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

Frequently Asked Questions on Post Authorization Compliance Issues of SFC-authorized Unit Trusts and Mutual Funds

These FAQs aim to provide basic information to market practitioners concerning the post authorization compliance issues of SFC-authorized unit trusts and mutual funds. Applicants are encouraged to contact the relevant case team in the Investment Products Division for any specific issues arising from the application/interpretation of the Code on Unit Trusts and Mutual Funds ("UT Code") or these FAQs. Please note that each application for authorization is considered on a case-by-case basis.

For the purpose of these FAQs, 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.

The information set out below is not meant to be exhaustive. These FAQs may be updated and revised from time to time. They are only for general reference. Compliance with all the requirements in these FAQs do not necessarily mean applications for the approval of post authorization changes (including scheme changes, termination, merger and withdrawal of authorization) and authorization of revised offering documents for SFC-authorized funds will be accepted or approval/authorization will be granted. The SFC reserves the rights to exercise all powers conferred under the law.

Notes: (1) For ease of reference, collective investment schemes that are generally known as unit trusts or mutual funds are referred to as "funds" in the following FAQs.

(2) Unless otherwise specified, the term "ETF" used in the following FAQs shall cover SFC-authorized passive ETF, active ETF and listed unit/share class of unlisted fund.

Section 1: FAQs in respect of the Revamped Post Authorization Process

	Question	Answer
1. – 15. and 18. – 21.	These FAQs have been removed.	Please refer to Frequently Asked Questions on Revamped Post Authorization Process of SFC-authorized Unit Trusts and Mutual Funds.

	Question	Answer
16. – 17.	These FAQs have been removed.	Please refer to Questions 8A and 9A under Section 2 of this FAQ

Section 2 – Other post-authorization compliance issues

	Question	Answer
1.	Once a fund is authorized by the SFC, is it required to comply with any on-going requirements?	Yes. An SFC-authorized fund has to comply with the post-authorization requirements as set out in Chapters 10 and 11 of the UT Code. To facilitate better compliance by SFC-authorized funds, the following forms are provided on the SFC website: ▪ *Pricing Errors Forms* – information to be supplied to the SFC upon the discovery of pricing errors ▪ *Material Breaches Forms* – information to be supplied to the SFC upon the discovery of material breaches ▪ *Termination / Mergers / Withdrawal of authorization Form* – information to be supplied to the SFC for proposed termination / mergers / withdrawal of authorization of funds ▪ *Money Market Funds Form* – information to be supplied to the SFC by money market funds Management companies are required to submit the relevant forms and/or information to the SFC via e-IP[1].
2.	This FAQ has been removed.	Please refer to Question 2 of Frequently Asked Questions on Revamped Post Authorization Process of SFC-authorized Unit Trusts and Mutual Funds.

[1] Please refer to the circular entitled "Circular on launch of e-IP application/submission system on WINGS" dated 8 July 2024.

	Question	Answer
2A.	What steps should a management company take when they issue notice(s) which contain(s) information that affects the disclosure in the offering documents of SFC-authorized fund(s)?	SFC-authorized funds must issue an up-to-date offering document, which should contain information necessary for investors to be able to make an informed judgement of the investment proposed to them. Where a management company issues notice(s) which contain(s) information that affects the disclosure in the offering document of SFC-authorized fund(s), the management company should update the offering document with such information as soon as reasonably practicable. In the event that the offering document is yet to be updated, the offering document is expected to be accompanied by such notice(s). As such, the management company should make appropriate arrangements with its distributors and the Hong Kong Representative (if applicable) to provide the offering document together with copies of the relevant notice(s) to investors.
Suspension of dealings		
3.	Under what circumstances can dealings in an SFC-authorized fund be suspended?	Suspension of dealings may be provided for by management company in consultation with the trustee/custodian, having regard to the best interests of holders. Suspension of dealings is one of the liquidity risk management tools and practices to delay and/or limit redemption. Management company should at all times exercise due skill, care and diligence in managing the liquidity of schemes under their management. Management company must ensure fair treatment to investors in handling subscription and redemption requests during the suspension period, and that all such requests are/will be handled in accordance with the constitutive documents and offering documents of the funds. Management companies should comply with their obligations and the applicable requirements set out in the “Circular to management companies of SFC-authorized funds on liquidity risk management” dated 4 July 2016. The management company must regularly review any prolonged suspension of dealings and take all necessary steps to resume normal operations as soon as

	Question	Answer
		practicable.
3A.	This FAQ is obsolete and has been removed.	
3A1.	What are the notification requirements regarding the suspension of dealings of an SFC-authorized fund?	Pursuant to paragraph 10.7 of the UT Code, the management company or Hong Kong representative must immediately notify the SFC if dealing in units / shares ceases or is suspended. The SFC expects investors to be notified on a timely basis. The fact that dealing is suspended must be published immediately following such decision and at least once a month during the period of suspension in an appropriate manner. Given that the suspension of dealings may limit investors' right to freely redeem their shares or units on any dealing day as stipulated in a scheme's offering document, the SFC is of the view that it is an important piece of information for investors and must therefore be published in written form via appropriate means such as newspapers or websites. The suspension notice to holders does not require the SFC's prior approval. However, the notice should be filed with the SFC immediately after its issuance. The SFC should be informed of how and when the notice was published. The SFC may also request submission(s) of records of the deliberations, justifications and decisions of the suspension. In the case of a prolonged suspension, the requirement to publish, at least once a month via appropriate means, the fact that dealing is suspended can be complied with by issuing notices (in printed and electronic forms) or by posting prominent message(s) on the fund / management company's website with a hyperlink to the relevant suspension notice published on the website, as permitted by the fund's constitutive documents and offering documents.

	Question	Answer
3A2.	What information is required to be included in a suspension notice to investors?	As a minimum, a suspension notice should contain: ▪ The legal basis for suspension, i.e. reference to the provisions in the constitutive documents; ▪ Reasons for suspension; ▪ A statement that the trustee/custodian has been consulted and where relevant, consent / no objection has been obtained; ▪ Effective date and where appropriate, the duration of suspension; ▪ Impact on the investors regarding redemption arrangements; ▪ Details of a Hong Kong contact for enquiries; and ▪ Date of publication of the notice. Where investors have the option to withdraw the subscription or redemption requests made during the period of suspension, the management company should inform investors of such option in the suspension notice. A notice should be prepared in both the Chinese and English languages unless a waiver to 6.2 of the UT Code has previously been granted.
3A3.	Regarding resumption of dealings, when will a resumption notice be required to be published?	Pursuant to 10.6 of the UT Code, the management company must regularly review any prolonged suspension of dealings and take all necessary steps to resume normal operations as soon as practicable. Resumption of dealings should take place as soon as practicable, having regard to the interests of holders. A decision to lift suspension should be notified to the SFC immediately. Where the notice of suspension does not specify the duration of suspension, a resumption notice should be published in same manner in which the suspension notice has been published. The resumption notice does not require the SFC's prior approval. However, it should be filed with the SFC immediately after its issuance. The SFC should be informed of where the notice was published and the date of publication.

	Question	Answer
		As a minimum, a resumption notice should contain the effective date of the lifting of suspension and details of a Hong Kong contact for enquiries.
3B.	What should the fund manager of an SFC-authorized fund note if there is a suspension of trading on the securities market(s) on which all or a substantial part of the investments of the fund are traded and such suspension continues until the close of such market(s) ("Market Suspension")?	Pursuant to the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products, fund managers are required to manage SFC-authorized funds with due skill, care and diligence. *Issues to consider* A fund manager should critically assess the potential impact of Market Suspension on SFC-authorized funds under its management and the investors of the funds, and should ensure that it has in place appropriate policies and procedures (including contingency plans) to address such impact in the event of Market Suspension. In particular, the issues that a fund manager should consider if a Market Suspension is triggered include, without limitation: ▪ how the net asset value of the fund(s) should be calculated; ▪ if/how any fair valuation adjustments should be made[2]; ▪ how to ensure: a. strict compliance with the principle of forward pricing[3];

[2] Fund managers are reminded to comply with the requirements set out in the SFC Circular to Management Companies and Trustees/Custodians of SFC-authorized Funds Relating to Fair Valuation of Fund Assets dated 20 July 2015 (as amended from time to time).

