



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



Memorandum of Understanding (MoU)
between
the Securities and Futures Commission of Hong Kong
and
the Financial Conduct Authority
Concerning Mutual Recognition of Covered Funds and Covered
Management Companies and related Cooperation

Dated 8 October 2018

This MoU has been concluded between the Securities and Futures Commission of Hong Kong (SFC) and the Financial Conduct Authority (FCA) in light of global financial market growth and increasing cross-border activity in asset management and the offering and distribution of collective investment schemes. Its purpose is to enhance cooperation in relation to (i) collective investment schemes domiciled in either Hong Kong or the United Kingdom (UK) and offered to the public in the UK and/or Hong Kong on a cross-border basis, and (ii) management companies of collective investment schemes, based in either Hong Kong or the UK.

It is acknowledged that UK management companies (with permission to manage investments) and Hong Kong Management Companies are eligible to undertake asset management activities as Delegates for Hong Kong domiciled collective investment schemes authorized by SFC and UK domiciled collective investment schemes authorised by FCA for being offered to the public respectively.

The SFC is the principal regulator of the securities and futures market in Hong Kong and the primary authority for regulating retail funds offered to the public in Hong Kong. The role of the SFC is as follows: licensing and supervision of the activities of intermediaries, including fund managers and distributors; authorising funds and their offering documents to be offered to the public in Hong Kong and the ongoing supervision of SFC authorised funds.

As a statutory body, the SFC's regulatory objectives and functions are defined and governed by the Securities and Futures Ordinance. The SFC's regulatory objectives include:

- to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;
- to help the public understand the workings of the securities and futures industry;
- to provide protection for the investing public;
- to minimise crime and misconduct in the securities and futures industry;
- to reduce systemic risks in the securities and futures industry; and
- to assist the Financial Secretary in maintaining Hong Kong's financial stability.

The FCA is responsible for making and enforcing rules governing the conduct of the firms which it authorises and regulates, regulating standards of conduct in retail and wholesale markets, and for supervising the trading infrastructures that support those markets in the UK. The FCA is responsible for the prudential supervision of firms that are not regulated by the Prudential Regulation Authority (PRA), and is responsible for the regulation of primary securities markets, including via monitoring market disclosures, reviewing and approving prospectuses, and operating the UK listing regime. The FCA also has the power to recognise collective investment schemes that are managed in countries or territories outside the UK subject to the requirements set out in the Financial Services and Markets Act 2000 (FSMA 2000).

The FCA has a single strategic objective: to ensure that the relevant markets function well (see section 1F of FSMA 2000). Three operational objectives support this strategic objective: securing an appropriate degree of protection for consumers (including wholesale consumers) (section 1C of FSMA 2000); protecting and enhancing the integrity of the financial system (section 1D of FSMA 2000); and promoting effective competition in the interest of consumers in the markets for financial services (section 1E of FSMA 2000).

SFC and FCA express their willingness to cooperate with each other in the interest of fulfilling their respective supervisory and regulatory mandates, particularly with the aim of protecting investors and ensuring that the financial markets function properly.

Article 1 Definitions

In this MoU:

- a) "Authority" or "Authorities" means SFC and/or FCA.
- b) "CIS" means collective investment scheme.
- c) "COLL" means the Collective Investment Schemes sourcebook forming part of the FCA's Handbook of rules and guidance.
- d) "Covered Entity" means a Covered Fund and/or Covered Management Company.
- e) "Covered Fund" means a UK UCITS and/or a Hong Kong CIS which is seeking authorisation (Hong Kong) or recognition (UK) or is authorised (Hong Kong) or recognised (UK) on a cross-border basis in accordance with Article 3 paragraph 1 of this MoU.
- f) "Covered Management Company" means a UK Management Company or a Hong Kong Management Company that is authorised (UK) or licensed/registered (Hong Kong) by the relevant Authority to manage Covered Funds and that meets the applicable conditions set out in Appendix B to this MoU.
- g) "Cross-border On-site Visit" means any visit by one Authority to the premises of a Covered Management Company located in the other Authority's jurisdiction for supervisory purposes.

