

Frequently Asked Questions on the Grant Scheme for Open-ended Fund Companies and Real Estate Investment Trusts

This FAQ is prepared by the Investment Products Division and aims to provide basic information to market practitioners concerning the grant scheme for open-ended fund companies (“OFC”) and real estate investment trusts (“REIT”) (“Grant Scheme”). Applicants are encouraged to contact the relevant case team in the Investment Products Division of the Securities and Futures Commission (the “SFC”) or email the SFC at grantscheme@sfc.hk if in doubt on any specific issues arising from the application/interpretation of the matters relating to the Grant Scheme. Please note that each application for the Grant Scheme 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. This FAQ is only for general reference. Compliance with all the requirements in this FAQ does not necessarily mean an application will be accepted or approval will be granted. The SFC reserves the rights to exercise all powers conferred under the law.

	Question	Answer
Eligibility of applicants under the Grant Scheme		
1.	Who can apply for a grant under the Grant Scheme?	<p>For OFCs, the grant is open to OFCs successfully incorporated in, and non-Hong Kong fund corporations successfully re-domiciled to Hong Kong as OFCs, on or after the effective date of the Grant Scheme.</p> <p>For REITs, the grant is open to REITs that are successfully listed on the Stock Exchange of Hong Kong (“SEHK”) on or after the effective date of the Grant Scheme with a market capitalisation of at least HK\$1.5 billion (or its equivalent) at the time of listing. For a REIT that is also listed outside Hong Kong, the market capitalisation of its units listed on the SEHK must be at least HK\$ 1.5 billion (or its equivalent) at the time of listing.</p>

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		Investment managers of OFCs and REIT managers can apply for a grant under the Grant Scheme on behalf of the OFC or REIT.
Amount of grant to be awarded		
2.	Is there a cap to the amount of grant that can be awarded under the Grant Scheme?	<p>For OFCs, the grant amount for each application is equivalent to 70% of the eligible expenses, subject to a cap of HK\$1 million per OFC; and a maximum of 3 OFCs per investment manager.</p> <p>For REITs, the grant amount for each application is equivalent to 70% of the eligible expenses, subject to a cap of HK\$8 million per REIT.</p>
Eligible expenses under the Grant Scheme		
3.	What is the scope of eligible expenses covered under the Grant Scheme?	<p>Eligible expenses must be paid to Hong Kong-based service providers in relation to the incorporation of an OFC, re-domiciliation of a non-Hong Kong fund corporation to Hong Kong as an OFC or listing of a REIT. Examples of eligible expenses include:</p> <p><u>For OFCs</u></p> <ol style="list-style-type: none"> a. Fees charged by law firms or legal advisers for legal work in relation to the incorporation/ re-domiciliation of an OFC, including (i) the drafting of legal documents and offering documents of the OFC and (ii) work done in relation to the authorisation of an OFC with the SFC; b. Fees charged by auditors, accountants or tax advisors for accounting and/or tax services in relation to the incorporation/ re-domiciliation of an OFC; c. Fees charged by fund administrators, corporate service providers or company secretaries for incorporation/ re-domiciliation services in relation to the set-up of an OFC, including work done for all filings necessary for the incorporation/ re-domiciliation or registration of an OFC; d. Fees charged by regulatory consultants for work done in relation to the incorporation/ re-domiciliation of an OFC and the authorisation of an OFC with the SFC; and e. Fees charged by listing agents in the case of listed OFCs. <p><u>For REITs</u></p> <ol style="list-style-type: none"> a. Underwriting commissions charged by underwriters for the listing of a REIT;

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		<p>b. Fees charged by law firms or legal advisors for legal work in relation to the listing of a REIT, including (i) the drafting of legal documents and offering circular of the REIT and (ii) work done in relation to the authorisation of a REIT with the SFC;</p> <p>c. Fees charged by auditors, accountants or tax advisors for accounting and/or tax services in relation to the listing of a REIT;</p> <p>d. Fees charged by the valuer of a REIT to produce valuation report on properties for the listing of a REIT;</p> <p>e. Expenses paid to marketing agencies or consultants for advertisement and marketing related services for the listing of a REIT, including roadshow expenses; and</p> <p>f. Fees charged by listing agents.</p> <p>In general, statutory fees such as registration or application fees to the SFC and expenses incurred in relation to an application to the SFC for the licensing or registration of an investment manager will not be covered under the Grant Scheme. Costs incurred in the establishment of a sub-fund under a pre-existing umbrella OFC and listing fees to the SEHK will not be covered as well.</p> <p>Applicants are welcome to consult the SFC about the eligibility for the grant prior to application.</p>
4.	Are audit fees for the first year's annual audit review eligible under the Grant Scheme?	Only fees in relation to the incorporation of an OFC, re-domiciliation of a non-Hong Kong fund corporation to Hong Kong as an OFC or listing of a REIT are covered under the Grant Scheme. Generally, audit fees paid to accounting firms in relation to the annual audit review will not be considered as eligible expenses.
Application process for the Grant Scheme		
5.	How do I start an application for a grant under the Grant Scheme?	<p>Applicants should submit to the SFC a duly signed and completed Application Form for the Grant Scheme ("Application Form") together with all requisite supporting information and documents, including the certificate of incorporation or certificate of re-domiciliation issued by the Companies Registry ("CR") (in the case of OFCs) and the scanned copies of the invoice(s)/receipt(s) of payment ("Supporting Information").</p> <p>During the vetting process, the SFC may from time to time request for the submission of additional supporting information or documents which it deems necessary for facilitating its consideration as to whether a grant should be approved.</p>

