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

Implementation of Revised Code on Unit Trusts and Mutual Funds
- Industry briefing

30 October 2026

Investment Products Division

Agenda

- **Key amendments adopted in the revised Code on Unit Trusts and Mutual Funds (UT Code)**
- **Implementation: Overview and arrangements on:**
  - **Derivative exposure**
  - **Liquidity risk management (LRM)**
  - **Money market funds (MMFs)**
  - **Key personnel and management company acceptability requirements**
  - **Feeder funds**
- **Published documents**
  - **Guidance (circulars, FAQs, guides)**
  - **Forms and Checklists**

<u>Reminder:</u> Please refer to the published consultation conclusions paper, revised UT Code and other guidance published by the SFC (which may be amended from time to time) for relevant requirements

Key amendments adopted in the revised UT Code [Note 3]

Derivative exposure

- Value-at-Risk (VaR) approach alongside the net derivative exposure (NDE) limit
- Streamlined approach on UCITS funds
- Disclosure requirement to state whether a fund is a complex or non-complex product in the KFS

LRM

- Latest international standards for liquidity risk management in open-ended funds, namely IOSCO's revised recommendations published in May 2025

MMFs

- Heightened MMF requirements in response to global regulatory developments and significant and sustained growth of Hong Kong MMF market in recent years
- Mandatory use of at least one anti-dilution liquidity management tool (ADT), more transparent requirements for eligible high quality money market instruments and MMFs offering constant net asset value (Constant NAV MMFs)

Others

- Streamlined acceptability requirements for management companies and investment delegates
- Flexibility for SFC-authorised feeder funds investing in master funds without separate authorisation
- Consolidation of the regulatory framework for specialised schemes

Notes

1. Consultation Conclusions on the Proposed Amendments to the UT Code (CCP) was published on 7 October 2026
2. Revised UT Code was gazetted on 16 October 2026
3. Revised UT Code will take effect on 1 November 2026 (Effective Date)

Implementation overview

Topics	Provisions of the revised UT Code	New fund(s) Note 1	Existing fund(s) Note 2
Financial derivative instruments			
Financial derivative instruments	7.26	Immediately effective	
Unlisted index funds and index tracking exchange traded funds	8.6	Immediately effective	
Information to be disclosed in the offering document	Appendix C	Immediately effective	12-month transitional period
Liquidity risk management			
General obligations of a management company	5.10	Immediately effective	12-month transitional period Note 3
Money market funds			
Money market funds	8.2	Immediately effective	12-month transitional period
Miscellaneous			
Key personnel of management companies	5.5	Immediately effective	
Feeder fund	7.12	Immediately effective	
Streamlining of specialized schemes in the UT Code	8.8 8.9	Immediately effective	
Listed open-ended funds (also known as active ETFs)	8.10	Immediately effective	
Others			
General matters	Chapter 1	Immediately effective	
Operational requirements	Chapter 6	Immediately effective	
Core investment requirements (except for financial derivative instruments set out above)	Chapter 7	Immediately effective	
Hedge funds	8.7	Immediately effective	
Scheme changes, notifications and reporting	Chapter 11	Immediately effective	
Financial reports	Appendix E	Immediately effective	

Notes

1. "New fund(s)" refers to funds which apply for the SFC's authorisation on or after the Effective Date
2. "Existing fund(s)" refers to funds which are authorised by the SFC as at the Effective Date and funds which have applied for the SFC's authorisation prior to such date and are subsequently authorised by the SFC.
3. The 12-month transitional period is also applicable to new sub-funds (which are under existing SFC-authorised umbrella funds) which apply for the SFC's authorisation on or after the Effective Date

