be set out in its Terms of Reference.

Exchange of Information with MPFA

2.3 The Commission may, according to law, exchange with the MPFA information regarding an applicant and other operators of an MPF scheme or pooled investment fund in pursuance of their duties under the MPFSO, the Mandatory Provident Fund Schemes (General) Regulation and other relevant legislation.

Procedure for Amendments to this Code

2.4 The Commission may make changes or amendments to this Code as and when required. Any such change or amendment will be made known to the industry and a transitional period for compliance will be allowed where necessary.

Data Privacy

2.5 The information requested under the Code may result in the applicant providing the Commission with personal data as defined in the Personal Data (Privacy) Ordinance. The data supplied will only be used by the Commission to perform its functions, in the course of which it may match, compare, transfer or exchange personal data with data held or obtained by the Commission, government bodies, other regulatory authorities, corporations, organizations or individuals in Hong Kong or overseas for the purpose of verifying those data. Subject to the limits in section 378 of the SFO, the Commission may disclose personal data to other regulatory bodies. The applicant may be entitled under the Personal Data (Privacy) Ordinance to request access to or to request the correction of any data supplied to the Commission, in the manner and subject to the limitations prescribed. All enquiries should be directed to the Data Privacy Officer at the Commission.

Chapter 3: Interpretation

Unless otherwise defined, words and expressions used in this Code are as defined in the Securities and Futures Ordinance (SFO), the Mandatory Provident Fund Schemes Ordinance (MPFSO) or the Mandatory Provident Fund Schemes (General) Regulation (the Regulation).

3.1A "Advertising Guidelines" means the Advertising Guidelines Applicable to Collective Investment Schemes Authorized under the Product Codes.

3.1B "Applicant" means the company which applies to the Commission, directly or through an authorized representative, to have an MPF scheme or pooled investment fund authorized pursuant to the relevant legislation.

3.2 "Approved person" has the meaning assigned to it by section 102(1) of the SFO.

3.3 "Associate" in relation to a company has the same meaning as in Schedule 8 to the MPFSO.

3.4 "Authorized insurer" has the same meaning as defined in section 2 of the Regulation.

3.5 "Capital preservation fund" means a constituent fund of an MPF scheme or a pooled investment fund which complies with the requirements as described in section 37 of the Regulation.

3.6 "Cash management fund" or "Money market fund" means a collective investment scheme with the sole objective of investing in short-term deposits and debt securities.

3.7 "Collective investment scheme" has the meaning assigned to it by section 1 of Part 1 of Schedule 1 to the SFO.

3.8 "Commission" or "SFC" means the Securities and Futures Commission referred to in section 3(1) of the SFO.

3.9 "Constituent fund" has the same meaning as defined in section 2 of the Regulation.

3.10 "Constitutive documents" means the principal documents governing the formation and operation of the MPF scheme or pooled investment fund, and include the trust deed in the case of an MPF scheme or unit trust; the articles of association in the case of mutual fund and the policy document in the case of an insurance policy.

3.11 "Custodian" has the same meaning as defined in section 2 of the Regulation and includes the custodian of a pooled investment fund.

3.12 "Delegate" means the person to whom the investment manager has delegated its investment management functions.

3.13 “Guaranteed fund” is a constituent fund or pooled investment fund which contains a structure whereby a guaranteed amount will be paid to members of an MPF scheme or holders of a pooled investment fund at a specific date in the future.

3.14 “Industry scheme” has the same meaning as defined in section 2 of the MPFSO.

3.14A “Investment manager” means the entity appointed pursuant to 6.1 of this Code.

3.15 “Master trust scheme” has the same meaning as defined in section 2 of the MPFSO.

3.16 “MPF schemes” means master trust schemes and industry schemes.

3.17 “Offering document” means that document containing information on an MPF scheme or pooled investment fund as stipulated in Chapter 5 of this Code.

3.18 “Pooled investment fund” means an investment fund which has approval or intends to seek approval from the MPFA as an approved pooled investment fund as defined in section 6 of the Regulation.

3.18A “Product Code” means any of the following codes administered by the Commission:

(a) Code on Unit Trusts and Mutual Funds
(b) Code on Investment-Linked Assurance Schemes
(c) Code on Pooled Retirement Funds
(d) SFC Code on MPF Products

3.18B “SFO” means the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

3.19 “Securities” has the same meaning as defined in Part 1 of Schedule 1 to the SFO.