[3] Forward pricing is a fundamental principle in the regulation of SFC-authorized funds. Forward pricing ensures that incoming, continuing and outgoing investors are treated equitably such that subscription and redemptions of fund units/shares are effected on the basis of an unknown/forward price only in order to minimise the risks related to late trading and market timing. In line with such principle, SFC-authorized funds that are affected by Market Suspension are generally expected not to accept subscription and redemption orders received after the occurrence of Market Suspension and not to process such orders on

	Question	Answer
		b. all investors are treated fairly and that existing investors' interests are protected and not diluted as much as possible; and c. the policies and procedures to be put in place (and any revisions thereto) are done in the best interests of the fund; ▪ how the dealing and settlement arrangements will be affected, such as: a. whether the day on which Market Suspension occurs is still a dealing day for the fund; b. if so, whether the fund manager will suspend dealing on that day or make any changes to the cut-off time for accepting subscription and redemption orders; and if it is the latter case, i. whether the subscription and redemption orders received after the cut-off time on that day will be carried forward to the next dealing day; and ii. whether investors can cancel the subscription and redemption orders received after the cut-off time on that day; and c. the arrangement for prolonged Market Suspension; and ▪ if any revisions should be made to the existing dealing and settlement procedures and operational guidelines of the fund after considering the above. The fund manager should consult the trustee to address these issues where appropriate. Additionally, fund managers of SFC-authorized ETFs should consider the following if a Market Suspension is triggered:

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the same day. Otherwise, certain investors may be able to take advantage of knowledge about development in financial markets occurred after the Market Suspension is triggered and exploit fund unit/share prices that are based on the last traded prices of securities in the fund's portfolio, when the Market Suspension is triggered.

	Question	Answer
		▪ the arrangement for partially filled orders; ▪ if secondary trading should be suspended; and ▪ whether substantial trading premium/discount would arise and how it should be addressed. The fund manager should discuss with the relevant participating dealers as necessary when putting in place the relevant arrangements relating to Market Suspension. The fund manager should also remind its distributors to treat all investors dealing through such distributor in a fair and consistent manner.
3C.	What disclosure issues should a fund manager consider for the implementation of any policies and procedures in addressing the potential impact of Market Suspension on an SFC-authorized fund? In addition, would prior notice to investors and prior approval from the SFC be required regarding the changes made as a result of such implementation?	SFC-authorized funds must issue an up-to-date offering document, which should contain the information necessary for investors to be able to make an informed judgement of the investment proposed to them. On implementation of any policies and procedures in addressing the potential impact of Market Suspension on an SFC-authorized fund, a fund manager should consider whether the current disclosures and risk warnings on Market Suspension and the associated dealing and settlement arrangements in the fund offering documents require further update. Relevant changes to the dealing and settlement arrangements of an SFC-authorized fund to comply with the applicable legal and/or regulatory requirements would generally not be regarded as material changes in dealing arrangements under 11.1(c)(iii) of the UT Code provided that the Overriding Requirements (as defined in FAQ9) can be satisfied, and thus do not require the SFC's prior approval in accordance with 11.1B of the UT Code. Pursuant to 11.1B and 11.2 of the UT Code, the SFC would normally expect the fund manager to inform existing holders of the fund of such changes as soon as reasonably practicable and where appropriate, the notices should prominently

	Question	Answer
		remind investors that their distributors may have different dealing and settlement arrangements, and that investors should check with their distributors on the relevant arrangements. No further authorization of the revised offering documents is required to be obtained from the SFC to the extent it solely reflects such changes. Fund managers are reminded to comply with the relevant filing requirements set out in FAQs 9 and 10.
Pricing errors		
4.	This FAQ has been removed.	Please refer to Question 2 under Section 2 of Frequently Asked Questions on SFC Authorization of UCITS Funds.
4A.	This FAQ has been removed.	Please refer to Question 3 under Section 2 of Frequently Asked Questions on SFC Authorization of UCITS Funds.
4B.	How does the reporting threshold of pricing errors set out in paragraph 10.2A (and its Note) of the UT Code apply where SFC-authorized funds have multiple simultaneous pricing errors with different root causes?	Pursuant to paragraph 10.2A of the UT Code, any pricing errors of SFC-authorized funds resulting in an incorrect price of 0.5% or more of the net asset value (NAV) per unit/share must be reported to the SFC immediately. Managers of SFC-authorized funds must report to the SFC all simultaneous pricing errors of a fund, including where the errors have different root causes, if their aggregate impact results in an incorrect price of 0.5% or more of the NAV per unit/share on any dealing day.
4C.	What are the compensation requirements for the pricing errors of SFC-authorized funds falling under Note to 10.2A of the UT Code?	All investor(s) and/or SFC-authorized fund(s) affected by the pricing errors falling under paragraph 10.2A (and its Note) of the UT Code are expected to be compensated pursuant to the requirements set out in paragraph 10.2B of the UT Code. Nevertheless, the SFC will review such pricing error(s) holistically by taking into account all the relevant circumstances (eg, the duration, reasons and materiality of the pricing error, and justifications by the management company) to ascertain the appropriate compensation arrangements and other

	Question	Answer
		remedial measures (if any) on a case-by-case basis.
4D.	What are the compensation requirements for the pricing errors of SFC-authorized funds which are offered both in and outside of Hong Kong?	Managers of SFC-authorized funds should comply with all applicable local and overseas rules and regulations governing the compensation arrangements for pricing errors (including paragraph 10.2B of the UT Code), and ensure all affected investors receive fair treatment regardless of their location.
4E.	This FAQ has been removed.	Please refer to Question 4 under Section 2 of Frequently Asked Questions on SFC Authorization of UCITS Funds.
4F.	This FAQ has been removed.	Please refer to Question 5 under Section 2 of Frequently Asked Questions on SFC Authorization of UCITS Funds.
4G.	This FAQ has been removed.	Please refer to Question 6 under Section 2 of Frequently Asked Questions on SFC Authorization of UCITS Funds.
5.	This FAQ has been removed.	Please refer to Question 9 under Section 2 of this FAQ.
Merger		
6.	Under 11.5 of the UT Code, notices for mergers should be submitted to the SFC for prior approval. Do I need to send notice to investors of the "receiving fund" (i.e. the absorbing fund in a merger) informing them of the merger and submit such notice for the SFC's prior approval?	For the purpose of 11.5 of the UT Code, notices are not required to be given to investors of the "receiving fund" (i.e. the absorbing fund) in a merger and you are not required to submit such notices to the SFC for prior approval. For the avoidance of doubt, the SFC requires notices to be sent to investors of the "merging fund" (i.e. the absorbed fund in a merger) in a merger and such notices should be submitted to the SFC for prior approval.
7.	This FAQ has been removed.	Please refer to Question 9B under Section 2 of this FAQ.
8.	This FAQ is obsolete and has been removed.	