- h) “Delegate” means an entity to which: (i) a UK Management Company delegates the investment management function of one or more funds under its management in accordance with the Domestic Law in the UK implementing Article 13 of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as may be amended, supplemented or otherwise modified from time to time which is currently set out further in COLL 6.6.15R and COLL 6.6.15AR and the guidance in COLL 6.6.16G; or (ii) a Hong Kong Management Company delegates the investment management function of one or more funds under its management in accordance with Chapter 5 of the UT Code.
- i) “Domestic Law” means any applicable laws, ordinances and other regulations or requirements in each Authority’s jurisdiction.
- j) “Emergency Situation” means the occurrence of an event that could materially impair the financial or operational condition of a Covered Entity, the investors of Covered Funds or the proper functioning of the financial markets.
- k) “Enforcement Purposes” means a purpose referred to in Article 6(1) of the IOSCO EMMoU.
- l) “FSMA” means the Financial Services and Markets Act 2000.
- m) “Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China.
- n) “Hong Kong CIS” means collective investment schemes domiciled in Hong Kong (as defined in Section 1 of Part 1 of Schedule 1 to the SFO) which are authorized by the SFC under Section 104 of the SFO in accordance with the Overarching Principles Section and the UT Code.
- o) “Hong Kong Management Company” means a corporation which is licensed or registered for Type 9 regulated activity (asset management) in accordance with Part V of the SFO.
- p) “IOSCO EMMoU” means the Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information established by the International Organization of Securities Commissions to which FCA and SFC are both signatories.
- q) “Overarching Principles Section” means the Overarching Principles Section of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products issued by the SFC, as may be amended, supplemented or otherwise modified from time to time.
- r) “Person” means a natural person or legal person, or an unincorporated entity or association, including partnerships, corporations and bodies corporate.
- s) “Relevant State” means the UK or any other state which is contracting party to the Agreement on the European Economic Area.
- t) “Requested Authority” means the Authority to whom a request is made under this MoU.
- u) “Requesting Authority” means the Authority making a request under this MoU.
- v) “SFO” means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) which governs the securities and futures market and industry in Hong Kong, as may be amended, supplemented or otherwise modified from time to time.
- w) “UCITS” means a collective investment scheme which is authorised in accordance with the laws of the Relevant State implementing Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.
- x) “UK Management Company” means a firm authorised by the FCA with Part 4A permission to carry on the regulated activity specified in Article 51ZA of the FSMA (Regulated Activities) Order 2001 (as amended).
- y) “UK UCITS” means a UCITS which is authorised as such by the FCA under Part 17 of FSMA or under the Financial Services and Markets Act 2000 (Open Ended Investment Company) Regulations 2001 (SI 2001/1228) (as amended).

- z) "UT Code" means the Code on Unit Trusts and Mutual Funds of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products issued by the SFC, as may be amended, supplemented or otherwise modified from time to time.

Article 2 General provisions

1. This MoU is a statement of intent to cooperate in relation to Covered Entities to the extent possible under Domestic Law.
2. This MoU does not create any legally binding obligations, confer any rights on any person, or modify or supersede any Domestic Law.
3. This MoU complements, but does not alter, the terms and conditions of existing arrangements between the Authorities such as the IOSCO EMMoU and the memorandum of understanding on mutual assistance in the supervision and oversight of regulated entities dated 7 July 2017. To the extent any provision of this MoU conflicts with the IOSCO EMMoU in relation to any enforcement related assistance request or cooperation between the Authorities, the IOSCO EMMoU shall prevail.
4. Within the framework of this MoU, each Authority will remain responsible for regulating and supervising the offering, marketing and distribution of a Covered Fund within its jurisdiction in compliance with the applicable Domestic Law. The offering, marketing and distribution of Covered Funds in the host jurisdiction shall comply with the applicable Domestic Law in the host jurisdiction.
5. Within the framework of this MoU, the Authorities will provide each other with the fullest cooperation in relation to Covered Entities. Following consultation, cooperation may be denied:
 - a) where cooperation would require an Authority to act in a manner that would violate Domestic Law;
 - b) where a request for information is not made in accordance with Article 7 of this MoU;
 - c) where the information is intended to be used for criminal proceedings in the jurisdiction of the Requesting Authority; or
 - d) on the grounds of public interest in the relevant jurisdiction.
6. In accordance with Domestic Law, each Authority has discretion:
 - a) to refuse to authorise or recognise a Covered Fund within its jurisdiction notwithstanding that the Covered Fund falls within the parameters of this MoU;
 - b) to regulate the offering, marketing and distribution of a Covered Fund within its jurisdiction, including by exercising the power to require Persons engaging in the offering, marketing and distribution of the Covered Fund to be authorised, licensed, registered, to have relevant qualifications, and to comply with applicable Domestic Law requirements;
 - c) to suspend or terminate the offering of a Covered Fund within its jurisdiction notwithstanding that the Covered Fund has been authorised or recognised for offering within the parameters of this MoU; and
 - d) to take appropriate enforcement action against a Covered Entity.
7. To facilitate cooperation under this MoU, the Authorities have designated contact points as set out in Appendix A.

