

MoU concerning consultation, cooperation and the exchange of information related to the supervision of AIFMD entities

In view of the growing globalization of the world's financial markets and the increase in cross-border operations and activities of Managers of alternative investment funds, the Securities and Futures Commission of Hong Kong and the Comisión Nacional del Mercado de Valores (Spain) have reached this Memorandum of Understanding (MoU) regarding mutual assistance in the supervision and oversight of Managers of alternative investment funds, its delegates and depositaries that operate on a cross-border basis in the jurisdictions of the signatories of these MoU. The Authorities express, through this MoU, their willingness to cooperate with each other in the interest of fulfilling their respective regulatory mandates, particularly in the areas of investor protection, fostering market and financial integrity, and maintaining confidence and systemic stability.

Article 1. Definitions

For the purpose of this MoU:

- a) "Authority" means a signatory to this MoU or any successor.
- b) "Requested Authority" means the Authority to whom a request is made under this MoU; and
- c) "Requesting Authority" means the Authority making a request under this MoU.
- d) "EU competent authority": means any authority appointed in an EU or an EEA Member State in accordance with Article 44 of the AIFMD for the supervision of Managers, delegates, depositaries and, where applicable, Covered Funds.¹
- e) "AIFMD" means the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010.
- f) "Manager" means a legal person whose regular business is managing one or more Covered Funds in accordance with the AIFMD or in accordance with the Hong Kong Securities and Futures Ordinance.
- g) "Covered Fund" means a collective investment undertaking, including investment compartments thereof, which: (i) raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (ii) is not a UCITS
- h) "UCITS" means an undertaking for collective investment in transferable securities authorised in accordance with Article 5 of Directive 2009/65/EC.
- i) "Delegate" means an entity to which a Manager delegates the tasks of carrying out the portfolio management or risk management of one or more Covered Funds under its management in accordance with Article 20 of the AIFMD or in accordance with the Hong Kong Securities and Futures Ordinance.
- j) "Depositary" means an entity appointed to perform the depositary functions of a Covered Fund in accordance with Article 21 of the AIFMD or in accordance with the Hong Kong Securities and Futures Ordinance.

¹ Some EU Member States have more than one competent authority designated to carry out the duties provided under the AIFMD.

- k) "Operate on a cross-border basis" means the following situations: when a) EU Managers manage non-EU Covered Funds, b) EU Managers market non-EU Covered Funds in an EU Member State, c) non-EU Managers market EU and/ or non-EU Covered Funds in an EU Member State, d) EU Managers marketing non-EU Covered Funds in the EU with a passport, e) non-EU Managers managing EU Covered Funds in the EU, f) non-EU Managers marketing EU Covered Funds in the EU with a passport, g) non-EU Managers marketing non-EU Covered Funds in the EU with a passport and h) EU Managers marketing Covered Funds in Hong Kong. Insofar as there is a link to the activity of the Managers and the Covered Funds, the MoU also covers delegates and depositaries as defined in letters i) and j) of this Article.²
- l) "Covered Entity" means a Manager, Covered Fund where applicable, and, insofar as there is a link to the Manager and the Covered Fund, delegates and depositaries as defined in letters i) and j) of this Article, including the persons employed by such entities.
- m) "Cross-border on-site visit" means any regulatory visit by one Authority to the premises of a Covered Entity located in the other Authority's jurisdiction, for the purposes of on-going supervision.
- n) "Governmental Entity" means the Ministry of Finance, the Central Bank and any other national prudential authority in the jurisdiction of the relevant Authority.
- o) "Local Authority" means the Authority in whose jurisdiction a Covered Entity operates.
- p) "Emergency Situation" means the occurrence of an event that could materially impair the financial or operational condition of a Covered Entity, Covered Fund investors or the markets, independently from a decision of the European Council within the meaning of Article 18 of the ESMA Regulation (Regulation 1095/2010/EU).
- q) "Laws and Regulations" means the AIFMD and its implementing measures and the Hong Kong Securities and Futures Ordinance and corresponding implementing regulations.