Derivative exposure

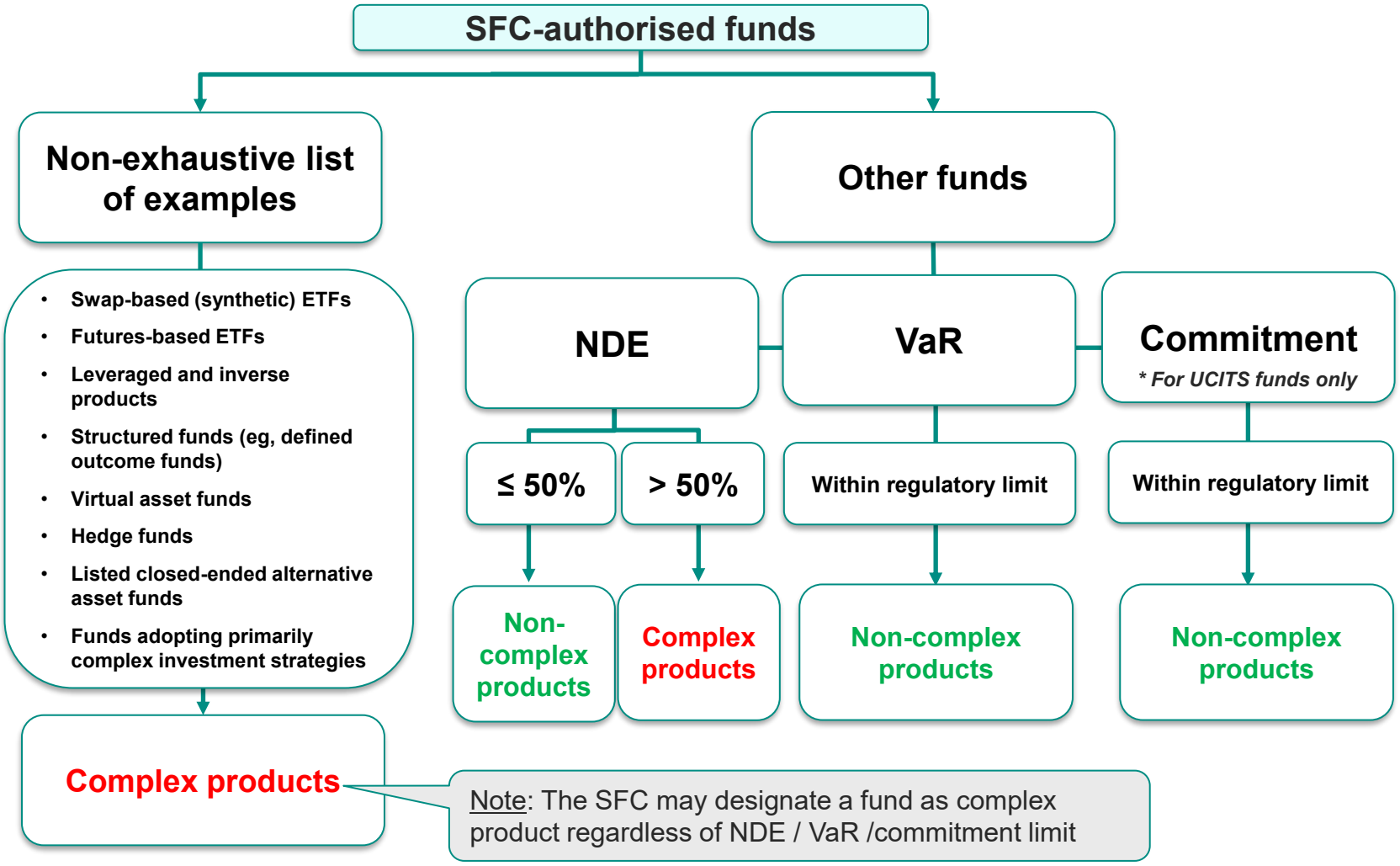
VaR approach alongside NDE

- **Revised Guide on the Use of Financial Derivative Instruments for Unit Trusts and Mutual Funds (FDI Guide)**
  - Details of Value at Risk (VaR) requirements
  - Clarification that UCITS funds adopting either the commitment or VaR approach are deemed compliant with derivative limits (as set out under 7.26 of the revised UT Code)
- **Non-UCITS funds may adopt VaR approach a case-by-case basis[Note 1], subject to model specifications and risk manager assessment**
  - Assessment points include:

VaR model specification	***Implementation and ongoing maintenance***	***Stress testing***
Back-testing	***Governance and independence***	***Adequate expertise of the risk manager***

Note
1. NDE approach remains the baseline approach for a vast majority of non-UCITS funds

Product classification



Further guidance:
Q2A of Section 1 of FAQs on SFC Authorization of UCITS Funds (UCITS FAQs)
Q20H of FAQs on the Code on Unit Trusts and Mutual Funds (UT Code FAQs)

Updated KFS template disclosure

What is this product?