Article 3 Scope of mutual recognition

1. Pursuant to this MoU, the Authorities agree to consider applications by Covered Funds for Hong Kong authorization and UK recognition through a streamlined process in accordance with Section 104 of the SFO or section 272 of FSMA (as the case may be), provided that the Covered Funds meet the applicable conditions and requirements as set out in Appendix B.

2. Appendix B may be amended from time and time and each Authority will publish the content of the latest version on its website.
3. In accordance with Domestic Law, each Authority may impose specific requirements on a Covered Fund in light of the specific circumstances of that CIS, whether upon or subsequent to the authorization or recognition of the relevant CIS.

Article 4 Scope of cooperation

1. Cooperation includes, inter alia, consultation, exchange of information, Cross-border On-site Visits and matters of mutual supervisory interest, including regulatory developments.
2. Cooperation will be most useful in, but is not limited to, the following circumstances:
 - a) the initial application of a Covered Entity from one jurisdiction for authorization or recognition in the other jurisdiction; and
 - b) the ongoing supervision of a Covered Entity.
3. Subject to the provisions of Domestic Law, the Authorities may cooperate:
 - a) on an ongoing basis or ad hoc;
 - b) orally or in writing; and
 - c) upon request or on their own initiative (i.e. without a formal request).

Article 5 Notification

1. The Authorities will inform each other to the extent possible and as soon as practicable about:
 - a) any known material event that could impact the proper functioning of the financial markets, or have a significant adverse impact on Covered Entities or investors of Covered Funds; and
 - b) any enforcement action taken by them, including the revocation of, suspension of or modifications to relevant authorisations, licences, or registrations in respect of a Covered Entity which may have, in their reasonable opinion, a material impact on that Covered Entity.
2. With respect to a Covered Fund, each Authority will, to the extent possible, inform the other in a timely manner of:
 - a) any decision or, where appropriate, pending decision to revoke the authorisation for distribution in or from the UK or Hong Kong taken by it;
 - b) relevant issues such as the revocation of, or any significant changes to authorisations, licences or registrations of related Covered Entities; and
 - c) (where applicable and practicable in the relevant jurisdiction) complaints from investors in relation to the Covered Entity which are brought to the Authority's attention and which are material in that Authority's opinion.
3. As necessary from time to time, each Authority will inform the other about any significant amendments to Domestic Law which are likely to have a material impact on the matters covered by, and/or cooperation under, this MoU.
4. Once a year, each Authority will provide the other with a list of the Covered Funds authorised or recognised in the other Authority's jurisdiction under the relevant Domestic Law in accordance with this MoU.