Article 2. General provisions

- 1) This MOU is a statement of intent to consult, cooperate and exchange information in connection with the supervision and oversight of Covered Entities that operate on a cross-border basis in the jurisdictions of the signatories, in a manner consistent with, and permitted by, the laws and requirements that govern the Authorities. The Authorities anticipate that cooperation will be primarily achieved through on-going, informal, oral consultations, supplemented by more in-depth, ad hoc cooperation. The provisions of this MoU are intended to support such informal and oral communication as well as to facilitate the written exchange of non-public information where necessary.
- 2) This MoU does not create any legally binding obligations, confer any rights, or supersede domestic laws. This MoU does not confer upon any person the right or ability directly or indirectly to obtain, suppress, or exclude any information or to challenge the execution of a request for assistance under this MoU.
- 3) This MoU does not intend to limit an Authority to taking solely those measures described herein in fulfilment of its supervisory or oversight functions. In particular, this MoU does not affect any right of any Authority to communicate with, or obtain information or documents from, any person or Covered Entity subject to its jurisdiction that is established in the territory of the other Authority.

² References to the EU, the EU Managers and the EU Covered Funds should be understood as encompassing the EEA countries (Iceland, Liechtenstein and Norway), and Managers and Covered Funds from the EEA countries.

- 4) This MoU complements, but does not alter the terms and conditions of the IOSCO MMoU, to which the Authorities are signatories, which also covers information-sharing in the context of enforcement investigations; and any of the existing arrangements concerning cooperation in securities matters between the signatories.
- 5) The Authorities will, within the framework of this MoU, use reasonable endeavours to provide one another with the fullest cooperation permissible under the law in relation to the supervision and oversight of Covered Entities. Following consultation, cooperation may be denied:
 - a) Where the cooperation would require an authority to act in a manner that would violate domestic law;
 - b) Where a request for assistance is not made in accordance with the terms of the MoU;
 - c) Where a criminal proceeding has already been initiated in the jurisdiction of the Requested Authority based upon the same facts and against the same persons, or the same persons have already been the subject of punitive sanctions on the same charges by the competent authorities of the jurisdiction of the Requested Authority; or
 - d) On the grounds of the national public interest.
- 6) No domestic banking secrecy, blocking laws or secrecy regulations should prevent an Authority from providing assistance to other Authority.
- 7) The Authorities will periodically review the functioning and effectiveness of the cooperation arrangements between the Authorities with a view, inter alia, to expanding or altering the scope or operation of this MoU should that be judged necessary.
- 8) To facilitate cooperation under this MoU, the Authorities hereby designate contact persons as set forth in Appendix A.

Article 3. Scope of cooperation

- 1) The Authorities recognize the importance of close communication concerning Covered Entities, and intend to consult at the staff level where appropriate regarding: (i) general supervisory issues, including with respect to regulatory, oversight or other program developments; (ii) issues relevant to the operations, activities, and regulation of Covered Entities; and (iii) any other areas of mutual supervisory interest.
- 2) Cooperation will be most useful in, but is not limited to, the following circumstances where issues of regulatory concern may arise:
 - a) The initial application of a Covered Entity for authorization, registration or exemption from registration in another jurisdiction;
 - b) The on-going oversight of a Covered Entity; or
 - c) Regulatory approvals or supervisory actions taken in relation to a Covered Entity by one Authority that may impact the operations of the entity in the other jurisdiction.
 - d) Enforcement actions taken against a Covered Entity