3.20 “Substantial financial institution” has the same meaning as defined in section 7 of the Regulation.

3.21 “Trustee” has the same meaning as defined in section 2 of the MPFSO.

3.22 “UF-driven changes” means changes to a constituent fund or pooled investment fund falling within 8.2 of this Code that solely reflect changes made to the corresponding underlying SFC-authorized fund and such underlying fund changes have been approved, or are not required to be approved by the Commission pursuant to the UT Code or this Code.

3.23 “UT Code” means the Code on Unit Trusts and Mutual Funds.

PART II: AUTHORIZATION REQUIREMENTS

This part provides guidance for applicants seeking authorization of MPF schemes or pooled investment funds.

Chapter 4: Application Procedures

Nomination of an Individual as Approved Person

4.1 According to sections 104(2) and 105(2) of the SFO, an individual must be approved for the purposes of being served by the Commission with notices and decisions for, respectively, the scheme and the issue of any related advertisement, invitation or document. An applicant for authorization is, therefore, required to nominate an individual for approval by the Commission as an approved person.

4.2 An approved person should:

(a) have his/her ordinary residence in Hong Kong;

(b) inform the Commission of his/her current contact details, including, in so far as applicable, the address, telephone and facsimile numbers, and electronic mail address;

(c) be capable of being contacted by the Commission during business hours;

(d) inform the Commission of any change in his/her contact details within 14 days after the change takes place; and

(e) comply with any other requirements as the Commission considers appropriate.

4.3 An individual approved by the Commission as an approved person for a scheme shall generally be approved also for the issue of any advertisement, invitation or document made in respect of that scheme.

Documents to be supplied to the Commission

4.4 An applicant for authorization of an MPF scheme or pooled investment fund must submit a *separate* application for each MPF scheme or pooled investment fund.

4.5 Each application must contain a completed Application Form as set out on the Commission's website and be accompanied by the following and such other documents as may be required by the Commission from time to time:

(a) offering document (see **Chapter 5**) and constitutive document(s) of the MPF scheme or pooled investment fund, whichever is applicable;

(b) copies of any material contracts, such as investment management contracts, etc.;

(c) profile of the new investment manager or investment management group, if it has not previously been approved by the Commission to manage collective investment schemes such as pooled retirement funds, unit trusts or mutual funds (see **Appendix A**);

(d) sales literature and proposed advertisements intended to be issued, where applicable;

(e) checklist of compliance. This checklist is available for download from the Commission's website;

(f) copies of undertakings provided to the MPFA and original undertaking(s) as required by the Commission, where applicable (see 5.1);

(g) copy of trustee's written approval in respect of the delegation of investment functions, where applicable;

(h) copy of the letter of consent from the applicant in respect of information exchange between the MPFA and the Commission;

(i) application fee; and

Note: The current fee schedule is available on the Commission's website.

(j) the letter nominating an individual to be approved by the Commission as an approved person containing the individual's name, employer, position held and contact details, including, in so far as applicable, the address, telephone and facsimile numbers, and electronic mail address.

4.6 Where the MPF scheme or the underlying pooled investment fund(s) involves a complex structure, the applicant should supplement the application with a diagram depicting clearly the relationship between the MPF scheme and the pooled investment fund(s).

Chapter 5: Offering Document

The offering document of an MPF scheme or pooled investment fund should contain the necessary information for prospective scheme participants or fund holders to make an informed judgement. The Commission encourages the use of a short, clearly written offering document.

Provided contents of this chapter have been incorporated in the offering document of the MPF scheme, the underlying pooled investment funds need not produce a separate offering document ***unless*** *they are also intended to be offered to retail investors.*

Collective investment schemes which are unit trusts and mutual funds that are intended to be offered to both MPF schemes and retail investors must comply with the Code on Unit Trusts and Mutual Funds ***and*** *the following provisions in this Code namely, 5.2; 5.5(d), (e) and (f); 5.6; 5.21; 5.25; 5.32; 5.36 to 5.39; 6.2(a), (c), (d), (e) and (g); 6.4 and 8.2.*

The offering document of an MPF scheme or pooled investment fund should contain the information indicated in the following table. The √ sign under the MPS and PIF columns signifies that a particular disclosure is applicable to the MPF scheme or pooled investment fund respectively. In circumstances where there are mandatory provisions in the MPFSO, its subsidiary legislation or the guidelines issued by the MPFA, applicants may abbreviate the disclosure in the offering document and make references to the legislation and guidelines.

