

Industry experience

The SFC recognises a broad range of activities and investment strategies as relevant industry experience for individual practitioners, such as local and overseas experience in:

- research;
- proprietary trading; and
- managing alternative investment strategies.

The SFC also accepts industry experience gained in non-regulated situations, such as proprietary trading for an investment bank.

For individuals with experience indirectly relevant to investment management (eg, fund marketing or risk management), the SFC may exercise discretion to approve their applications to be an RO subject to a condition that they shall work under the advice of a fully-competent RO. These individuals may apply for cancelling the condition when they have accumulated sufficient investment management experience.

The SFC strives to perform its gatekeeping role in the Hong Kong financial markets in an efficient, transparent and consistent manner.

Generally speaking, hedge fund managers in Hong Kong are required to be licensed for RA 9 to manage private investment funds or discretionary accounts.

Some hedge fund managers are licensed for other RAs depending on their specific business models. For example, an RA 1 licence is required for firms which are set up solely for fund marketing purposes.

The SFC recognises a broad range of local and overseas experience when assessing the competence of ROs who work for private fund managers.

Experienced investment professionals may request exemption from taking licensing examination.

For more details,



Licensing Handbook



Quick Reference Guide Series

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

Hedge Fund Managers

Quick Reference Guide to Licensing Requirements





Licences for hedge fund managers

In general, a hedge fund manager operating in Hong Kong is required to be licensed for Type 9 (asset management) (RA 9) under the Securities and Futures Ordinance if it manages, on a discretionary basis, a portfolio of securities or futures contracts for a client or an investment fund.

Depending on its business model, a hedge fund manager may need to be licensed for other types of regulated activity (RA). For example, a licence for Type 1 (dealing in securities) (RA 1) or Type 2 (dealing in futures contracts) is required if it operates a central dealing desk in Hong Kong to execute securities or futures transactions serving group companies or its markets investment funds which are not under its management.

Most hedge fund managers manage private investment funds or discretionary accounts for non-retail investors with independent custody arrangements. Where appropriate, the SFC will impose conditions on a hedge fund manager's licence to the effect that it:

- shall not hold client assets; and
- shall provide services to professional investors only.

Licensing exemption for advising group companies

Some overseas hedge fund groups set up operations in Hong Kong solely to provide investment advice or research reports for their group companies. These intragroup services may benefit from an exemption from the requirement to obtain a licence for certain RAs, such as Type 4 (advising on securities) (RA 4) and Type 5 (advising on futures contracts) (RA 5).

Financial resources

For a hedge fund manager licensed for RA 9, RA 4 or RA5 (subject to a condition that it shall not hold client assets):

- there is no paid-up capital requirement;
- the minimum liquid capital amount is \$100,000; and
- it is required to file its financial returns with the SFC half-yearly.

Management personnel

A hedge fund manager must have at least two responsible officers (ROs) approved by the SFC to supervise its business. At least one of them should be fully competent and ordinarily based in Hong Kong.

The SFC accepts that some ROs may be based offshore, provided they can effectively discharge their supervisory responsibilities.

Exemptions from regulatory examination

An individual practitioner in a private fund management group, who possesses at least eight years of relevant industry experience and serves professional investors only, may be exempted from taking licensing examination on local regulatory knowledge provided that he or she meets the following conditions:

- the licensed firm (sponsoring the individual's application to be a licensed representative or an RO) confirms that regulatory and compliance support will be provided to the individual; and
- the individual completes an additional five continuous professional training (CPT) hours in regulatory knowledge within 12 months after obtaining a licence.

In addition, former practitioners who have left the Hong Kong industry for less than three years are generally exempted from taking any licensing examination when they reapply for a licence to carry on the same RA and role for which they were previously licensed.

If a former practitioner who left the industry between three and eight years re-applies for a licence, he or she may be eligible for exemption from taking examination by completing five CPT hours per year of absence for each RA he or she applies for (before submitting the application).