- 3) *Notification.* Each Authority will inform such other Authorities which have relevant regulatory interests as soon as practicable of³
- a) Any known material event that could adversely impact a Covered Entity; and
 - b) Enforcement or regulatory actions or sanctions taken by it, including the revocation, suspension or modification (other than modification at the request of the Covered Entity or, in respect of any SFC-authorized fund, withdrawal of authorisation or modification of authorisation conditions at the request of the Covered Entity) of relevant licenses or registration, in respect of a Covered Entity which may have, in its reasonable opinion, material effect on the Covered Entity.
- 4) *Exchange of Information.* To supplement informal consultations, each Authority intends to provide the other Authority, upon written request and as far as its national or domestic law permits, with assistance in obtaining information not otherwise available to the Requesting Authority, and, where needed, with assistance to enable the Requesting Authority to interpret and assess compliance with its Laws and Regulations. The information covered by this paragraph includes, without limitation, information such as:
- a) Information that would enable the Requesting Authority verify that the Covered Entities covered by this MoU comply with the relevant obligations and requirements of the national law of the Requesting Authority.
 - b) Information relevant for monitoring and responding to the potential implications of the activities of an individual Manager, or Managers collectively, for the stability of systemically relevant financial institutions and the orderly functioning of markets in which Managers are active.
 - c) Information relevant to the financial and operational condition of a Covered Entity, including, for example, reports of capital reserves, liquidity or other prudential measures, and internal control procedures;
 - d) Relevant regulatory information and filings that a Covered Entity is required to submit to an Authority including, for example: interim and annual financial statements and early warning notices;
 - e) In the case of the Requested Authority being a EU Authority, regulatory reports prepared by an Authority, including for example: examination reports, findings, or information drawn from such reports regarding Covered Entities and, in the case of the Requested Authority being the SFC, any inspection findings formally communicated to the Covered Entity in writing and any other material deficiencies identified in inspection.

Article 4. Cross-border on-site visits

Authorities should discuss and reach understanding on the terms regarding cross-border on-site visits, taking into full account each other's sovereignty, legal framework and statutory obligations, in particular, in determining the respective roles and responsibilities of the Authorities. The Authorities will, as far as its national or domestic law permits, act in accordance with the following procedure before conducting a cross-border on-site visit.

- a) The Authorities will consult with a view to reaching an understanding on the intended timeframe for and scope of any cross-border on-site visit. The local

³ As from the date the rules set out in Articles 35 and 37 to 41 of the AIFMD become applicable, the SFC will submit the information referred to in this paragraph to the authority of the Member State of Reference.

authority shall decide whether the visiting officials shall be accompanied by its officials during the visit.

- b) When establishing the scope of any proposed visit, the Authority seeking to conduct the visit will give due and full consideration to the supervisory activities of the other Authority and any information that was made available or is capable of being made available by that Authority.
- c) The Authorities will assist each other in interpreting the contents of public and non-public documents and obtaining information from directors and senior management of Covered Entities or any other relevant person.

Article 5. Execution of requests for assistance

- 1) To the extent possible, a request for written information pursuant to Article 3.4 should be made in writing, and addressed to the relevant contact person identified in Appendix A. A request generally should specify the following:
 - a) The information sought by the Requesting Authority, including specific questions to be asked and an indication of any sensitivity about the request;
 - b) A concise description of the facts underlying the request and the supervisory purpose for which the information is sought, including the applicable regulations and relevant provisions behind the supervisory activity; and
 - c) The desired time period for reply and, where appropriate, the urgency thereof.
- 2) In Emergency Situations, the Authorities will endeavour to notify each other of the Emergency Situation and communicate information to the other as would be appropriate in the particular circumstances, taking into account all relevant factors, including the status of efforts to address the Emergency Situation and the resources required to provide the requested assistance within the desired time horizon. During Emergency Situations, requests for information may be made in any form, including orally, provided such communication is confirmed in writing as promptly as possible following such notification.

Article 6. Cooperation on enforcement

- 1. The Requested Authority should, as far as its national or domestic law permits, assist the Requesting Authority where it is necessary to enforce the AIFMD, its implementing measures or the national legislation of an EU Member State or the Hong Kong Securities and Futures Ordinance and corresponding implementing regulations breached by a Covered Entity established in its jurisdiction. In particular, this assistance should be provided by the Requested Authority where there is a request for assistance to investigate whether a Covered Entity has contravened or is contravening any legal or regulatory requirement in at least the following situations:
 - a) when the Requesting Authority has required a Covered Entity established in the jurisdiction of the Requested Authority to cease any practice that is contrary to the provisions adopted in the implementation of the AIFMD and its implementing measures or the Hong Kong Securities and Futures Ordinance and corresponding implementing regulations. In this situation, and at the request of the Requesting Authority, the Requested Authority should provide information that would allow the Requesting Authority to verify the compliance of the request by the Covered Entity;