This is a fund constituted in the form of a unit trust / mutual fund. [*For RJS, also state that:* It is domiciled in [●] and its home regulator is [●]]. [The fund offers both listed and unlisted classes. This document contains information about the offering of unlisted class(es). Investors should refer to a separate offering document for the offering of ETF class(es).]

Product classification

The fund is a [please indicate whether the fund is a non-complex product or complex product].

New section to indicate whether the fund is a complex product

Use of derivatives / investment in derivatives *(please include the required disclosures set out below, as appropriate)*

The fund will [use derivatives for [please state the fund's derivative usage, for example, hedging, investment, etc]] or [not use derivatives for any purposes].

To maintain transparency, the purpose of use of derivatives by the fund (e.g. hedging, investment, etc.)

The fund adopts the following risk measurement approach for derivative exposure: [net derivative exposure (NDE) / commitment approach / relative VaR / absolute VaR]. [For fund adopting NDE] The fund's NDE may be [up to 50%] / [more than 50%] of the fund's net asset value.

New disclosure of risk management methodology [Note] ***(NDE, commitment or VaR)***

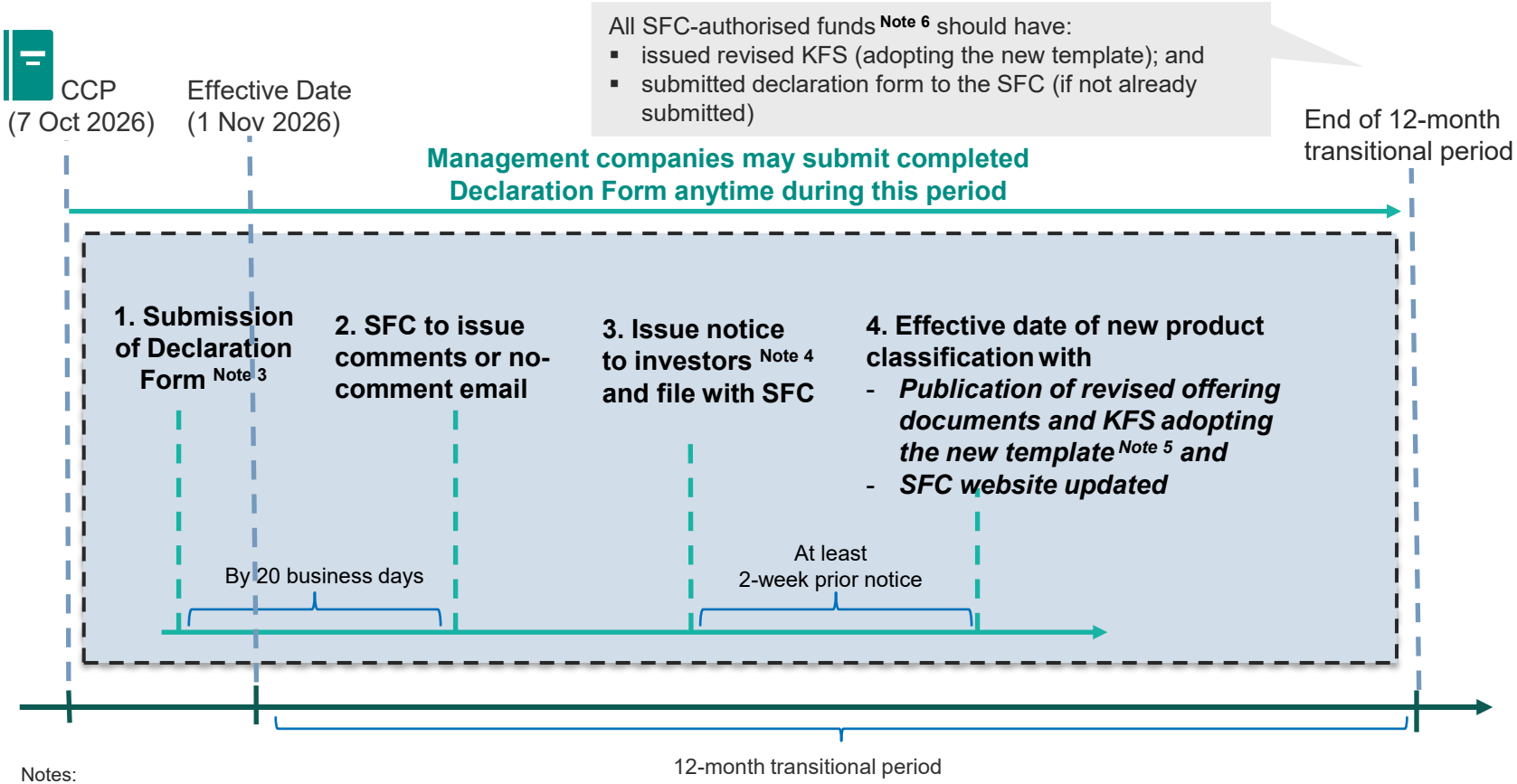
Note

1. For disclosure of a Hong Kong domiciled feeder fund (under a master-feeder structure), please consult SFC with respect to your own specific circumstances, with considerations including whether the feeder fund use FDI for any purposes, etc.

Implementation on changes related to FDI (1)

- **Existing SFC-authorised funds [Note 1] : proposed product re-classification [Note 2] after 1 Nov 2026 (e.g. complex to non-complex) by product issuers**

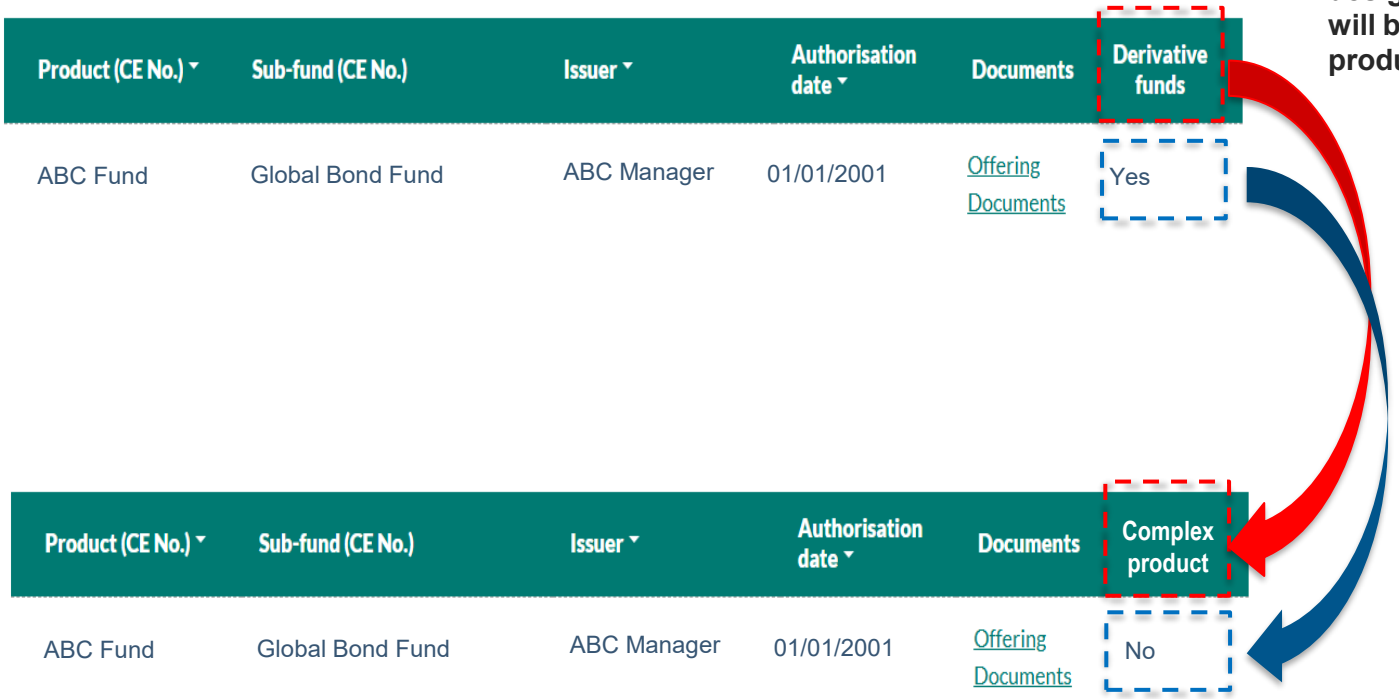
- **Prescribed Declaration Form published by the SFC on 28 October 2026**