	Question	Answer
8A.	This FAQ has been removed.	Please refer to Question 10A under Section 2 of this FAQ.
Scheme changes that do not require SFC's prior approval		
9.	For the purposes of 11.1(c) of the UT Code, what types of scheme changes would not generally be regarded as material changes and do not require the SFC's prior approval?	Scheme changes which can satisfy the Overriding Requirements (as defined below) would not generally be regarded as material changes for the purposes of 11.1(c) of the UT Code. Set out below are the overriding principles and requirements ("Overriding Requirements") that must be satisfied for any changes not to be regarded as material changes for the purposes of 11.1(c) of the UT Code and do not require the SFC's prior approval: • the changes do not amount to a material change to the scheme; • there will be no material change or increase in the overall risk profile of the scheme following the changes; and • the changes do not have a material adverse impact on holders' rights or interests (including changes that may limit holders' ability in exercising their rights). Below are some illustrative examples: a. *Changes in investment objective, policies and restrictions* i. elaboration on the primary/principal investment objective, strategy, or policy of a scheme by way of a specified investment threshold/limit and the removal of and/or amendments to such threshold/limit, based on the existing investment objective, strategy or policy of the scheme as disclosed in the offering documents; ii. elaboration on the ancillary investment strategy, objective or policy of a scheme by way of a specified investment threshold/limit and the removal

	Question	Answer
		of and/or amendments to such threshold/limit, based on the existing investment objective, strategy or policy of the scheme as disclosed in the offering documents; iii. variation (including addition or removal) of examples of underlying assets or investment areas in which a scheme may invest, based on the existing investment objective, strategy or policy of the scheme as disclosed in the offering documents; iv. elaboration on or minor amendments to the internal stock selection method/process within the scope of a scheme's existing investment objective, strategy or policy as disclosed in the offering documents; v. elaboration on the existing investment objective, strategy, policy or restriction of a scheme as required by other regulators and/or as a result of the scheme's compliance with applicable legal and/or regulatory requirements; vi. reduction in the extent of use of derivatives or changes the purposes of using derivatives (i.e. whether it is for hedging and/or investment purposes) provided that the fund's net derivatives exposure ("NDE")[4] will be up to 50%[5]; and

[4] The term "net derivative exposure" (NDE) has the meaning in paragraph 7.26 of the UT Code.
[5] For the avoidance of doubt, expansion in the extent of use of derivatives (including increase in the fund's NDE from not more than 50% to exceeding 50% are generally regarded as a change falling under 11.1(c)(i) of the UT Code as there is usually a material change and/or an increase in the fund's overall risk profile following such change. Normally, one month's prior written notice is expected to be provided to investors for such changes.

	Question	Answer
		vii. adoption of a physical replication strategy by a synthetic passive ETF[6]. b. *Changes in fees and charges* i. increase in or reduction of initial charges/subscription fees payable by investors; ii. change in the minimum initial subscription amount and/or subsequent subscription amount (unless it is due to any regulatory requirement or controls under any applicable laws and regulations); iii. increase in fees and charges up to the permitted maximum level as disclosed in the offering documents; and iv. removal of fee item(s) payable by the investors and/or the scheme. c. *Changes in dealing arrangements or distribution policy* i. change of frequency of dividends payment; ii. change or adoption of fixed dividend rate (as disclosed in the offering documents) which will not result in structural decumulation of capital for that existing or new fixed distribution rate share class; iii. change of distribution policy from paying dividend out of capital / effectively out of capital to no longer paying dividend out of / effectively

[6] For the avoidance of doubt, the adoption of a synthetic replication strategy (in part or in full) by a physical passive ETF will generally be regarded as a change falling under 11.1(c)(i) of the UT Code as there is usually a material change and/or an increase in the overall risk profile of such ETF following such change.

	Question	Answer
		out of capital (i.e. solely out of net distributable income); iv. change in dealing frequency, which is of demonstrable benefits to investors and in compliance with the provisions of Chapter 6 of the UT Code; v. changes in dealing deadline and/or settlement/payment periods for the subscription or redemption of units/shares of a scheme, which are of demonstrable benefits to investors, or are necessary to comply with regulatory, fiscal or other statutory or official requirements, or are consequential to the proposed change in investment objective, policies and restrictions, and are in compliance with the provisions of Chapter 6 of the UT Code (including ensuring forward pricing); vi. adoption of additional trading counter(s) for an ETF; and vii. changes in primary market dealing arrangement of an ETF to which all participating dealers of the ETF have agreed. For the requirement of prior notice, please refer to Question 9B under Section 2 of this FAQ.
9A.	What types of scheme change(s) will fall under 11.1B of the UT Code which are not subject to the SFC's prior approval?	Scheme changes which do not fall under 11.1 of the UT Code will be classified as change(s) falling within 11.1B of the UT Code not requiring the SFC's prior approval ("11.1B Changes"). Set out below are some examples of 11.1B Changes: • changes of operators which are not key operators of the fund as referred to in 11.1(b) of the UT Code; • administrative changes e.g. change in address of the key operators, addition and resignation of directors of the scheme; • changes to punctuation or grammar; and

	Question	Answer
		• correction of a manifest error. For the requirement on prior notice, please refer to Question 9B under Section 2 of this FAQ.
Notice requirement for scheme changes that do not require SFC's approval		
9B.	Would prior notice be required to be provided to the investors regarding changes that do not require the SFC's prior approval?	In general, for changes that do not require SFC's prior approval, the SFC would expect the management company to inform existing holders of the scheme as soon as reasonably practicable except for those listed below. For the following changes, while the SFC's prior approval is not required, at least one month's prior notice should be given to existing holders of the scheme unless otherwise agreed by the SFC: • For changes set out under paragraphs (a)(vi), (b)(iii), (c)(i), (c)(ii), (c)(iii), (c)(iv), (c)(v) of FAQ9 above. • Changes in the ultimate controlling shareholdings of the trustee/custodian, management company, investment delegates or Hong Kong representative of a scheme. As part of the filing of the scheme change, the management company is required to file the "Filing Form for Notice of Scheme Change(s) falling within 11.1B of the Code on Unit Trusts and Mutual Funds and Do Not Require SFC's Prior Approval". These changes will be subject to post-vetting by the SFC.
Revised offering documents		
10.	Will authorization be required to be obtained from the SFC prior to the issuance of the revised offering document of an SFC-authorized fund which solely reflects (a) changes that do not require SFC's prior	No. Authorization of the revised offering document of an existing SFC-authorized fund is not required to be obtained from the SFC to the extent it solely reflects (a) changes that do not require SFC's prior approval (including the 11.1B Changes) and (b) the withdrawal of authorization of an SFC-authorized fund ("Deauthorized Fund").

	Question	Answer
	approval (including the 11.1B Changes) and (b) withdrawal of authorization of an SFC-authorized fund?	Nevertheless, the revised offering document should be updated as soon as practicable to reflect such changes and the deauthorization of the Deauthorized Fund and should be filed with the SFC pursuant to 11.1B of the UT Code together with a properly completed "Filing Form for Revised Offering Documents that Incorporate Changes Falling within 11.1B of the Code on Unit Trusts and Mutual Funds (UT Code) and Do Not Required SFC's Prior Approval".
10A.	Will changes made to the offering documents which are consequential to the proposed changes subject to the SFC's prior approval under 11.1 of the UT Code ("11.1 Scheme Change(s)") require the SFC's prior approval?	Yes. Where the 11.1 Scheme Change(s) are subject to the SFC's prior approval, any consequential amendments to the offering documents (e.g. new risk factor(s) due to change in investment policy and/or strategy) will also be subject to the SFC's prior approval except for the related administrative changes (e.g. update on the address of the newly appointed management company in the offering documents, change of logo of the management company provided such change is not misleading to investors). As such, an applicant should also properly set out the consequential changes to the relevant 11.1 Scheme Change(s) in a clear and succinct manner in the relevant application form for authorization of the revised offering documents.
Changes to constitutive document		
11.	Do changes to the constitutive documents of an existing SFC-authorized fund which solely reflect 11.1B Changes require prior approval from the SFC pursuant to 11.1(a) of the UT Code?	Pursuant to 11.1(a) of the UT Code, prior approval is not required from the SFC in respect of changes to constitutive documents of a scheme which soley reflect changes which do not require prior approval from the SFC. For changes to the constitutive documents of an SFC-authorized UCITS fund, please refer to Question 7 under Section 2 of Frequently Asked Questions on SFC Authorization of UCITS Funds.
Changes of investment delegates		
11A.	Does change of investment delegates of an	The SFC adopts a streamlined approach in respect of certain changes in