		MPS	***PIF***
English and Chinese Offering Documents			
5.1	The offering document must be provided in the English and Chinese languages. The Commission may waive this requirement for pooled investment funds on a case by case basis where the applicant satisfies the Commission that the offering document of the pooled investment fund will only be issued to persons (e.g. trustees and investment managers of master trust schemes) who are fully conversant in the language in which the offering document is intended to be published. The applicant is required to provide an undertaking to the Commission in this regard.	√	√
Core Disclosure Requirements			
Constitution of MPF scheme and Pooled Investment Fund			
5.2	The name and date of creation of the MPF scheme or pooled investment fund, with an indication of its duration if limited; and the status of registration of the MPF scheme or the status of approval of the pooled investment fund with the MPFA. *Note: The name and description of the MPF scheme or pooled investment fund must not be misleading and should be an accurate reflection of its nature and investment objectives (see 7.5 and 7.6).*	√	√

		MPS	PIF
Operators and Principals			
5.3	The names and registered addresses of the following parties (where applicable) for each MPF scheme or pooled investment fund: (a) the trustee; (b) the custodian, if different from the trustee; (c) the investment manager; (d) the delegate(s) of the investment manager; (e) the insurer; (f) the auditors; and (g) any other service providers.	√	√
Constituent Funds			
5.4	The number of constituent funds within the MPF scheme and for each constituent fund: (a) its name; (b) the type of fund; and (c) its structure. *Note: (1) A constituent fund may be of the following types bond/ equity/ money market/ balanced/ capital preservation/ guaranteed fund/ others.* *(2) A constituent fund may be internally managed or structured to invest in one or more pooled investment funds.*	√	
Investment Policy and Restrictions			
5.5	For each constituent fund or pooled investment fund, a Statement of Investment Policy which includes:		
	(a) the fund's investment objectives;	√	√
	(b) the types of intended investments, and their relative proportions in the portfolio;	√	√
	(c) the balance between different kinds of securities and other assets such as geographical distribution of the intended investments;	√	√
	(d) the policy regarding the acquisition, holding and disposal of financial futures contracts and financial option contracts;	√	√
	(e) whether the fund will be engaged in security lending;	√	√

		MPS	PIF
(f)	whether the fund will invest in one or more pooled investment funds. The criteria for selecting the specific pooled investment funds should be stated in the latter case; and	√	√
(g)	the risk inherent in implementing the investment policy and the return expected to result from giving effect to the policy. *Note: No forecast of performance of the constituent fund or pooled investment fund may be made in the offering document. The expected return as mentioned in paragraph (g) only refers to a general description, for example, "The fund is expected to provide a return in excess of inflation rate."*	√	√
5.6	A statement to the effect that the fund is subject to the investment and borrowing restrictions in Schedule 1 of the Regulation together with a summary of other restrictions, if any.	√	√
	Valuation of Constituent Fund and Pooled Investment Fund		
5.7	Frequency of valuation and dealing, including dealing days for each constituent fund or pooled investment fund.	√	√
5.8	The following matters should be disclosed:		
(a)	method of valuation of assets and liabilities for each constituent fund or pooled investment fund;	√	√
(b)	method of pricing and determination of investment return for each unitized constituent fund or pooled investment fund; and	√	√
(c)	method of determination and declaration of investment return for each non-unitized constituent fund or pooled investment fund.	√	√
5.9	Circumstances under which the method of valuation and pricing may change for each constituent fund or pooled investment fund.	√	√
	Contributions and Withdrawals		
5.10	Characteristics of contributions.	√	
5.11	Provisions on voluntary contributions, including withdrawal of accrued benefits derived from voluntary contributions.	√	