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6.	When should I submit a Grant Scheme application to the SFC?	<p><u>OFCs</u> For private OFCs, formal applications must be submitted to the SFC within 3 months from the date of the certificate of incorporation or certificate of re-domiciliation issued by the CR.</p> <p>For public OFCs, applicants may submit to the SFC a duly signed and completed Public Open-ended Fund Companies – Confirmation of Intention to Apply for a Grant under the Grant Scheme for Open-ended Fund Companies as part of their product application submission. The Application Form and Supporting Information must be submitted to the SFC within 3 months from the date on which the authorization of the public OFC becomes effective.</p> <p><u>REITs</u> Formal applications must be submitted to the SFC within 3 months after the listing date of the REIT.</p>
7.	What are the requirements for submitting documents in support of a Grant Scheme application to the SFC?	<p>Applicants are not required to submit hard copy of documents as mentioned in Q5 above to the SFC.</p> <p><u>Alternatives for signing application documents</u></p> <p>Option 1: We will accept submission of an un-signed copy of the Application Form and the Public Open-ended Fund Companies – Confirmation of Intention to Apply for a Grant under the Grant Scheme for Open-ended Fund Companies (for public OFCs) which is required to be completed by an applicant, provided that the Application Form and the Public Open-ended Fund Companies – Confirmation of Intention to Apply for a Grant under the Grant Scheme for Open-ended Fund Companies shall be submitted with an email confirmation (from a person who meets the signatory requirements) that all information and, where applicable, confirmations and undertakings contained in the Application Form and the Public Open-ended Fund Companies – Confirmation of Intention to Apply for a Grant under the Grant Scheme for Open-ended Fund Companies (and all documents submitted relating thereto) are true and accurate.</p> <p>Option 2: An applicant may submit a scanned copy of the Application Form and the Public Open-ended Fund Companies – Confirmation of Intention to Apply for a Grant under the Grant Scheme for Open-ended Fund Companies (for public OFCs) signed by a person who meets the signatory requirements.</p>

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8.	When will the SFC take up an application after I have submitted my application?	<p>Generally, an application will only be taken up by the SFC when an applicant has submitted all relevant documents that meet the applicable requirements as mentioned in Q5 above and has submitted the application within the relevant application deadline mentioned in Q6 above. If the SFC is not satisfied with the completeness or sufficiency of the information contained in the application package or considers that documents submitted are not in good order or otherwise not suitable for clearance, the package will be returned to the applicant and the application will not be taken up.</p> <p>In general, the Investment Products Division will issue a letter (“Acknowledgement Letter”) within 2 business days from the date of receipt of the Application Form and Supporting Information, to inform the applicant that the SFC will process the application.</p>
9.	How will the SFC determine the priority of applications received?	<p>The Grant Scheme is valid for a period of three years and the Administration has set aside a pool of funds for the Grant Scheme.</p> <p>Applications will be processed on a first-come-first serve basis based on the submission time of the grant application or, in the case of public OFCs, the Public Open-ended Fund Companies – Confirmation of Intention to Apply for a Grant under the Grant Scheme for Open-ended Fund Companies (if applicable).</p> <p>For public OFCs, where an applicant submits a Public Open-ended Fund Companies – Confirmation of Intention to Apply for a Grant under the Grant Scheme for Open-ended Fund Companies as part of its product application submission, subject to authorisation of the public OFC, the Grant Scheme application will be regarded as being submitted at the time of take-up of the product application for the purposes of determining its priority.</p>
Clawback of grant		
10.	In what circumstances will a grant awarded to an OFC be clawed back?	<p>An OFC which has been awarded a grant cannot commence winding-up or apply for termination of registration within two years from the date of its incorporation or re-domiciliation.</p> <p>The Administration reserves the right to claw back the grant awarded if the OFC commences winding-up or applies for termination of registration within 2 years from the date of incorporation or re-domiciliation.</p>

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11.	In what circumstances will a grant awarded to a REIT be clawed back?	<p>A REIT which has been awarded a grant is required to remain listed and traded on the SEHK for at least 2 years from the listing date. The Administration reserves the right to claw back the grant awarded if the REIT is delisted or suspended from trading within two years of its listing date.</p> <p>Whether a suspension of trading warrants a clawback of grant will be considered on a case-by-case basis, taking into account the specific circumstances of each case. For example, a temporary trading suspension of a REIT due to pending announcements will not generally give rise to a clawback of grant.</p> <p>On the other hand, a grant awarded may be clawed back if a REIT has been suspended from trading for a continuous period of 18 months within 2 years of its listing date, in line with the requirement under the Listing Rules of the SEHK whereby the SEHK may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months.</p>

Last updated: 10 May 2021