Article 6 Exchange of information

1. Upon request and in accordance with Article 7 below, each Authority will use its reasonable endeavours to provide the other Authority with assistance:
 - a) in obtaining information not otherwise available to the Requesting Authority; and
 - b) to enable the Requesting Authority to interpret and assess a Covered Entity's compliance with Domestic Law that is administered or made by the Requesting Authority.
2. The information exchanged may, subject to any restriction on the disclosure or sharing of information under Domestic Law, include:
 - a) information which would enable the Requesting Authority to verify that a Covered Entity is in compliance with the relevant obligations and requirements of the Domestic Law in the Requesting Authority's jurisdiction that is administered or made by the Requesting Authority;
 - b) information relevant to the financial and operational condition of a Covered Entity, including, for example, reports on capital reserves, liquidity or other prudential measures, and internal control procedures, where this is held and can be easily obtained;
 - c) relevant supervisory information and reports a Covered Entity is required to submit to an Authority including, for example: interim and annual financial statements;
 - d) any inspection findings formally communicated to a Covered Entity in writing;
 - e) information relevant for monitoring and responding to the potential implications of the activities of Covered Entities to ensure the proper functioning of the financial markets;
 - f) other information which is relevant to a Covered Fund; and
 - g) enforcement action against any Covered Management Company which has, had or may have significant impact on the operations of such Covered Management Company in the Requesting Authority's jurisdiction.
3. Each Authority intends, upon request of the other Authority, to provide information relating to a Covered Fund, including the status, additional terms and conditions, and any waiver granted, in respect of the authorization or recognition of a Covered Fund.
4. Subject to any restriction on the disclosure or sharing of information under Domestic Law, each Authority may disclose non-public information which it considers is likely to be of assistance to the other Authority on a voluntary basis.

Article 7 Form of requests for information

1. A request for information in accordance with Article 6 above should be made in writing and addressed to the relevant contact point set out in Appendix A.
2. A request should specify the following:
 - a) the information sought by the Requesting Authority, including specific questions to be asked and indications of any sensitivity regarding the request;
 - b) a concise description of the facts underlying the request and the supervisory purpose for which the information is sought, including the Domestic Law applicable to the supervisory activity; and
 - c) the desired time period for responding and, where appropriate, the urgency thereof.
3. During Emergency Situations, requests for information may be made in any form, including orally, provided such a request is confirmed in writing as early as possible thereafter.

Article 8 Cross-border On-site Visits

1. Authorities should discuss and reach an understanding on the terms for conducting Cross-border On-Site Visits, taking into full account each other's jurisdiction, legal framework and statutory

obligations, particularly when determining the respective roles and responsibilities of the Authorities.

2. The Authorities will adhere to the following procedure before conducting a Cross-border On-site Visit:
 - a) The Authorities will consult with each other about the intended timeframe for, and scope of, any Cross-border On-site Visit.
 - b) The Authority in whose jurisdiction a Cross-border On-site Visit would be undertaken should decide whether the visiting officials or Persons mandated should be accompanied by its own officials during the visit.
 - c) When establishing the scope of any proposed Cross-border On-site Visit, the Authority seeking to conduct the visit will give due and full consideration to the supervisory activities of the other Authority and any information that was made available, or is capable of being made available, by that Authority.
 - d) The Authorities will endeavour to assist each other in interpreting the content of publicly and non-publicly available documents, and obtaining information from directors and senior management of Covered Entities, or any other relevant Person for supervisory purpose.

Article 9 Permissible uses of information

1. The Requesting Authority will use non-public information obtained under this MoU solely for the purpose of supervising the distribution of Covered Funds and the supervision of Covered Entities which includes application procedures and ongoing supervision.
2. However, each Authority recognizes that, while this MoU is not intended to gather information for Enforcement Purposes, the Authority may subsequently want to use the non-public information provided pursuant to this MoU for Enforcement Purposes. In such cases, the Authorities will inform each other of such intended use and proceed along with the principles of the IOSCO EMMoU. With respect to information shared between the SFC and the FCA, use of non-public information for Enforcement Purposes will be in accordance with the terms and conditions of the IOSCO EMMoU.