		MPS	PIF
5.12	Procedures for applying to participate in, withdraw from an MPF scheme and transfer to other MPF schemes.	√	
5.13	Procedures for making contributions, withdrawals and switching between constituent funds.	√	
5.14	Minimum initial investment, subsequent holding, minimum switching amount and minimum redemption amount, if any, of each pooled investment fund.		√
5.15	Circumstances under which switching between constituent funds may occur.	√	
5.16	Circumstances affecting the portability and payment of members' benefits.	√	
5.17	The maximum interval between:		
	(a) the request for transfer to other registered schemes and the transfer of funds to other schemes;	√	
	(b) the request for withdrawal of voluntary contributions and the payment of voluntary benefits withdrawn;	√	
	(c) the request for redemption and payment of accrued benefits for MPF schemes; and	√	
	(d) the request for redemption and the payment of redemption proceeds for pooled investment funds.		√
5.18	A summary of the circumstances in which dealing may be deferred or suspended for each constituent fund or pooled investment fund.	√	√
5.19	A statement that contributions to an MPF scheme should only be made to the trustee of the MPF scheme.	√	
Fees and Charges			
5.20	Explanation of all fees and charges for each MPF scheme, constituent fund or pooled investment fund should be clearly identified in tabular form, to include:	√	√
	(a) all fees and charges payable by participants of the MPF scheme, or by holders of the pooled investment fund, including all charges levied on subscription, withdrawal and transfer of accrued benefits to other MPF schemes;	√	√
	(b) all fees and charges payable, or can reasonably be expected to be payable, by the constituent fund or pooled investment fund, including investment	√	√

		MPS	PIF
	management fees, performance fees, guarantee fees, trustee fees, custodian fees, start-up expenses, advertising or promotional expenses and any other selling expenses; and		
	(c) details of whether charges are subject to change and the relevant notice period to participants of the MPF scheme or to holders of the pooled investment fund.	√	√
	In case of indeterminable fees and charges, the basis of calculation or the estimated ranges should be disclosed. Where complex calculations are required to disclose fees and charges, illustrative examples should be given for clarity.		
	Note: (1) All fees and charges, if expressed as a percentage, must be disclosed on a per annum basis.		
	(2) Where performance fee is levied on unitized constituent funds and pooled investment funds:		
	(i) the frequency at which performance fee is charged to the fund; and		
	(ii) the basis upon which performance fee is calculated (for example, whether the performance fee is calculated on a high-on-high basis) should be disclosed.		
	(3) Where advertising, promotional or other selling expenses are expected to be charged to constituent funds or pooled investment funds, an estimate of the amount to be charged, whether as a percentage of the net asset value of the fund or otherwise should be disclosed.		
5.21	Where the investment manager or other service providers or their associates receive goods or services from a third party derived from the acquisition or disposal or lending of the assets of an MPF scheme or pooled investment fund, a summary of the terms under which such goods or services are received. In addition, a nil statement regarding retention of cash rebates by any of these persons.	√	√
	Warnings		
5.22	The following statement must be prominently displayed in the offering document as follows:	√	
	"Important - if you are in doubt about the meaning or effect of the contents of this document, you should seek		

		MPS	PIF
	independent professional advice."		
5.23	Except where the fund's investment return is subject to a non- variable guarantee, a prominent warning should be stated to the effect that investment involves risks.	√	√
5.24	To the extent that the underlying investments involve risks, a detailed description of the risks should be given.	√	√
	Governing Law		
5.25	The offering document should specify that the MPF scheme or pooled investment fund is governed by the law of The Hong Kong Special Administrative Region.	√	√
	Taxation		
5.26	Details of Hong Kong and other taxes levied on the income and capital of the MPF scheme or pooled investment fund including tax, if any, deducted from benefits accrued to members of MPF schemes or on distribution to holders of pooled investment funds.	√	√
5.27	Where there are likely tax benefits to the participants of the MPF scheme or holders of the pooled investment fund, the offering document should briefly explain the tax implications for these scheme participants or fund holders, based on expert advice received by the applicant.	√	√
5.28	Participants of the MPF scheme or holders of the pooled investment fund should also be advised to seek professional advice regarding their own particular tax circumstances.	√	√
	Reports and Accounts		
5.29	The date of the MPF scheme or pooled investment fund's financial year end.	√	√
5.30	Particulars of what reports or statements will be sent by the trustee to scheme participants and when.	√	
	General Information		
5.31	A list of constitutive documents of the MPF scheme or pooled investment fund and an address in Hong Kong where they can be inspected free of charge or purchased at a reasonable price.	√	√
5.32	The telephone number of an enquiry hotline for participants of the MPF scheme.	√	
5.33	The date of publication of the offering document.	√	√