	Question	Answer
	existing SFC-authorized fund require prior approval from the SFC pursuant to11.1(b) of the UT Code?	investment delegate(s)[7] of SFC-authorized funds. For non-UCITS SFC-authorized funds: *(a) Removal of investment delegates* SFC's prior approval is not required for removal of investment delegates. The management company[8] should confirm that the confirmation/undertaking previously provided remains valid. *(b) Appointment of investment delegates* SFC's prior approval will be required for appointment of investment delegate that is: • not currently managing any SFC-authorized funds; or • currently only managing SFC-authorized UCITS funds and the proposed delegate is (i) not located in an inspection regime acceptable jurisdiction (AIR jurisdiction) or a jurisdiction with mutual recognition arrangement with the SFC (MRF jurisdiction) and (ii) not an affiliate of the management company. Regardless of whether or not the SFC's prior approval is required for change of investment delegate, it is generally expected that one month's prior written notice should be provided to investors. The management company is expected to prepare the notice with reference to the content requirements as set out in

[7] For self-managed scheme, references to the investment delegate(s) are deemed to be references to the delegate(s) of the investment manager of the scheme.

[8] For self-managed scheme, references to the management company are deemed to be references to the board of directors of the scheme.

	Question	Answer
		FAQs 16A – 16D below. The management company is also required to submit the duly completed and properly executed confirmation(s) and undertaking(s) as set out in the "List of Confirmations of Compliance related to Scheme Change(s) pursuant to 11.1 of the Code of Unit Trusts and Mutual Funds" which are applicable to the changes. For UCITS funds, please refer to Question 9 under Section 2 of Frequently Asked Questions on SFC Authorization of UCITS Funds).
12.	This FAQ has been removed.	Please refer to Question 10 under Section 2 of this FAQ.
12A	This FAQ has been removed.	Please refer to Question 10 under Section 2 of this FAQ.
13.	This FAQ has been removed.	Please refer to Question 10 under Section 2 of this FAQ.
Withdrawal of authorization		
14.	Can a non-Hong Kong SFC-authorized fund seek for approval of withdrawal of authorization with immediate effect during the three months' notice period of withdrawal of authorization if all Hong Kong investors has redeemed their holdings?	After serving the notice of withdrawal of authorization for a non-HK SFC-authorized fund, where the fund has ceased to accept new subscription in Hong Kong and all Hong Kong investors have fully redeemed their holdings during the three months' notice period, the SFC may, upon application by the management company, on a case-by-case basis, approve withdrawal of authorization of the non-Hong Kong fund before the end of the three months' notice period.
15.	After the termination or merger of an SFC-authorized fund, can such fund apply for withdrawal of authorization if there are residual assets or unclaimed client assets remained in the fund?	The management company must satisfactorily demonstrate that they have, among others, sufficient oversight of the residual assets or unclaimed client assets and should consult the SFC on its specific situation. If a fund still has residual assets or unclaimed client assets after its termination or merger, withdrawal of authorisation may only be considered, on a case-by-case basis, taking into account non-exhaustive factors such as:

	Question	Answer
		a. Clear disclosure of appropriate handling procedures for unclaimed assets in the termination or merger notice; b. Nature and extent of the residual assets; c. Nature of beneficial owners; etc.
16.	***Revised and moved to FAQ15 under Frequently Asked Questions on Revamped Post Authorization Process of SFC-authorized Unit Trusts and Mutual Funds***	
Notice content requirements		
16A.	Are there any content requirements for the Notice(s)[Note] referred to in Question 15 under Frequently Asked Questions on Revamped Post Authorization Process of SFC-authorized Unit Trusts and Mutual Funds? *(Note: As defined in Question 15 of Frequently Asked Questions on Revamped Post Authorization Process of SFC-authorized Unit Trusts and Mutual Funds.)*	It is the management companies' responsibility to ensure notices to holders are not misleading and contain accurate and adequate information to keep investors informed and to ensure they comply with all applicable legal and regulatory requirements. In preparing the final Notice(s), the management company should take into account the guiding comments (if any) and ensure that they have been properly addressed before distributing the Notice(s). The SFC will continue to conduct post-vetting of Notice(s) filed with us to monitor compliance as well as to see whether the guiding comments have been properly addressed. The SFC takes non-compliance seriously and reserves its right to take any necessary regulatory actions to ensure that the interests of investors are safeguarded.
16B.	In providing the guiding comments, if any, what would the SFC focus on in reviewing the draft Notice(s) submitted by an applicant mentioned in Question 15 under Frequently Asked Questions on Revamped Post Authorization Process of SFC-authorized Unit Trusts and Mutual Funds?	Below are some illustrative examples of information/disclosure that are expected to be included in Notice(s) regarding 11.1 Scheme Changes. Additional disclosures may be required depending on the particular circumstances of each case. a. Clear description of the salient terms of the proposed 11.1 Scheme Changes, including, if applicable, the following key features and risks of the fund(s):

	Question	Answer
		i. The implications on the features and risks applicable to the fund(s). ii. Any proposed changes in the operation and/or manner in which the fund(s) is/are being managed and the effects on existing investors. iii. Any change in the fee level/cost in managing the fund(s) following the implementation of the proposed 11.1 Scheme Changes. iv. Any costs and/or expenses that will be incurred in connection with the proposed 11.1 Scheme Changes and who (e.g. the fund and/or the management company) will bear them. Amount of costs and/or expenses where they will be borne by the fund and/or investors. v. Any matters/impact arising from the proposed 11.1 Scheme Changes that may materially prejudice the existing investors' rights or interests. b. Reasons and rationale of the proposed 11.1 Scheme Changes. c. The publication date of the Notice(s) and the effective date of the proposed 11.1 Scheme Changes, including a clear description of all conditions such as shareholders' and/or regulatory approvals that are required to be fulfilled before the 11.1 Scheme Changes could take effect and the consequence(s) thereof. d. Where applicable, a list of documents and an address in Hong Kong where they can be obtained and/or inspected free of charge or purchased at a reasonable price. e. If available, website address of the fund(s) which contains publication of the fund(s)' offering documents etc. f. Hong Kong contact for enquiries by investors. g. Applicable warning and responsibility statements, such as a warning statement to the effect that "THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE" and the responsibility statement that the management company accepts full responsibility for the accuracy of

	Question	Answer
		the information contained in the Notice etc. Management companies should include such other information that are necessary for the holders of the SFC-authorized funds to appraise and to comprehend the 11.1 Scheme Changes proposed to be made to the funds.
16B1.	Can the SFC provide some guidance as to the key information or disclosure expected to be set out in the Notice(s) regarding 11.1 Scheme Change(s)?	Illustrative examples of information/disclosure that are expected to be included in Notice(s) regarding 11.1 Scheme Changes are set out in Q.16B above. Set out below are more specific illustrative examples of key information or disclosure expected to be set out in the Notice(s) regarding certain 11.1 Scheme Changes: *(a) Changes in investment objectives, policies and restrictions of the fund* • Clear description of the proposed revised investment objectives, policies and restrictions (e.g. the new types of underlying investment instruments), and the key difference(s) from the existing investment objectives, policies and restrictions. • Implications of the change on the features and the overall risk profile of the fund (e.g. whether the fund and/or investors will be subject to additional risk(s) such as the fund will be more susceptible to the volatility or development of a particular market or industry sector) and where applicable, description of these additional risks and impact on the fund and/or investors. • In the case of revising the extent of the use of financial derivative instruments, clear description of the intended extent of usage and the consequential impact on the fund and/or investors (where applicable). • Elaboration of any changes in the operation and/or manner in which the fund is being managed and the effects on existing investors. Where there is no change or impact, negative statement is expected to be set out in the Notice(s).