Article 10 Confidentiality of information and disclosure

1. Subject to paragraphs 2 and 3 of this Article, the Authorities will keep confidential any non-public information communicated between them within the scope of cooperation of this MoU, except:
 - a) the fact that the Authorities have concluded this MoU or that it has been revised after its entry into force;
 - b) Appendix B of this MoU, including a possible revision of Appendix B after its entry into force; and
 - c) the termination of this MoU under Article 11 of this MoU.
2. The Requesting Authority should obtain prior consent from the Requested Authority before disclosing any confidential information received under this MoU to any third party. If consent is not obtained from the Requested Authority, the Authorities will consult to discuss the reasons for withholding approval, and the circumstances, if any, under which the intended use by the Requesting Authority might be allowed.
3. Where confidential information received under this MoU is subject to a legally enforceable demand for onward disclosure in the Requesting Authority's jurisdiction, the latter will notify the Requested Authority prior to complying with such a demand and will assert such appropriate legal exemptions or privileges with respect to such information as may be available. The Requesting Authority will use its best efforts to protect the confidentiality of non-public documents and information received under this MOU.

Article 11 Amendment; termination

1. This MoU may be amended by written agreement.
2. Either Authority may terminate this MoU by giving 30 days' advance written notice to the other Authority. If either Authority gives such notice, cooperation will continue on all requests for cooperation that were made under this MoU until notice was given.
3. In the event of termination of this MoU, information obtained within the scope of cooperation of this MoU will continue to be treated as set out under Articles 9 and 10 above.

Article 12 Entry into force

This MoU enters into force upon signature of the Authorities.

For SFC

For FCA

Ashley ALDER
Chief Executive Officer

Signed in Hong Kong on 8 October 2018

Megan BUTLER
Executive Director of Supervision –
Investment, Wholesale & Specialists Division
Signed in Hong Kong on 8 October 2018

Appendix A

Contact points

Authority	Contact details
SFC (Hong Kong)	Securities and Futures Commission 35/F, Cheung Kong Center 2 Queens Road Central Hong Kong Email address: mrfuk@sfc.hk
FCA (UK)	Financial Conduct Authority 12 Endeavour Square London E20 1JN Email address: recognisedcis@fca.org.uk

8 October 2018

Mutual Recognition of Funds (MRF) between the United Kingdom (UK) and Hong Kong

1. The Securities and Futures Commission (SFC) and the Financial Conduct Authority (FCA) signed a Memorandum of Understanding concerning Mutual Recognition of Covered Funds and Covered Management Companies and related cooperation (Memorandum) on 8 October 2018.
2. For the purpose of this circular, unless otherwise defined herein, the words beginning with a capital letter refer to the list of definitions set out in Article 1 of the Memorandum.

General principles

3. The Memorandum operates on the principles that, in respect of a Covered Fund that has been authorised by the relevant Authority in one jurisdiction (home jurisdiction) and is seeking or has received authorisation or recognition for public offering in the other jurisdiction (host jurisdiction):
 - a. The Covered Fund must meet the eligibility requirements in accordance with this circular and comply with all of the applicable requirements set out in this circular (see below);
 - b. The Covered Fund must remain authorised by the relevant Authority in the home jurisdiction and be allowed for public offering within the home jurisdiction;
 - c. The Covered Fund must operate and be managed in accordance with the relevant laws and regulations in the home jurisdiction and its constitutive documents;
 - d. The sale and distribution of the Covered Fund in the host jurisdiction must comply with the applicable laws and regulations in the host jurisdiction;
 - e. Where relevant, the Covered Fund and its Covered Management Company must comply with the additional rules required by the relevant Authority in the host jurisdiction governing the authorisation or recognition of the Covered Fund, including post-authorisation or recognition requirements, and the sale and distribution of the Covered Fund in the host jurisdiction;
 - f. Investors of the Covered Fund must be treated fairly; there must be no arrangements which provide an advantage for investors in the home jurisdiction that would result in prejudice to the investors in the host jurisdiction, and vice versa; and
 - g. Post sale ongoing disclosure of information on the Covered Fund must be made available to investors in the home jurisdiction and host jurisdiction at the same time (so far as is reasonably practicable given the different time zones of the jurisdictions).