Notes:
1. Funds which are authorised by the SFC as at the Effective Date and funds which have applied for the SFC's authorisation prior to such date and are subsequently authorised by the SFC
2. With no other changes to the fund
3. Declaration Form should be submitted via e-IP Regulatory Filing submission request.
4. Upon receipt of SFC's no-comment email
5. See slide 8 above
6. Including existing SFC-authorised funds without product re-classification (e.g. a fund which remains as non-complex product)

Implementation on changes related to FDI (2)

- **SFC website update**



- **"Derivative fund" designation on SFC website will be replaced by "Complex product"**

- **Notice period to investors completed; and**
- **Receipt of published revised offering documents (including KFS adopting new template) by the SFC**

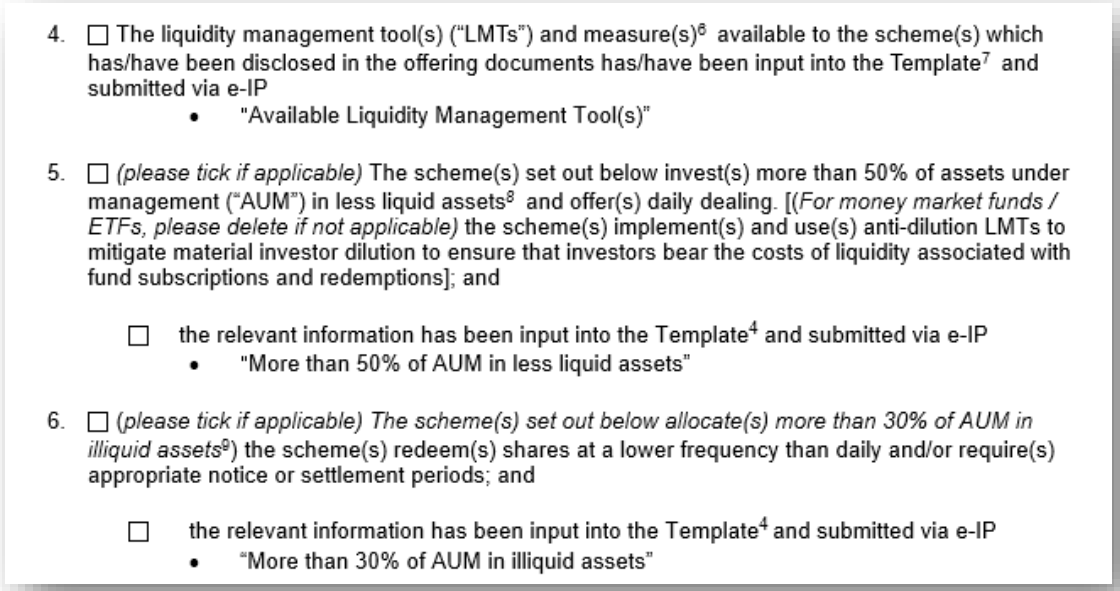
Liquidity risk management (LRM)

Revised UT Code requirements and Supplemental circular on LRM issued on 28 Oct 2026

- **In line with the revised IOSCO Recommendations, the revised UT Code includes principles to promote**
  - Consistency between fund asset liquidity and redemption terms; and
  - Greater use and greater consistency in the use of anti-dilution tools (ADTs) and measures to mitigate material investor dilution
- Funds invest mainly in **less liquid assets** (more than 50% of AUM, e.g. bond funds) and offer **daily dealing** are required to implement and use **anti-dilution tools (ADTs)** to mitigate material investor dilution
  - Significant market impact for the use of ADTs is expected to be estimated on a best-effort basis
- Funds that allocate a significant proportion of assets to **illiquid assets** (more than 30% of AUM) may offer daily subscriptions but **not daily redemptions**, and with **appropriate notice and/or settlement periods**
- **Supplemental LRM Circular** sets out relevant regulatory expectations and further guidance

Implementation arrangement

- **All existing SFC-authorised funds, including HK-domiciled and UCITS funds, should comply with the revised requirements by the end of the 12-month transitional period (including updating KFS disclosure)**
  - The 12-month transitional period is also applicable to **new sub-funds which are under existing SFC-authorised umbrella funds**
  - **Reasonable prior notice to investors before adoption of new / additional liquidity management tools**
  - Submission of declaration form