	Question	Answer
		(b) <u>Change in key operator(s) of the fund</u> • In the case of a new appointment, reason for the new appointment, a clear description of the relationship between the proposed new key operator(s) and the existing key operator(s) where applicable (e.g. whether the newly appointed delegated investment manager is related to the management company), related costs and/or expenses that will be incurred and who will bear them, and any change(s) in the fee level/cost in managing the fund following the new appointment. If any conflicts of interests may result, clear description of why the fund or investors will not be prejudiced. • Where the new appointment or removal of existing key operator(s) will affect the existing authorization condition granted by the SFC or the home regulator, clear description of the impact and the related arrangement (e.g. the management company will at all time delegate the investment management function to the newly appointed investment delegate possessing the relevant qualification). *(c) <u>Change in dealing or pricing arrangement of the fund</u>* • Clear description of the proposed new dealing or pricing arrangement, how the new arrangement will apply (e.g. only applicable to certain sub-fund(s) or share class(es)), reason for adopting the new arrangement, the key difference(s) from the existing arrangement, any impact on the processing, valuation or settlement timeline for subscription, switching and redemption, any impact on the fund or existing investors and whether the fund or existing investors will be prejudiced, otherwise a negative statement is expected to be set out in the Notice(s). In addition, fund managers should ensure the new dealing/pricing arrangement will not affect the fund's strict compliance with the principle of forward pricing and fair valuation. • Where the dealing of the fund will be suspended for the purpose of implementing the new dealing or pricing arrangement, clear description of the details including the suspension period, the arrangement in handling the subscription, switching and redemption requests submitted before and after the cut-off date applicable to the suspension, commencing date to use the new dealing or pricing arrangement etc. to ensure that fair and equitable

	Question	Answer
		treatment to all investors. • In the case of imposition of anti-dilution practice, clear description of the anti-dilution mechanism to be put in place (e.g. anti-dilution levy, swing pricing), how such mechanism works (e.g. the adjustment that will apply to the subscribing and redeeming investors), the circumstance(s) upon which the application of the anti-dilution mechanism will be triggered, the maximum limit of the anti-dilution adjustment (e.g. maximum level of the anti-dilution levy, redemption gate or swing factor), impact on the fund or existing investors in the fund. • Illustrative examples may be set out in the Notice(s) to facilitate investors to understand the mechanism or how the new / revised dealing arrangement, pricing arrangement or charging basis of the fees (e.g. performance fees) will apply. *(d)* *Introduction of new fees and charges or increase in fees and charges payable out of scheme property or by the investors* • In the case of a fee increase beyond the permitted maximum level as disclosure in the Hong Kong Offering Documents, the new fee level; and where the fee forms part of the calculation of the ongoing charges figure (e.g. management fee), impact on the ongoing charges figure of the fund/share class (as the case may be), together with the ongoing charges figure[9] as a result of such fee increase and its calculation basis (including the reference date if applicable). • Where a new type of fee is imposed, clear description of the reason for such imposition, the basis of levying the fee (e.g. expressed as a percentage of the net asset value of the fund, whether subject to any

[9] Such ongoing charges figure shall be calculated in accordance with the basis set out in the Circular to Management Companies of SFC-authorized Funds entitled "Disclosure of ongoing charges figure and past performance information in the Product Key Facts Statements" revised as of 3 March 2017 (as amended from time to time).

	Question	Answer
		minimum or maximum level of fee) and the party(ies) receiving the new type of fee, impact on the ongoing charges figure of the fund/share class (as the case may be), together with the ongoing charges figure[9] as a result of such change and its calculation basis (including the reference date if applicable). In respect of the change of distribution policy, the management company should ensure the notice containing information regarding the reasons for the change, implication of the change on the fund, share class and/or investors (e.g. any impact on the frequency of dividend payment and/or rate of dividend payment etc.) and the timeframe which the historical information on the dividend compositions will continue to be available to investors as considered appropriate by the management company to enhance the transparency of the fund's distribution policy. The above is not an exhaustive list of examples and management companies should consider to include such other information that are necessary for the holders of the SFC-authorized funds to fully understand the 11.1 Scheme Change proposed to be made to the funds for the purpose of appraising the position of the funds.
16C.	Will fund managers be required to include a statement in Notice(s) confirming that the proposed 11.1 Scheme Change(s) is/are in the best interest of the holders ("Best Interest Confirmation")?	Pursuant to 5.10(a) of the UT Code, management companies must manage their funds in accordance with the funds' constitutive documents in the best interest of the holders. In general, fund managers are not required to include the Best Interest Confirmation in the Notice(s) in respect of proposed 11.1 Scheme Change(s), especially in view of the fact that it is a general obligation of management company in the UT Code. However, the SFC reserves its power and discretion to raise requisitions where appropriate depending on specific circumstances of each case. For example, where it is not apparent to the SFC or where SFC has concerns as to whether a proposed 11.1 Scheme Change is in the best interest of holders as required by 5.10(a) of the UT Code. In such case, a Best Interest Confirmation may be required to be explicitly disclosed in the Notice(s).

	Question	Answer
16D.	Is it a requirement that fund managers must offer free redemption/switching to holders in respect of all proposed 11.1 Scheme Changes?	It is clearly stated under 11.4 and 11.5 of the UT Code that the alternatives available to investors (including, if possible, a right to switch without charge into another SFC-authorized fund) should be included in the notices to holders in respect of a merger, termination and/or withdrawal of authorization of an SFC-authorized fund. As such, fund managers are expected to make available, to the extent possible, free redemption/switching as alternatives to holders under these circumstances. In general, fund managers would not be required to offer free redemption / switching to holders in respect of all proposed 11.1 Scheme Changes. However, the SFC reserves its power to do so where it deems appropriate for safeguarding investor interest on a case-by-case basis, taking into account the specific facts and circumstances of each case. Fund managers may, however, out of their own initiatives offer free redemption/switching to investors when they are effecting proposed 11.1 Scheme Changes.
Shorter notice period for 11.1 Scheme Changes		
16E.	Under what circumstance(s) may fund managers shorten the written notice period to investors for 11.1 Scheme Changes?	Normally, one month's prior written notice is expected to be provided to investors for 11.1 Scheme Changes, whereas a shorter notice period may be permitted where the proposed scheme changes are of demonstrable benefit to investors as provided under Note (2) to 11.2 of the UT Code or otherwise agreed by the SFC. A shorter notice period is acceptable for 11.1 Scheme Changes if the fund manager has obtained written consent from all of the fund's investors. In case of doubt, early consultation with the SFC is encouraged.
Change of key personnel of management company		
17.	A management company is required to have	Management companies are required to comply with 5.5 of the UT Code at all

	Question	Answer
	two key personnel as required under 5.5 of the UT Code. What should the management company do if there is any change to the key personnel after the fund is authorized by the SFC?	times, including the key personnel requirement. Under 4.1(c) of the Overarching Principles Section of the Handbook, the management company shall inform the SFC promptly should there be any material breach of the Handbook. Accordingly, if there is any change or proposed change to the key personnel subsequent to authorization of the fund (e.g. resignation or departure or relocation of key personnel for a fund for any reason) which may result in non-compliance with 5.5 of the UT Code, the management company should inform the SFC as soon as practicable. A management company is strongly encouraged to inform the SFC as early as possible, e.g. after it has received the resignation notice of the relevant key personnel. In addition, the management company is expected to rectify the situation without delay. Depending on the situation, the management company may be required by the SFC to cease marketing and offering the SFC-authorized funds concerned to the public and to cease accepting subscriptions from new investors, pending rectification of the issue to the SFC's satisfaction. The SFC takes non-compliance seriously and reserves its rights to take any necessary regulatory actions to ensure that the interests of investors are safeguarded. In case of doubt, early consultation with the SFC is encouraged.
Compliance of unlisted index funds under the TE/TD Circular		
18.	How are SFC-authorized unlisted index funds which are no longer marketed to the public of Hong Kong expected to comply with the requirements set out in the Circular to Management Companies of SFC-authorized Exchange Traded Funds and Unlisted Index Funds dated 4 July 2014 entitled "Disclosure of Tracking Difference and Tracking Error" (the "TE/TD Circular")?	For unlisted index funds which are authorized in accordance with the UT Code but are no longer marketed to the public of Hong Kong, if the updated tracking difference is not reflected in the KFS pursuant to the TE/TD Circular, such information should be made available to investors upon request.