		MPS	PIF
5.34	A statement that [name of applicant] accepts responsibility for the information contained in the offering document as being accurate at the date of publication.	√	√
5.35	If an MPF scheme or pooled investment fund is described as having been authorized by the Commission, the offering document must state that authorization does not imply official recommendation.	√	√
5.36	If an MPF scheme, constituent fund or pooled investment fund is described as having been registered or approved by the MPFA, the offering document must state that registration or approval does not imply official recommendation.	√	√
	Notification to Scheme Participants and Fund Holders		
5.37	A statement that participants of the MPF scheme or holders of the pooled investment fund will be notified of changes to the Statement of Investment Policy.	√	√
5.38	A statement indicating the notice period to be given to participants of the MPF scheme or fund holder of the pooled investment fund in the following circumstances:		
	(a) merger or division of schemes; and	√	
	(b) merger, division or termination of constituent funds within a MPF scheme and pooled investment funds.	√	√
	Additional Disclosure Requirements for Specialized Constituent Funds and Pooled Investment Funds		
	Capital Preservation, Money Market and Cash Management Funds		
5.39	The offering document must clearly highlight that an investment in capital preservation, money market or cash management funds is not the same as placing funds on deposit with a bank or deposit-taking company and that there is no obligation to redeem the investment at the offer value and that the constituent fund or pooled investment fund is not subject to the supervision of the Hong Kong Monetary Authority.	√	√
	Guaranteed Funds		
5.40	The offering document of the MPF scheme or pooled investment fund must contain:		
	(a) the name of the guarantor and the main features of the guarantee including a clear description of how the return is determined and the extent of any discretion	√	√

		MPS	PIF
	that may be exercised in making such a determination;		
(b)	the proposed percentage of the fund to be invested in fixed-interest securities and that in other investments;	√	√
(c)	a statement to the effect that there is a dilution of performance due to the guarantee structure in place;	√	√
(d)	a warning statement in relation to all material conditions that affect the scope or validity of the guarantee including, where relevant, the condition that the guarantee only applies to scheme members or fund holders who hold their investment until the date specified in the guarantee and that dealings before such date are fully exposed to fluctuations in the value of the fund's assets; and	√	√
(e)	an illustration or description to clearly demonstrate the guarantee mechanism.	√	√
Constituent Funds and Pooled Investment Funds with Discretionary Benefits			
5.41	If it is stated that discretionary benefits will or may be paid to scheme members or fund holders in excess of the guaranteed amount, and the amounts of those benefits are determined at the discretion of the authorized insurer or other party, the following information must be disclosed for the constituent fund or pooled investment fund:		
(a)	a statement, printed in bold type, to the effect that the [name of authorized insurer or other party], at its sole discretion, has the right to retain investment income of the fund in excess of that required to be set aside to meet the guaranteed benefits under the constituent fund or pooled investment fund;	√	√
(b)	a readily comprehensible description of the methods of determining the discretionary benefits, including the following information, to the extent applicable:	√	√
	(i) the reporting date; and	√	√
	(ii) **(1) for a participating insurance policy** where the scheme member or fund holder has a right to participate in profits from the long term fund of the policy issuer or any part of that fund:		
	• details of the fund or part of the fund to which the right relates;	√	√
	• the principles on which the distribution of	√	√

		MPS	*PIF*
	profits among policy holders and shareholders are based and whether these principles are derived from the constitution of the policy issuer or otherwise;		
	• the bonus rates declared immediately prior to the reporting date and for the four years previous; *and*	√	√
	• the proportion of total distributed profits that was distributed to shareholders immediately prior to the reporting date and for the four years previous;	√	√
	(2) for an investment-linked product:		
	• a description of the method which will be used to calculate unit prices from time to time; *and*	√	√
	• the percentage changes in unit prices for the five yearly intervals immediately preceding the reporting date;	√	√
	(3) for a non-investment linked product:		
	• a description of the method which will be used to calculate the interest rate for each period; *and*	√	√
	• the rate of interest declared immediately prior to the reporting date and for the four years previous; and	√	√
(c)	a statement that past performance should not be taken as an indication of future performance. *Note: For investment portfolios with a history of less than five years, figures for shorter periods may be shown, provided the date of commencement is shown.*	√	√