- b) when the Requesting Authority has requested the freezing or the sequestration of assets of a Covered Fund that is established in the jurisdiction of the Requested Authority. In this situation the Requested Authority should inform and assist to the extent possible to the Requesting Authority on the legal procedures that leads to that result;
 - c) when the Requesting Authority has requested the temporary prohibition of professional activity in relation to a Covered Entity established in the jurisdiction of the Requested Authority . In this situation, and at the request of the Requesting Authority, the Requested Authority should provide information that would allow the Requesting Authority to verify whether the temporary prohibition is being observed by the addressee of the measure;
 - d) when the Requesting Authority has adopted any type of measure to ensure that Covered Entities established in the jurisdiction of the Requested Authority continue to comply with the requirements of the AIFMD and its implementing measures or the Hong Kong Securities and Futures Ordinance and corresponding implementing regulations. In this situation, and at the request of the Requesting Authority, the Requested Authority should provide information that would allow the Requesting Authority to verify whether the addressee observes the measure adopted by the Requesting Authority;
 - e) when, in the interest of the investors or of the public, the Requesting Authority has required the suspension of the issue, repurchase or redemption of units or shares of Covered Funds established in the jurisdiction of the Requested Authority. In this situation, and at the request of the Requesting Authority, the Requested Authority would provide information that would allow the Requesting Authority to verify that the Covered Fund complies with the request of suspension.
2. The assistance referred to in this Article should be provided in accordance with the provisions of the IOSCO MMoU concerning consultation and cooperation and the exchange of information of 2002.

Article 7. Permissible uses of information.

- 1) The Requesting Authority may use non-public information obtained under this MoU solely for the purpose of supervising Covered Entities and seeking to ensure compliance with the Laws and Regulations of the Requesting Authority, including assessing and identifying systemic risk in the financial markets or the risk of disorderly markets.
- 2) This MoU is intended to complement, but should not alter the terms and conditions of the existing arrangements between Authorities concerning cooperation in securities matters, including the IOSCO MMoU. The Authorities recognize that while information is not to be gathered under this MoU for enforcement purposes, subsequently an Authority may want to use the information for the purposes of the Laws and Regulations of such Authority. In such cases, further use of the information should be governed by the terms and conditions of the IOSCO MMoU.

Article 8. Confidentiality and onward sharing of information.

- 1) Except for disclosures in accordance with the MoU, including permissible uses of information under the previous points, each Authority will keep confidential to the extent permitted by law information shared under this MoU, requests made under this MoU, the contents of such requests, and any other matters arising under this MoU.
- 2) To the extent legally permissible, the Requesting Authority will notify the Requested Authority of any legally enforceable demand from a third party for non-public information that has been furnished under this MoU. Prior to compliance with the demand, the

Requesting Authority intends to assert all appropriate legal exemptions or privileges with respect to such information as may be available.

- 3) In certain circumstances, and as required by law, it may become necessary for the Requesting Authority to share information obtained under this MoU with other Governmental Entities in its jurisdiction. In these circumstances and to the extent permitted by law:
 - a) The Requesting Authority will notify the Requested Authority.
 - b) Prior to passing on the information, the Requested Authority will receive adequate assurances concerning the Governmental Entity's use and confidential treatment of the information, including, as necessary, assurances that the information will not be shared with other parties without getting the prior consent of the Requested Authority.
- 4) Except as provided in paragraph 2, the Requesting Authority must obtain the prior consent of the Requested Authority before disclosing non-public information received under this MoU to any non-signatory to this MoU. If consent is not obtained from the Requested Authority, the Authorities will discuss the reasons for withholding approval of such use and the circumstances, if any, under which the intended use by the Requesting Authority might be allowed.
- 5) The Authorities intend that the sharing or disclosure of non-public information, including but not limited to deliberative and consultative materials, pursuant to the terms of this MoU, will not constitute a waiver of privilege or confidentiality of such information.