	Question	Answer
Disclosure and approval requirements for existing SFC-authorized funds investing via Stock Connect / CIBM/Bond Connect		
19.	What are the disclosure and approval requirements for an existing SFC-authorized fund which intends to invest in the Mainland market through the Northbound Shanghai Trading Link[10] and the Northbound Shenzhen Trading Link under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect[11] (collectively, "Stock Connect") respectively[12]?	Where an existing SFC-authorized fund intends to invest through Stock Connect, the following principles apply: • the fund's proposed investments via Stock Connect must be consistent with and within the existing investment objectives and strategy of that fund as disclosed in its offering documents; • the fund manager must ensure at all times that the disclosures in the offering documents (including the KFS) are true, accurate, complete, not misleading and updated in a timely manner to include all information that is necessary for investors to appraise their investments in the funds; and • all other applicable requirements under the SFC Handbook including the UT Code and other relevant laws and regulations must be complied with at all times. Subject to compliance with the above principles, we would like to give the following general guidance to the industry: *Substantial investment in A shares (ie, 30% or more of the fund's NAV)* a. Where an existing SFC-authorized fund's investment objective or policy

[10] The "Northbound Shanghai Trading Link" and "Northbound Shenzhen Trading Link" are defined in the joint announcement of the China Securities Regulatory Commission (CSRC) and the SFC dated 16 August 2016.

[11] The "Shanghai-Hong Kong Stock Connect" and "Shenzhen-Hong Kong Stock Connect", as defined in the joint announcements of the CSRC and the SFC dated 10 April 2014 and 16 August 2016 respectively, are pilot programmes for establishing mutual stock market access between Mainland China and Hong Kong.

[12] Where an SFC-authorized fund invests in the Mainland A share market through Stock Connect or other means, it should take note of the disclosure requirements in this FAQ.

	Question	Answer
		already includes substantial (ie, 30% or more of its NAV) investment in the Mainland A share market[13]: in general, no prior SFC approval is required under paragraph 11.1 of the UT Code for any proposed use of Stock Connect (whether through the Shanghai-Hong Kong link, the Shenzhen-Hong Kong link, or a combination of both). In this case: ➢ the management company could consider using Stock Connect as a means to access the Mainland A share market to be a change which falls within paragraph 11.1B of the UT Code if the Overriding Requirements as set out in FAQ 9 above are satisfied. The fund manager is expected to inform existing investors of the fund as soon as reasonably practicable pursuant to paragraph 11.2 of the UT Code; ➢ the management company should update the fund's offering documents (including the KFS) regarding its intended proportion of investments via Stock Connect as well as any additional key risks associated with Stock Connect; and ➢ the updated offering documents should be filed with the SFC in accordance with paragraph 11.1B of the UT Code. b. Where an existing SFC-authorized fund's investment objective or policy does not cover substantial investment in the Mainland A share market, for example, it invests mainly in US or European equities or is a bond fund, any proposed scheme changes by the fund to make substantial (ie, 30% or more) investment in the Mainland A share market, whether through Stock Connect or other means, will be subject to the SFC's prior approval under

[13] Whether the investment is currently done through one or a combination of the following means: QI status, Stock Connect, or A share market access products. In general, if an SFC-authorized fund intends to invest 30% or more of its NAV in any combination of (on an aggregate basis or with respect to each type of investment individually) shares listed on boards with generally lower listing eligibility criteria than main boards (eg, the ChiNext Board or the Science and Technology Innovation Board), such exposure and the associated risk(s) are expected to be disclosed in the sections headed "Objectives and investment strategy" and "What are the key risks?" of the KFS respectively.

	Question	Answer
		paragraph 11.1 of the UT Code. Normally, one month's prior notice is expected to be given to investors before such scheme changes take effect pursuant to paragraph 11.2 of the UT Code. *Ancillary investment in A shares (ie, more than 10% but less than 30% of the fund's NAV)* c. Where an existing SFC-authorized fund proposes to make ancillary investment (ie, more than 10% but less than 30% of its NAV) in the Mainland A share market, whether through Stock Connect or any other means: in general, no prior SFC approval is required under paragraph 11.1 of the UT Code. However, management companies are reminded that: ➢ they should ensure the relevant fund's offering documents are up-to-date containing all relevant disclosures and any additional risks associated with the use of Stock Connect; ➢ any updated offering documents should be filed with the SFC in accordance with paragraph 11.1B of the UT Code, which will be subject to post-vetting by the SFC; and ➢ existing investors of the fund should be informed as soon as reasonably practicable pursuant to paragraph 11.2 of the UT Code regarding any scheme changes relating to the fund's ancillary investment in the Mainland A share market. *Minimal investment in A shares (ie, not more than 10% of the fund's NAV)* d. Where an existing SFC-authorized fund's proposed investment in the Mainland A share market via Stock Connect is minimal (ie, not more than 10% of its NAV): in general, no prior SFC approval is required under paragraph 11.1 of the UT Code. Management companies must, however, review the disclosures contained in the relevant fund's offering documents and exercise professional judgement to determine whether any enhanced disclosures and/or clarifications are required to be made to the offering documents. Any updated offering documents should be filed with the SFC in accordance with paragraph 11.1B of the UT Code.

	Question	Answer
20.	What are the disclosure and approval requirements for an existing SFC-authorized fund which intends to invest in the Mainland debt securities market through CIBM Direct[14] and/or Bond Connect[15]?	Where an existing SFC-authorized fund intends to invest via CIBM Direct and/or Bond Connect, the following principles apply: • the fund's proposed investments via CIBM Direct and/or Bond Connect must be consistent with and within the existing investment objectives and strategy of that fund as disclosed in its offering documents; • the management company must ensure at all times that the disclosures in the offering documents (including the KFS) are true, accurate, complete, not misleading and updated in a timely manner to include all information that is necessary for investors to appraise their investments in the funds; and • all other applicable requirements under the SFC Handbook including the UT Code and other relevant laws and regulations must be complied with at all times. In particular, the management company must always ensure that proper custodian arrangements are put in place on the Mainland for the safe custody and segregation of the fund's assets with respect to the fund's investment in the Mainland securities market (whether through CIBM Direct or Bond Connect). • where the fund invests primarily[16] in the Mainland securities market, whether through its QI[17] status or via CIBM Direct, the Hong Kong offering documents of the fund should include the trustee's arrangements related to safe custody and segregation of the fund's assets with respect to such

[14] In February 2016, the People's Bank of China (PBoC) announced the opening-up of Mainland China's Interbank Bond Market (CIBM) to a wider group of eligible foreign institutional investors free of quota restrictions via CIBM Direct scheme (CIBM Direct).
[15] As defined in the joint announcement of the PBoC and the Hong Kong Monetary Authority dated 16 May 2017, "Bond Connect" is an arrangement that establishes mutual bond market access between Hong Kong and Mainland China. Overseas investors can invest in CIBM through northbound trading of Bond Connect.
[16] For funds primarily regulated by the SFC, this means 70% or more of the fund's NAV. For UCITS funds, this means at least two-thirds of the fund's NAV, which is generally understood to be the minimum investment threshold for primary investment.
[17] Qualified Investors, or "QI", refer to qualified foreign institutional investors who have been approved by the Mainland authority to invest in the Mainland securities and futures markets.