Chapter 6: Investment Manager

This Chapter sets out the Commission's requirements on the experience and qualifications of investment managers and their delegates (if any) for MPF schemes or pooled investment funds which are offered to MPF schemes only. While the Commission considers the issue of independence between the investment manager and trustee/ custodian to be of paramount importance, it has been omitted in this Code to avoid duplication of regulatory efforts. Applicants should note that both the Regulation and the MPFA have prescribed specific requirements for the investment managers and their delegates (if any) of MPF schemes and pooled investment funds with respect to their independence from the trustee/ custodian and the delegation of investment management functions.

Investment managers and their delegates (if any) of unit trusts and mutual funds which are intended to be offered to both MPF schemes and retail investors must comply with the relevant provisions of the Code on Unit Trusts and Mutual Funds.

Appointment of Investment Manager

6.1 An investment manager appointed for an MPF scheme or pooled investment fund must comply with this Chapter on an ongoing basis.

6.2 An investment manager must:

(a) be a company incorporated in Hong Kong;

(b) be primarily involved in the business of fund management;

(c) be licensed to carry on, or an authorized financial institution registered for carrying on, a business in asset management under Part V of the SFO;

(d) be licensed to carry on, or an authorized financial institution registered for carrying on, a business in advising on futures contracts under Part V of the SFO if the portfolio under its management includes financial futures contracts;

(e) have sufficient financial resources at its disposal to enable it to conduct its business effectively and meet its liabilities; in particular, it must have a minimum paid-up share capital and non-distributable capital reserves of HK$10 million;

(f) not lend to a material extent; and

(g) maintain at all times net assets of not less than HK$10 million.

6.3 Notwithstanding 6.2(a) and (b), an authorized insurer not incorporated in Hong Kong may act as the investment manager for pooled investment funds that are insurance policies.

6.4 The investment manager must comply with the Fund Manager Code of Conduct issued by the Commission.

Qualifications of Directors

6.5 The directors of the investment manager or its delegate (if any) must be of good repute and in the opinion of the Commission possess the necessary experience for the performance of their duties. In determining the acceptability of the investment manager, the Commission may consider the qualifications and experience of persons employed by the investment manager and its delegate.

Criteria for Acceptability of Investment Manager

6.6 The acceptability of the investment manager will be assessed on the criteria set out in 5.5 of the UT Code. Applicants should refer to 6.8 to 6.9 for requirements on the delegation of investment management functions to third parties.

(a) (deleted)

(b) (deleted)

(c) (deleted)

(d) (deleted)

(e) (deleted)

6.7 Prior approval must be obtained from the Commission for any change of investment manager for the MPF scheme or pooled investment fund.

Delegation of Investment Management Functions

6.8 Where the investment management functions are delegated to third parties, there should be ongoing supervision and regular monitoring of the competence of the delegates by the investment manager to ensure that investor protection and the investment manager's accountability to scheme participants or fund holders is not diminished. Although the investment management role of the investment manager may be sub-contracted to third parties, the responsibilities and obligations of the investment manager may not be delegated.

Note : The delegate (who has been delegated the investment management function of an MPF scheme or pooled investment fund) should either be licensed or registered in Hong Kong or based in a jurisdiction with an inspection regime acceptable to the Commission. A list of acceptable inspection regimes is published on the Commission's website. The Commission will consider other jurisdictions on their merits and may accept an undertaking from the delegate that the books and records in relation to its management of an MPF scheme or pooled investment fund will be made available for inspection by the Commission on request.

6.9 Delegation of investment management functions of any MPF scheme or pooled investment fund to any person, or any changes thereof, must be approved by the Commission in advance.

General Obligations of an Investment Manager

6.10 An investment manager must manage the MPF scheme or pooled investment fund in accordance with its constitutive documents and in the exclusive interests of the scheme participants or fund holders. It is also expected to fulfill the duties imposed on it by the general law.