4. Funds that are seeking SFC authorisation or have received SFC authorisation for offering to the public in Hong Kong pursuant to Section 104 of the SFO must comply with the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products and the circulars, guidelines and other requirements as may be issued by the SFC from time to time (together with the SFO, the relevant Hong Kong laws and regulations). On the basis of the principles set out above, if an eligible UK fund complies with the relevant UK laws and regulations and the conditions as set out in this circular, it will enjoy a streamlined process of authorisation for offering to the public in Hong Kong.
5. In view of the differences between Hong Kong's and the UK's regulatory regimes, and to ensure that there is adequate investor protection and consistency with the existing Hong Kong regime for authorised retail funds, this circular sets out the additional requirements with which a UK Covered Fund must comply when applying for SFC authorisation pursuant to Section 104 of the SFO for offering to the public in Hong Kong under the Memorandum, as well as other requirements which a Covered Entity must observe after a UK Covered Fund has obtained SFC authorisation. The FCA will issue a separate circular which sets out the eligibility and ongoing requirements, as well as FCA rules, which a Hong Kong Covered Fund must satisfy if its Hong Kong Covered Management Company intends to seek recognition for the Hong Kong Covered Fund from the FCA under Section 272 of FSMA and in line with the terms of the Memorandum. It also sets out the requirements and FCA rules with which a Hong Kong Covered Fund must comply on an ongoing basis if it wishes to remain recognised under Section 272 of FSMA so that it can be marketed to the public in the UK.

Eligibility requirements and types of eligible funds

6. The eligibility requirements (Eligibility Requirements) are set out in Annex B to this circular.
7. UK Covered Funds applying for SFC authorisation must fall within one or more than one of the following fund types under the UT Code:
 - a. General equity funds, bond funds and mixed funds;
 - b. Feeder funds, where underlying fund falls within one of the fund types in paragraphs 7(a), (c), (d) and (e), and complies with the requirements in this circular;
 - c. Fund of funds;
 - d. Index funds; or
 - e. Passively managed index tracking exchange traded funds (ETFs).

The SFC and FCA may consider extending the MRF to include other types of funds in future in accordance with the Memorandum.



8. The UK Covered Management Company that is seeking SFC authorisation must indicate to the SFC the fund type(s) in paragraph 7 above the UK Covered Fund falls within.
9. All UK Covered Funds must comply with the requirements set out under the “Requirements applicable to all UK Covered Funds” section below, as well as the relevant requirements set out under the “Requirements applicable to each specific type of UK Covered Funds” section below.

Requirements applicable to all UK Covered Funds

10. To ensure that there is adequate investor protection and consistency with the existing Hong Kong regime for authorised retail funds, all UK Covered Funds are required to comply with requirements set out in paragraphs 11 – 36 below, as well as the relevant requirements as set out in Annex A. The following paragraphs are without prejudice to the requirements of UK Domestic Law which may also apply to UK Covered Funds and UK Covered Management Companies.

Representatives in Hong Kong

11. Each UK Covered Fund must appoint a firm in Hong Kong as its representative in compliance with Chapter 9 and 11.1(b) of the UT Code.

Operational and ongoing requirements

Home jurisdiction supervision

12. The UK Covered Fund must, on an ongoing basis, remain authorised by the FCA for offering to the public in the UK. The UK Covered Management Company of the UK Covered Fund must also remain authorised by the FCA and it must have permission under Part 4A of FSMA to carry on the regulated activity specified in article 51ZA (Managing a UCITS) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended). Both the UK Covered Fund and its UK Covered Management Company must be subject to ongoing regulation and supervision by the FCA.

Changes to UK Covered Funds

13. Changes to a UK Covered Fund must be made in accordance with the applicable UK and Hong Kong laws and regulations and the provisions of its constitutive documents.
14. Any proposed changes to a UK Covered Fund that fall within 11.1 of the UT Code and revisions made to its offering documents relating to such changes must be submitted by its UK Covered Management Company for approval by the SFC in accordance with the relevant requirements set out in Annex A. These changes may only take effect upon approval by the SFC and compliance with any relevant notice requirement.
15. Any proposed changes to a UK Covered Fund that do not require SFC’s prior approval pursuant to 11.1 of the UT Code and revisions made to its offering documents relating to such changes must be filed with the SFC and comply with the relevant requirements set out in Annex A.