	Question	Answer
		investment. Subject to compliance with the above principles, we would like to give the following general guidance to the industry: *Substantial investment in the Mainland debt securities market (ie, 30% or more of the fund's NAV)* a. Where an existing SFC-authorized fund's investment objective or policy includes substantial (ie, 30% or more of its NAV) investment in the Mainland debt securities market, whether or not the investment is currently done through its QI status: in general, no prior SFC approval is required under paragraph 11.1 of the UT Code for any proposed use of CIBM Direct and/or Bond Connect. In this case: ➢ the management company could consider using CIBM Direct and/or Bond Connect as a means to access the Mainland debt securities market to be a change which falls under paragraph 11.1B of the UT Code if the Overriding Requirements as set out in FAQ 9 above are satisfied. The management company is expected to inform the fund's existing investors as soon as reasonably practicable pursuant to paragraph 11.2 of the UT Code; ➢ the management company should update the fund's offering documents (including the KFS) regarding its intended proportion of investments via CIBM Direct and/or Bond Connect as well as any additional key risks associated with CIBM Direct and/or Bond Connect; and ➢ the updated offering documents should be filed with the SFC in accordance with paragraph 11.1B of the UT Code. b. Where an existing SFC-authorized fund's investment objective or policy does not cover substantial investment in the Mainland debt securities market, for example, it invests mainly in US or European debt securities or is an equity fund, any proposed scheme changes by the fund to make substantial (ie, 30% or more of its NAV) investment in the Mainland debt securities market, whether through CIBM Direct, Bond Connect or other

	Question	Answer
		means, will be subject to the SFC's prior approval under paragraph 11.1 of the UT Code. Normally, one month's prior notice is expected to be given to investors before such scheme changes take effect pursuant to paragraph 11.2 of the UT Code. *Ancillary investment in the Mainland debt securities market (ie, more than 10% but less than 30% of the fund's NAV)* c. Where an existing SFC-authorized fund proposes to make ancillary investment (ie, more than 10% but less than 30% of its NAV) in the Mainland debt securities market, whether through CIBM Direct, Bond Connect or any other means: in general, no prior SFC approval is required under paragraph 11.1 of the UT Code. However, management companies are reminded that: ➢ they should ensure the relevant fund's offering documents are up-to-date, containing all relevant disclosures and any additional risks associated with the use of CIBM Direct and/or Bond Connect; ➢ any updated offering documents should be filed with the SFC in accordance with paragraph 11.1B of the UT Code which will be subject to post-vetting by the SFC; and ➢ existing investors of the fund should be informed as soon as reasonably practicable pursuant to paragraph 11.2 of the UT Code regarding any scheme changes relating to the fund's ancillary investment in the Mainland debt securities market. *Minimal investment in the Mainland debt securities market (ie, not more than 10% of the fund's NAV)* d. Where an existing SFC-authorized fund's proposed investment in the Mainland debt securities market, whether through CIBM Direct, Bond Connect or any other means, is minimal (ie, not more than 10% of its NAV): in general, no prior SFC approval is required under paragraph 11.1 of the UT Code. Management companies must, however, review the disclosures contained in the relevant fund's offering documents and exercise professional judgement to determine whether any enhanced disclosures

	Question	Answer
		and/or clarifications are required to be made to the offering documents. Any updated offering documents should be filed with the SFC in accordance with paragraph 11.1B of the UT Code.
Filing of issued offering documents to SFC		
21.	Are the applicants required to file a soft copy of the issued offering documents to the SFC?	Yes. To enable the SFC to post the offering documents of the SFC-authorized funds onto the information repository at the "List of Investment Products" on the SFC website, a soft copy of the authorized offering documents shall be filed with the SFC within one week after issuance. The authorized offering documents and the document file name shall be saved in the format as set out in the SFC's authorization letter and shall be text-searchable and virus free. Applicants should submit the authorized offering documents via e-IP.
Notification requirement for a fund no longer intends to maintain Eligible CIS status		
22.	Is there any requirement for the management company to notify holders if a fund no longer intends to maintain its status as an eligible collective investment scheme under the Capital Investment Entrant Scheme [Note] ("CIES") (referred to as "Eligible CIS status")? (Note: This refers to the Capital Investment Entrant Scheme suspended by the Government with effect from 15 January 2015.)	Management companies are reminded of their duty under 11.1B and 11.2 of the UT Code to inform holders as soon as reasonably practicable of any information concerning a fund which is necessary to enable holders to appraise the position of the fund. Where a fund proposes to remove its Eligible CIS status, whilst such proposed change will not require the SFC's prior approval, management companies are expected to comply with 11.1B and 11.2 of the UT Code by providing at least one month's prior written notice to relevant holders (including those who are capital investment entrants under CIES and issuers of SFC-authorized ILAS which are eligible CIS under CIES with the fund as their underlying or reference fund (the "CIES Investors")) in respect of such change. In light of 7.1 of the Overarching Principles Section of the SFC Handbook, management companies are expected to take reasonable steps to ensure effective measures are in place for timely dissemination of the notice to holders (including through notifying relevant distributors of the proposed change if circumstances require).

	Question	Answer
		Management companies are expected to disclose in the notice key information including: • the reason for the proposed change; • the effective date of the fund ceasing to be an eligible CIS under CIES; • the implications on the CIES Investors; • alternative(s) available to the CIES Investors (for example, free redemption or, if possible, free switching into another eligible CIS managed by the same fund group); • reminder to seek professional advice; and • such other information that is necessary for the investors to fully comprehend the change proposed to be made to the fund for the purpose of appraising the position of the fund and their investment. The notice should be filed with the SFC within one week from the date of issuance, together with a properly completed "Filing Form for Notice of Scheme Change(s) falling within 11.1B of the Code on Unit Trusts and Mutual Funds and Do Not Require SFC's Prior Approval". Management companies are also reminded to observe the relevant notification requirement of the Immigration Department in respect of the above change as issued and updated by the Immigration Department from time to time.
Electronic dissemination of fund documents		
23.	Can an SFC-authorized fund disseminate product documents to investors electronically?	The SFC has issued a circular entitled "Circular on the electronic dissemination of investment product documents" dated 29 September 2020 ("ED Circular"), which sets out, among other things, the general principles for issuers of SFC-authorized funds to disseminate product documents electronically ("E-Dissemination Arrangement"). Capitalized terms used in FAQs 24 to 28 have the same meaning as those defined in the ED Circular.
24.	Do changes to the constitutive documents of	Where changes to the constitutive documents of an existing SFC-authorized

	Question	Answer
	an existing SFC-authorized fund which are made solely to enable E-Dissemination Arrangement require prior approval from the SFC pursuant to 11.1(a) of the UT Code?	fund are required to be made solely to enable the E-Dissemination Arrangement, SFC's prior approval will not be required. Advance written notice must be provided to investors before the proposed changes to constitutive documents of the relevant SFC-authorized fund take effect. At least one month's advance written notice is expected. The advance written notice should provide necessary information to enable investors to appraise the proposed changes and to make an informed judgement of their investments in the fund. For example, the advance notice should inform investors of the proposed changes to constitutive documents and when the E-Dissemination Arrangement may take effect. If no specific date for rollout of the E-Dissemination Arrangement has been decided yet, the notice should inform investors of this and that separate advance notice will be provided to investors prior to the adoption of the E-Dissemination Arrangement. Where applicable, the Transition Notice (see FAQ 26 below) can be merged with the above notice provided that all the required information is clearly set out, including the effective date(s) of the proposed changes to the constitutive documents and adoption of the E-Dissemination Arrangement for the fund.
25.	For an SFC-authorized fund which is currently disseminating paper Product Documents to investors, does it need to seek SFC's prior approval to adopt E-Dissemination Arrangement in respect of the fund?	No prior approval is required to be obtained from the SFC for an SFC-authorized fund to implement E-Dissemination Arrangement. However, before adopting E-Dissemination Arrangement, the management company of an SFC-authorized fund must ensure that the E-Dissemination Arrangement and the transitional arrangement (including a printed Transition Notice to investors) comply with the fund's constitutive documents and applicable regulatory requirements (e.g. for a UCITS fund, its home regulations and requirements). Paragraphs 8-10 of the ED Circular set out guidelines for the transitional arrangements.
26.	What information is required to be included in the Transition Notice?	Paragraph 9 of the ED Circular sets out the guiding principles for the Transition Notice.