Retirement of Investment Manager

6.11 The investment manager must be subject to removal by notice in writing from the trustee of an MPF scheme or unit trust (or from the insurer, in the case of an insurance policy where an investment manager is appointed) in any of the following events:

(a) the investment manager is commenced to be wound up or is dissolved without being wound up; or

(b) for good and sufficient reason, the trustee of the MPF scheme or unit trust (or the insurer, in the case of an insurance policy where an investment manager is appointed) states in writing that a change in investment manager is desirable in the interests of scheme participants or fund holders; or

(c) the Commission withdraws its approval of the investment manager; or

(d) in all other cases as provided for in the constitutive documents.

6.12 Upon the retirement or dismissal of the investment manager or its delegate, a new investment manager or delegate must be appointed as soon as possible, subject to the approval of the Commission.

Chapter 7: Operational Requirements

Scheme Documentation

Offering Document

7.1 Up-to-date offering document(s) must be issued by MPF schemes or pooled investment funds in accordance with the requirements in Chapter 5.

Application Form

7.2 No application form (by whatever name called) of an MPF scheme or pooled investment fund may be provided to any prospective scheme participants or fund holders unless it is accompanied by the offering document. To that end the application form should include a statement to the effect that it should only be issued in conjunction with the offering document.

Inclusion of Performance Data

7.3 If performance data or estimated yield is quoted, the Commission may require supporting documentation. No forecast of performance may be made except where an investment return at a certain rate is guaranteed.

Contents of Constitutive Documents

7.4 Applicants should ensure that information disclosed in the offering document is consistent with that disclosed in the constitutive documents.

Name of Constituent Fund and Pooled Investment Fund

7.5 If the name of the constituent fund or pooled investment fund indicates a particular objective, investment strategy, geographic region or market, the constituent fund or pooled investment fund should invest at least 70% of its total net asset value in securities and other investments to reflect the particular objective, investment strategy or geographic region or market which the constituent fund or pooled investment fund represents.

7.6 Where a constituent fund or pooled investment fund is, or invests in a capital preservation fund, a money market or cash management fund, the name of the constituent fund or pooled investment fund must not suggest or imply that the investment is equivalent to the placement of cash on deposit with a bank or deposit- taking company.

PART III: POST-AUTHORIZATION REQUIREMENTS

This part discusses the post-authorization requirements of an MPF scheme or pooled investment fund.

Chapter 8: Post-Authorization Requirements

Scheme Changes

8.1 The applicant should notify the Commission as soon as possible of any change to the data provided to the Commission upon submission of the application for authorization.

8.2 The proposed changes to the offering document of an MPF scheme or pooled investment fund (other than UF-driven changes) as a result of the following must be submitted to the Commission for prior approval:

(a) changes to constitutive documents (other than changes which do not require prior approval from the Commission);

(b) changes of the applicant, the trustee/custodian and investment manager and its delegates and their regulatory status;

(c) 11.1(c) of the UT Code applies; and

(d) 11.1(d) of the UT Code applies.

8.2A For changes to the offering document of an MPF scheme or pooled investment fund that require the Commission's prior approval pursuant to 8.2, the Commission will determine whether the scheme participants or fund holders should be notified and the period of notice (if any) that should be applied before the changes are to take effect (as provided in 8.3).

Notes: (1) (deleted)

(2) (deleted)

(3) Note (3) in 11.1A of the UT Code applies.

8.2B For changes to the offering document of an MPF scheme or pooled investment fund that do not require the Commission's prior approval pursuant to 8.2, the applicant should provide scheme participants or fund holders with reasonable prior notice, or inform scheme participants or fund holders as soon as reasonably practicable of any information concerning the MPF scheme or pooled investment fund which is necessary to enable scheme participants or fund holders to appraise the position of the MPF scheme or pooled investment fund (as provided in 8.3). The offering document may be updated to incorporate such changes and reissued without further authorization provided that the content and format of such document remains fundamentally the same as the version previously authorized. The revised offering document must be filed with the Commission, together with a marked-up version against the previously filed version, within two weeks from

the date of issuance.

Note: The Note in 11.1B of the UT Code applies and references therein to "management company" shall mean "applicant" for the purposes of this Code.

Notices to Scheme Participants and Fund Holders

8.3 11.2 of the UT Code applies, except where a waiver is granted under 5.1 of this Code, notification to participants of an MPF scheme or holders of a pooled investment fund must be made in both the English and Chinese languages in respect of any changes or proposed changes to the offering documents of the MPF scheme or pooled investment fund.

