

## Application of the Code on Unit Trusts and Mutual Funds on UCITS funds

The Securities and Futures Commission (“SFC”) has been adopting a streamlined approach to the authorization of UCITS funds<sup>1</sup> from specified jurisdictions. Having considered the local laws and regulations governing UCITS funds and arrangements for cross-border cooperation and exchange of information, UCITS funds from specified jurisdictions are deemed to have generally complied in substance with the relevant provisions of the Code on Unit Trusts and Mutual Funds<sup>2</sup> (“UT Code”).

To provide further guidance to the industry, the SFC sets out below the relevant provisions in the UT Code that are applicable to UCITS funds for better transparency and clarity.

Notwithstanding the streamlined approach, management companies are reminded that the SFC may impose or vary the requirements and/or conditions in respect of specific funds or types of funds as it may deem fit at any time before granting authorization or allowing the authorization to remain in force.

The application of the UT Code on UCITS funds is subject to review and update by the SFC from time to time in view of the legal, regulatory and other development in each relevant jurisdiction, as well as the level of regulatory oversight, supervision, co-operation and assistance of the relevant home regulator and reciprocity accorded to the SFC with respect to the funds it regulates.

The following are applicable to those UCITS funds not falling or authorized under the applicable mutual recognition of funds arrangements with relevant jurisdictions:

	<b>Relevant provisions in the UT Code applicable to UCITS funds</b>
<b>1. Key operators</b>	
Trustees and custodians	Chapter 4, except for 4.5
Management companies	Chapter 5, except for 5.11(c)
Investment delegates (who have been delegated the investment management function of a scheme)	5.5(a), (b) and (c)
Hong Kong representatives	Chapter 9

<sup>1</sup> For the purpose of this document, UCITS funds means (i) Undertakings for Collective Investment in Transferable Securities (UCITS) domiciled in France, Luxembourg, Ireland and the Netherlands, and (ii) collective investment schemes domiciled in the United Kingdom authorized as UK UCITS.

<sup>2</sup> The UT Code refers to the Code on Unit Trusts and Mutual Funds effective on 1 January 2019, following its gazettal.

	<b>Relevant provisions in the UT Code applicable to UCITS funds</b>
<b>2. Operational requirements</b>	
Scheme documentation, pricing, issue and redemption of units/shares, fees	Chapter 6, except for 6.6 to 6.8 and 6.15
Valuation and pricing, pricing errors, suspension and deferral of dealings, transactions with connected persons	Chapter 10
<b>3. Investment requirements</b>	
Investments in other funds	7.11D, 7.12
Derivatives investments	UCITS funds are subject to the disclosure requirement in the fund's KFS regarding the fund's purpose of, and expected maximum net derivative exposure arising from, derivatives investments.
Guaranteed features	7.39
<b>4. Specialised schemes<sup>3</sup></b>	
Money market funds	For UCITS short-term money market funds which have complied with the Europe Money Market Funds Regulation <sup>4</sup> , 8.2(b), (c), (d) and (o)
Unlisted index funds and index tracking exchange traded funds	8.6, except for 8.6(a) to (a)(b), 8.6(b) to (c), 8.6(g) to (i) and 8.6(r)
Hedge funds	8.7 and Appendix H
Structured funds	8.8, except for 8.8(c), 8.8(e) and 8.8(g)
Funds that invest extensively in financial derivative instruments	8.9(j)
Listed open-ended funds (also known as active ETFs)	8.10, except for 8.10(b)

<sup>3</sup> UCITS specialised schemes shall comply with the requirements under Chapter 7 of the UT Code that are applicable to UCITS, with modifications, exemptions or additions as set out in the relevant section(s) under Chapter 8 of the UT Code.

<sup>4</sup> Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds.

	<b>Relevant provisions in the UT Code applicable to UCITS funds</b>
<b>5. Disclosure and reporting requirements</b>	
Scheme changes, notifications, ongoing disclosures, reporting, withdrawal of authorization, merger or termination	<p>Chapter 11, except for 11.1(a) and 11.6A</p> <p>A UCITS fund is generally deemed to have complied with 11.1(a) if the management company confirms that:</p> <ul style="list-style-type: none"> <li>(i) the constitutive documents of the fund have complied with all applicable home jurisdiction's laws and regulations and home regulator's requirements and have complied with 9.10;</li> <li>(ii) such constitutive documents are the latest version that have been submitted to or filed with the home regulator; and</li> <li>(iii) the fund has also complied with D12 of Appendix D regarding connected party transactions.</li> </ul> <p>In such case, the changes to constitutive documents of the UCITS fund are regarded as changes falling under 11.1B.</p>
Information to be disclosed in the offering document	Appendix C, except for C2 (regarding securities financing transactions) and C2A
Contents of the constitutive documents	<p>Constitutive documents of UCITS funds are generally deemed to have complied with Appendix D provided that they comply with all applicable home jurisdiction's laws and regulations and home regulator's requirements and 9.10.</p> <p>UCITS funds are required to provide confirmation on compliance with D12 of Appendix D regarding connected party transactions.</p>
Content of financial reports	Notes to the Financial Reports (2) and (3)(a) of Appendix E

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