	Question	Answer
		Each management company should ensure that the Transition Notice contains information which is necessary to enable investors to understand the E-Dissemination Arrangement, how it might affect their rights or interests as investors of the relevant SFC-authorized funds and the procedures for investors who wish to change the means of delivery. The following information should be included in the Transition Notice: (a) Relevant details of the E-Dissemination Arrangement - the precise manner in which Product Documents will be disseminated electronically to investors, with clear specification of the electronic means to be adopted (e.g. whether the electronic Product Documents will be sent to investors by email, or investors will receive notification by SMS informing them that the Product Documents are accessible online and the particular website/platform where the electronic Product Documents can be accessed, etc.); (b) Implications of the E-Dissemination Arrangement for investors - the effective date of adoption of the E-Dissemination Arrangement, and where applicable, the date on which paper Product Documents will cease to be provided unless otherwise requested by investors; - where applicable, appropriate hardware and software, internet access, a specific email address, mobile phone number or other electronic address of the investors will be required for receiving email, SMS or other electronic notifications from the management company or accessing Product Documents under the E-Dissemination Arrangement; - the applicable risks associated with the E-Dissemination Arrangement, and a statement reminding investors to save or print a copy of the Product Documents for future reference if necessary; and - investors may change the means of delivery at any time subject to reasonable prior notice; (c) Fee charging arrangement for the provision of Product Documents - a statement to the effect that the investors are entitled to receive

	Question	Answer
		Product Documents free of charge by one means of their choice (ie, an investor may choose to receive Product Documents either in paper form or via an electronic means specified by the management company); and - if any charges are to be imposed for the provision of Product Documents to investors, the amount of such charges (which should be fair and reasonable); (d) The procedures for investors who wish to change the means of delivery after adoption of the E-Dissemination Arrangement including details on how investors can request for the change; (e) Where applicable, clear and prominent warning statements: - to alert investors that they will no longer receive product information in the form of paper documents after the effective date of the E-Dissemination Arrangement; and - specifying any action required from investors if they wish to continue to receive paper Product Documents (including how they can make the request and any time deadline for such request); and (f) Hong Kong contact details for enquiries relating to the E-Dissemination Arrangement.
27.	Paragraph 11.6 of the UT Code provides that as an alternative to the distribution of printed financial reports, holders may be notified of where such reports, in printed and electronic forms, can be obtained within the relevant time frame (Financial Reports Notification). Can an SFC-authorized fund which is currently using the Financial Reports Notification arrangement continue to distribute its financial reports to holders in such manner?	An SFC-authorized fund may continue to distribute its financial reports to holders under its current Financial Reports Notification arrangement in accordance with paragraph 11.6 of the UT Code. If an SFC-authorized fund wishes to adopt an E-Dissemination Arrangement, whereby the holders will no longer receive paper notification (or paper financial reports) unless requested by them, the fund should observe the ED Circular and the applicable guidance (including the Transition Notice to holders) set out in FAQs 23 to 26 above. Thereafter, upon publication of its financial reports, the fund should notify holders electronically of where such reports, in printed and electronic forms, can be obtained within the relevant timeframe under paragraph 11.6 of the UT Code.

	Question	Answer
		Where the SFC-authorized fund's offering documents have already disclosed the means and the timeframe for investors to obtain the fund's financial reports, no separate notification will be required upon the publication of financial reports, unless the means and/or timeframe of the financial reports differ from that disclosed in the offering documents. If the fund's offering documents have to be revised to reflect that no specific notification will be provided upon the publication of financial reports, the SFC's prior approval is not required, but prior written notification (generally of one month) should be provided to investors.
28.	Does the ED Circular apply to SFC-authorized funds that are already disseminating the Product Documents to investors electronically ("Relevant Funds") as of the date of the ED Circular?	The transitional arrangements set out under paragraphs 8-10 of the ED Circular do not apply to the Relevant Funds. However, the Relevant Funds are subject to the general principles in paragraphs 11-13 of the ED Circular which apply to all E-Dissemination Arrangements.

Section 3 – Novel coronavirus (COVID-19)

	Question	Answer
1.	Due to the extreme market volatility and uncertainty in local and international markets relating to the COVID-19 outbreak, can fund managers increase the swing factor to be applied on the net asset value (NAV) of their SFC-authorized funds beyond the maximum swing factor as disclosed in the funds' offering documents? Will such increase require prior SFC approval?	In view of the potential impact on, among others, the volatility and liquidity of the underlying invested assets of the SFC-authorized funds relating to the COVID-19 outbreak, fund managers should ensure that all assets of their funds are fairly and accurately valued and liquidity risk management tools (such as swing pricing or anti-dilution levy) are used appropriately. Fund managers must ensure fair treatment to all investors including redeeming investors and those remaining in the funds. Given the exceptional market circumstances, it is important that fund managers are sufficiently agile to respond to extreme market situations so that the funds can be managed in the best interests of investors. Fund managers may increase the swing factor beyond the maximum level that has been set out in the funds' offering documents as a temporary measure, without SFC's prior approval subject to the following conditions: (i) the decision to revise the swing factor under the fund's swing pricing mechanism must be duly justified (including a robust methodology that provides an accurate NAV which is representative of the prevailing market conditions) and is in the best interests of investors, following a robust internal governance process supported by proper records/documentations; (ii) the fund managers/the fund must notify existing and new investors (and, to the extent applicable, properly inform distributors of the fund) that a swing factor which exceeds the limit disclosed in the offering document may be used before applying the revised swing factor; (iii) the fund managers must be able to demonstrate and justify that the swing factor applied at any time was representative of the prevailing market conditions and was in the best interests of investors; and (iv) the revision and use of revised swing factor is permitted under the fund's constitutive documents, and complies with the applicable laws and regulatory requirements imposed by their home regulators.

	Question	Answer
		To enable fund managers to apply the increased swing factor as efficiently as possible, fund managers may notify investors through the fund's website and/or through the fund's usual communication channels, and apply the revised swing factor with immediate effect (provided that the above conditions are met). Fund managers are required to give the SFC early alerts of any material issues affecting their SFC-authorized funds. As such, they must inform the SFC of the above as soon as practicable if they intend to increase or apply the swing factor exceeding the one that is disclosed in the offering documents. Notification to investors shall also be filed with the SFC. SFC may ask the fund managers to justify on an ex-post basis the level of the swing factor applied and to provide documentary evidence in relation to (iii). This FAQ will also apply to anti-dilution levy in a similar manner.
2.	Can an SFC-authorized fund apply swing pricing mechanism under the proposed temporary measure in FAQ 1 above, if it has not disclosed in the offering document that swing pricing may be used?	The temporary measure applies to funds which have already disclosed the use of swing pricing mechanism as a liquidity risk management tool in their offering documents. Funds which do not have such disclosure in their offering documents but which might wish to use swing pricing will be dealt with on a case by case basis. The SFC will need to better understand, among others, the circumstances as to why they need to apply swing pricing given that their offering documents have not disclosed this as well as other matters such as whether they are permitted to do so under relevant governing laws and constitutive documents and by their home regulators. Given the current market conditions, fund managers are urged to make proper assessment to ensure that investors' interests will not be prejudiced and investors are treated fairly at all times. Fund managers are strongly encouraged to consult the SFC if in doubt.

	Question	Answer
		This FAQ will also apply to anti-dilution levy in a similar manner.
3.	This FAQ has been removed.	Please refer to Question 22 of Frequently Asked Questions on Revamped Post Authorization Process of SFC-authorized Unit Trusts and Mutual Funds.

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