8.3A Subject to 8.5 and 8.5A below, notices to scheme participants or fund holders need not be approved by the Commission prior to issuance but are required to be filed with the Commission within two weeks from the date of issuance of the notice. The Commission, however, retains its power to require the applicant to submit draft notices for review where the Commission considers it appropriate. For the avoidance of doubt, matters relating to 8.2 should be approved by the Commission prior to the distribution of the relevant notices to scheme participants or fund holders.

8.3B 11.2B of the UT Code applies and references therein to "management company" shall mean "applicant" for the purposes of this Code.

8.4 (Repealed)

Withdrawal of Authorization

8.5 11.4 of the UT Code applies and references therein to "management company" shall mean "applicant" for the purposes of this Code.

Merger or Termination

8.5A 11.5 of the UT Code applies and references therein to "management company" shall mean "applicant" for the purposes of this Code.

Advertising Materials

8.6 Advertisements and other invitations to invest in an MPF scheme or pooled investment fund must comply with the Advertising Guidelines. All advertisements must be submitted to the Commission for authorization prior to their issue or publication in Hong Kong, unless exempted under section 103 of the SFO. For the avoidance of doubt, even if an advertisement is exempted from obtaining authorization from the Commission under the SFO, the applicant must still ensure that the advertisement or invitation complies with the Advertising Guidelines.

8.7 Where authorization by the Commission is required, it is recommended that the applicant nominate one person, such as the Approved Person or any other persons acceptable to the Commission, based in Hong Kong to liaise with the Commission. Authorization may be varied or withdrawn by the Commission as

it deems fit. Once authorized, the advertisement may be used in any distribution media and reissued without further authorization with updated performance information of MPF schemes or pooled investment funds and general market commentary provided that the content and format of such advertisement remain fundamentally the same as the version previously authorized and the advertisement, when reissued, is in compliance with the Advertising Guidelines.

Note: For radio, television, cinema or other time-limiting advertisements/ broadcasts, the script of any verbal statements in such advertisements should be submitted for the Commission's advance clearance, followed by the demo of the broadcast (e.g. digital files) for formal authorization.

8.8 The applicant must keep adequate records of the advertisements issued, either in actual form or by way of a copy of the final proof, and the relevant supporting documents for substantiation of information presented thereon. Such records must be retained for at least 3 years from the latest date of publication/distribution of an advertisement and made available to the Commission upon request.

Mention of SFC Authorization

8.9 Where an MPF scheme or pooled investment fund is described as having been authorized by the Commission, it must be stated that authorization does not imply official recommendation by adding a prominent note in the following terms to the offering document and advertisements and other invitations to invest in the MPF scheme or pooled investment fund:

SFC authorization is not a recommendation or endorsement of an MPF scheme or pooled investment fund nor does it guarantee the commercial merits of an MPF scheme or pooled investment fund or its performance. It does not mean the MPF scheme or pooled investment fund is suitable for all scheme participants or fund holders nor is it an endorsement of its suitability for any particular scheme participant or fund holder.

Appendix A

PROFILE OF NEW INVESTMENT MANAGER OR INVESTMENT MANAGEMENT GROUP

A1 Organization

1. Brief corporate history and ownership
2. Management & organizational structure *(include organization chart)*

A2 Global Investment Management Activity

1. Assets under management (Global/ Hong Kong)
2. Types of assets under management/ Client base (Global/ Hong Kong)
3. List of public authorized funds (where authorized/ domiciled)

A3 Hong Kong Investment Management Activity

1. Number of fund managers/ description of size of fund management operation/ research - in house/ third party?
2. Investment approach (main asset classes/ markets/use of derivatives)
3. Administration (where/ how are administrative arrangements carried out?)

A4 Compliance Arrangements

1. Summary of compliance arrangements, including (if applicable) procedures for compliance with Fund Manager Code of Conduct

2. Connected transactions:
   (a) Percentage of business placed with connected brokers?
   (b) Any connected corporate finance house? Please specify.
   (c) Any deposits placed with connected bank? Please specify.

Appendix B

(Deleted)

Appendix C

(Deleted)