4. ☐ The liquidity management tool(s) ("LMTs") and measure(s)[6] available to the scheme(s) which has/have been disclosed in the offering documents has/have been input into the Template[7] and submitted via e-IP
   - "Available Liquidity Management Tool(s)"

5. ☐ *(please tick if applicable)* The scheme(s) set out below invest(s) more than 50% of assets under management ("AUM") in less liquid assets[8] and offer(s) daily dealing. [(*For money market funds / ETFs, please delete if not applicable)* the scheme(s) implement(s) and use(s) anti-dilution LMTs to mitigate material investor dilution to ensure that investors bear the costs of liquidity associated with fund subscriptions and redemptions]; and

   ☐ the relevant information has been input into the Template[4] and submitted via e-IP
   - "More than 50% of AUM in less liquid assets"

6. ☐ *(please tick if applicable) The scheme(s) set out below allocate(s) more than 30% of AUM in illiquid assets*[9]) the scheme(s) redeem(s) shares at a lower frequency than daily and/or require(s) appropriate notice or settlement periods; and

   ☐ the relevant information has been input into the Template[4] and submitted via e-IP
   - "More than 30% of AUM in illiquid assets"

Revised KFS template

Charges which may be payable by you

You may have to pay the following fees when dealing in the units of the fund.

Fee	What you pay
Subscription fee	Up to [●]% of the amount you buy.
Switching fee	[●]
Redemption fee	[●]

[Note: If there are other fees that investors have to pay when dealing in units of the fund, please also state here, using the same format.]

Anti-dilution liquidity management tool(s)

The fund may use the following anti-dilution liquidity management tool(s):
[Pleas state the available anti-dilution liquidity management tool(s) to be used by the fund, e.g. swing pricing, anti-dilution levy, etc.]

Ongoing fees payable by the fund

The following expenses will be paid out of the fund. They affect you because they reduce the return you get on your investments.

New section for disclosure of ADTs available to the fund

Money market funds (MMFs)

ADTs

New 8.2(p)

- At least one ADT which allocates redemption costs to redeeming investors to mitigate material investor dilution and ensure all investors are treated fairly
- Management companies should calibrate and set thresholds to enable dynamic activation of the antidilution liquidity management tool taking into account all relevant circumstances in the best interests of investors

- Applicable to **all SFC-authorised MMFs**[Note 1] including UCITS funds
- Further Guidance set out under **Q16** of UT Code FAQs
  - Acceptable ADTs include: Swing pricing, anti-dilution levy, subscription / redemption fees, dual pricing, etc.

Note
1. Including new sub-funds (under an existing SFC-authorised umbrella fund) which apply for the SFC's authorisation on or after the Effective Date

Underlying assets by MMFs

New Note (2) to 8.2(e)

- An MMF is generally not expected to invest in unrated or low-investment-grade money market instruments
  - Money market instruments (or issuers in case of unrated instruments) with one of the two highest short-term credit ratings provided by an internationally recognised credit rating agency (or equivalent) or money market instruments issued by a substantial financial institution (SFI) with comparable credit quality

New Note (3) to 8.2(e)

- Short-term deposits are generally expected to be repayable on demand or able to be withdrawn by the scheme at any time

- In line with existing guidance, UCITS MMFs are **deemed compliant**
- Further Guidance set out under **Q14-14B** of UT Code FAQs, in particular,
  - High quality money market instruments refer to:
    - (1) Money market instruments (or their respective issuers in case of unrated instruments) with a minimum short-term rating of **F-1 by Fitch, P-1 by Moody or A-1 by Standard and Poor**;
    - (2) Money market instruments rated other than by the credit rating agencies specified as (1) above, for which the management company has determined that the quality of the instrument is comparable to those with ratings specified in (1) above; and
    - (3) Unrated money market instruments issued by a SFI for which the management company has determined that the credit worthiness of the issuer is comparable to those ratings specified in (1) above
  - Short term deposits are generally expected to be placed with SFI

Constant NAV MMFs

New Note (2) to 8.2(o)