Article 9. Special rules on onward sharing of information in the EU internal market.

- 1) Article 8.4 does not apply in all cases where the EU competent authorities are required to share information with other EU competent authorities as defined in Article 1(d), the ESRB and ESMA under the AIFMD. In particular, Article 8 does not apply in the following circumstances:
 - a. In accordance with Article 25(2) of the AIFMD, an EU competent authority may need to share information received from the SFC with other EU competent authorities where a Manager under its responsibility or a Covered Fund managed by that Manager could potentially constitute an important source of counterparty risk to a credit institution or other systemically relevant institutions in other EU Member States.
 - b. In accordance with Article 50(4) of the AIFMD, the EU competent authority of the Member State of reference of a non-EU Manager⁴ shall forward the information received from the SFC in relation to that non-EU Manager to the competent authority of the host Member States, as defined in Article 4(1)(r) of the AIFMD.
 - c. In accordance with Article 53 of the AIFMD, an EU competent authority shall communicate information to other EU competent authorities, the ESRB or ESMA, where this is relevant for monitoring and responding to the potential implications of the activities of individual Manager or Managers collectively for the stability of systemically relevant financial institutions and the orderly functioning of markets on which the Managers are active.

⁴ The Member State of reference is the EU Member State in charge of the authorisation of a non-EU Manager in accordance with Article 37 of the AIFMD.

- 2) In the cases mentioned in paragraph 1, where the information is obtained from the SFC or derived from information provided by the SFC, the following conditions would apply:
 - a. In accordance with Article 47 (3) of the AIFMD, all the information exchanged between the EU competent authorities, the ESRB and ESMA shall be considered confidential, except where the SFC states at the time of communication that such information may be disclosed or where such disclosure is necessary for legal proceedings.
 - b. The EU competent authorities, ESMA and the ESRB shall only use the information for the purposes envisaged in the AIFMD and in accordance with the founding regulations of ESMA and the ESRB.

Article 10. Termination of the MoU; Successor authorities

- 1) If a signatory wishes to terminate the MoU, it shall give written notice to the other Authorities. ESMA would coordinate the action of EU Authorities in this regard. Cooperation in accordance with this MoU will continue until the expiration of 30 days after an Authority gives written notice to the others. If an Authority gives such notice, cooperation will continue with respect to all requests for assistance that were made under the MoU before the effective date of notification until the Requesting Authority terminates the matter for which assistance was requested. In the event of termination of this MoU, information obtained under this MoU will continue to be treated in a manner prescribed under Articles 7 and 8.
- 2) Where the relevant functions of a signatory to this MoU are transferred or assigned to another authority or authorities, the terms of this MoU shall apply to the successor authority or authorities performing those relevant functions without the need for any further amendment to this MoU or for the successor to become a signatory to the MoU. This shall not affect the right of the successor authority and its counterparty to terminate the MOU as provided hereunder if it wishes to do so.

Article 11. Entry into force

This MoU enters into force on 1 September 2015.

Signatures

Comisión Nacional del Mercado de Valores
(Kingdom of Spain)

Securities and Futures Commission
(HK)

Elvira Rodríguez Herrer
President

Ashley Alder
CEO

Appendix A of the MoU – List of Contact Persons

<p>Securities and Futures Commission (Hong Kong)</p>	<p>Email: international@sfc.hk Address: 35/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong Attention: <i>Ms Christine Kung, Senior Director, International Affairs</i></p>
<p>Comisión Nacional del Mercado de Valores (Spain)</p>	<p>Mr Antonio Mas <i>Director of International Affairs (for all requests for assistance)</i> Email: mas@cnmv.es</p> <p>Mr Santiago Yraola <i>Deputy Director of International Affairs</i> Email: Yraola@cnmv.es</p> <p><i>Contact details</i> <i>Comisión Nacional del Mercado de Valores</i> <i>Edison 4, 28006 Madrid (Spain)</i> <i>Tel: +(34) 915851585</i> <i>Fax: +(34) 915854110</i></p>