- Constant NAV MMFs: MMFs that seek to maintain **unchanging NAV** per unit or share
  - Considered by the SFC on a case-by-case basis
  - Must invest at least 99.5% of NAV in cash, liquid and high quality government and other public securities (Government Securities) and reverse repo secured by Government Securities
  - Daily liquid assets (DLA): 15% of NAV
    Weekly liquid assets (WLA): 50% of NAV
  - Difference between the unchanging net asset value per unit or share and the net asset value per unit or share calculated using latest market value must be monitored and published daily in an appropriate manner

- Applicable to **all SFC-authorised MMFs** Note 1 including UCITS funds
- Further Guidance set out under **Q15** of UT Code FAQs
  - Appropriate policies, procedures and contingency measures to address any deviation between the constant NAV and the NAV per unit or share calculated using the latest market value of the MMF's assets (NAV Deviation).
  - Offering documents disclosure on the mechanisms, escalation arrangements and risk factors associated with NAV Deviations

Note
1. Including new sub-funds (under an existing SFC-authorised umbrella fund) which apply for the SFC's authorisation on or after the Effective Date

Implementation arrangement

- **New KFS template for MMFs**
- **Immediately effective for new MMFs** [Note 1]
- **Existing MMFs** [Note 2] **are subject to 12-month transitional period**
  - Submission of declaration form

We, in respect of the scheme(s), hereby confirm, represent and undertake that:

1. the scheme(s) [seek[s]] [do/does not seek] *(please delete where appropriate)* to maintain an unchanging net asset value per unit or share;

2. (*applicable only to scheme(s) that seek(s) to maintain an unchanging NAV per unit / share*) the scheme(s) comply(ies) with the requirements set out under Note (2) to 8.2(o) of the UT Code;

3. the underlying investments held by the scheme(s) comply with the requirements under 8.2 of the UT Code and all relevant published guidance[10]; and

4. (*applicable only to scheme(s) that will introduce new anti-dilution LMT(s)*) Notice has been issued to inform investors regarding the introduction of new anti-dilution LMT(s) as mentioned in Part 1 above on *(please specify the relevant notice date)*.

Notes:

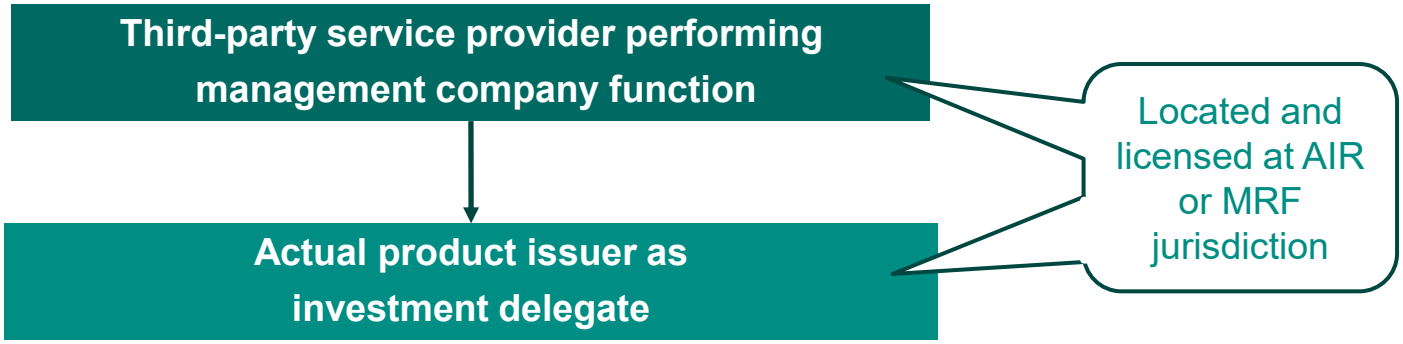
1. "New MMFs" refer to MMFs (including sub-funds under an existing SFC-authorised umbrella fund) which apply for the SFC's authorisation on or after the Effective Date
2. "Existing MMFs" refer to funds which are authorised by the SFC as at the Effective Date; and funds which have applied for the SFC's authorisation prior to the Effective Date and are subsequently authorised by the SFC.

Key personnel (KP) and management company acceptability requirements

Updated requirements

- **Holistic assessment by the SFC regarding the investment management experience of the management companies and the applicability of KP requirement**
- **Management companies or delegates which are deemed to have complied with the KP Requirements:**
  - Hong Kong entities belonging to a well-established fund management group (see 5.5(a)(i) of the revised UT Code)
  - Non-Hong Kong entities: Those meeting 5.5(a)(i) of the revised UT Code
    - Management companies: licensed in MRF Jurisdictions to manage public funds
    - Delegates: licensed in an MRF Jurisdiction or an AIR jurisdiction to manage public funds
- **Please see Q8B of UT Code FAQs**

Third party management companies



- **Further guidance are set out under Q8C of UT Code FAQs**
  - For investment management experience requirements under 5.5(a) of the UT Code,
    - Non-Hong Kong investment delegates located and licensed in MRF Jurisdictions will generally be deemed to have complied with 5.5(a) of the UT Code; and
    - In other cases, investment delegates should comply with 5.5(a) of the UT Code
  - **Prior consult with the SFC** for new proposed investment management delegation arrangement involving a third-party management company

Feeder funds

Updated requirements

- **Revised 7.12(a) of the UT Code**
  - An SFC-authorised feeder fund (both listed and unlisted) may invest its assets in an eligible master fund which is approved by the SFC without separate authorisation on the master fund
- **Further guidance are set out under Q20 of UT Code FAQs**
  - Underlying master funds which are not authorised by the SFC should be regulated in other jurisdictions with safeguards and measures in place that provide investor protection substantially comparable to those applicable to an SFC-authorised fund
  - Key information relating to the master fund should be disclosed in the feeder fund's offering documents and will form part of the SFC's assessment when considering the feeder fund's authorisation application
  - The SFC will assess the eligibility of a proposed master fund on a case-by-case basis
  - Management companies are encouraged to consult the SFC at an early stage

Published documents

Published guidance

Circulars
[New] Supplemental circular to management companies of SFC-authorised funds on liquidity risk management
[Updated] Circular to applicants seeking SFC authorisation of unit trusts and mutual funds - Launch of a new Fund Authorisation Simple Track (FASTrack)

FAQs
[New] Implementation and Transitional Arrangements of UT Code (Effective on 1 November 2026)
[Updated] Code on Unit Trusts and Mutual Funds - *Newly added: Questions 8C, 14, 14A, 14B, 15, 16, 20D1, 20D2, 20D3, 20D4, 20H, 20I, 20J, 20K, 20L and 20M* - *Updated: Questions 3, 4, 6, 8A, 8B, 9, 10, 11, 11B, 11C, 13A-13G, 18, 20, 20B, 20C, 20E and 22-26*
[Updated] SFC Authorization of UCITS Funds - *Newly added: Questions 2A and 4 under Section 1* - *Updated: Question 2 under Section 1 and Question 9 under Section 2*
[Updated] Application Procedures for Authorization of Unit Trusts and Mutual Funds - *Updated: Questions 5 and 6*
[Updated] Post Authorization Compliance Issues of SFC-authorized Unit Trusts and Mutual Funds - *Updated: Footnote 5 mentioned in Question 9 under Section 2*
[Updated] Exchange Traded Funds and Listed Funds - *Newly added: Question 20* - *Updated: Questions 1, 2, 11, 12, 12A, 13, 14, 15 and 19*
[Updated] Leveraged and Inverse Products - *Newly added: Question 21* - *Updated: Question 1A*

Guides
[Updated] Guide on Practices and Procedures for Application for Authorization of Unit Trusts and Mutual Funds
[Updated] Guide on the Use of Financial Derivative Instruments for Unit Trusts and Mutual Funds
[Updated] Application of the Code on Unit Trusts and Mutual Funds on UCITS funds

Revised forms and checklists

Forms and checklists
[Updated] Information Checklist for Application for Authorization of Unit Trusts and Mutual Funds
[Updated] Application Form for Scheme Change(s)
[Updated] Filing Form for Notice of Scheme Change(s) falling within 11.1B of the Code on Unit Trusts and Mutual Funds (UT Code) and Do Not Require SFC's Prior Approval
[Updated] List of Confirmations of Compliance related to Scheme Change(s) pursuant to 11.1 of the Code on Unit Trusts and Mutual Funds (UT Code)
[Updated] Confirmation of fulfilment of authorization conditions (Annex 2 to the Guide on Practices and Procedures for Application for Authorization of Unit Trusts and Mutual Funds)

Please contact the relevant case officers in charge if you have any questions

Thank you.

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