16. Investors in the UK and Hong Kong must be notified at the same time (so far as is reasonably practicable given the different time zones of the jurisdictions) about any changes to the UK Covered Fund by the UK Covered Management Company. Equal treatment should be given to investors in both jurisdictions in terms of the form which that notice takes¹.
17. If a proposed change is received by the SFC which renders the UK Covered Fund ineligible to be considered as a Covered Fund under this MRF (for example – the fund changes strategy and this fund no longer meets the eligible covered fund type definition), the expectation is that the application submitted will be for withdrawal of authorisation of the fund in Hong Kong. If the fund still wishes to be offered to the public in Hong Kong, we would expect a new application for authorisation for the fund under Section 104 of the SFO to be completed, but this application will not be subject to the streamlined application process accessible by UK Covered Funds.

Breach

18. In the event of a breach of UK Domestic Laws, the constitutive documents or the requirements set out or referred to in this circular, which is notifiable to the FCA and which could affect Hong Kong investors in a UK Covered Fund, the UK Covered Management Company must endeavour to notify the FCA and the SFC at the same time and rectify the breach promptly. The UK Covered Management Company will notify the SFC once the breach has been rectified.
19. Following SFC authorisation of a UK Covered Fund under Section 104 of the SFO, if a UK Covered Fund ceases to meet the requirements as set out in this circular, its UK Covered Management Company must notify the SFC immediately. The UK Covered Fund must not continue to be offered to the public in Hong Kong and must not accept subscriptions from new investors in Hong Kong.

Withdrawal of authorisation

20. Following SFC authorisation of a UK Covered Fund, if its UK Covered Management Company no longer wishes to maintain the authorisation of the fund, it should apply for withdrawal of authorisation of the fund from the SFC and provide notice to Hong Kong investors of its intention not to maintain such authorisation in accordance with the relevant Hong Kong laws and regulations.
21. The SFC may at any time review a UK Covered Fund's authorisation and may modify, add to or withdraw any of the conditions of such authorisation, or withdraw the authorisation, as it considers appropriate.

Sale/distribution, offering documents, ongoing disclosure and advertisements

Sale/distribution

22. The sale and distribution of a UK Covered Fund in Hong Kong must be conducted by intermediaries properly licensed by or registered with the SFC and must comply with

¹ To the extent there are requirements on minimum notice period and content of or template for notice to Hong Kong investors under relevant Hong Kong laws and regulations, the UK Covered Fund should comply with these requirements and ensure that investors in the UK and Hong Kong receive equal treatment in terms of the notice period and information disclosed.



the relevant Hong Kong laws and regulations relating to the sale and distribution of funds.

Offering documents

23. The disclosure of information relating to a UK Covered Fund must be complete, accurate, fair, clear, and effective. It must be capable of being easily understood by investors.
24. The offering documents of a UK Covered Fund must be up-to-date and contain information necessary for investors to be able to make an informed judgement of the investment proposed to them.
25. A UK Covered Fund may use the prospectus approved by the FCA. Unless otherwise provided for in this circular, matters such as the type of documents, content, format, frequency of update and the updating procedures must comply with the applicable UK laws and regulations and the provisions of its constitutive documents. The FCA-approved prospectus may be supplemented by a Hong Kong covering document to comply with the disclosure requirements set out in Annex A. The prospectus should also disclose any other information which may have a material impact on investors in Hong Kong.
26. The UK Covered Management Company of a UK Covered Fund must take reasonable steps and measures to ensure that any updated offering documents are made available to investors in the UK and Hong Kong at the same time (so far as is reasonably practicable given the different time zones of the jurisdictions).

Ongoing disclosure

27. The UK Covered Management Company of a UK Covered Fund must take reasonable steps and measures to ensure that the ongoing disclosure of information of the UK Covered Fund (including periodic financial reports, notices and announcements) is despatched and made available to investors in the UK and Hong Kong at the same time (so far as is reasonably practicable given the different time zones of the jurisdictions). A UK Covered Fund must comply with the requirements set out in Annex A and, on an ongoing basis, disclose any other information which may have a material impact on investors in Hong Kong.
28. Subject to paragraph 30, a UK Covered Fund may use its UK financial reports as the basis for distribution in Hong Kong, provided that the reports are supplemented by the additional information and meet the other requirements set out in Annex A.

Language

29. The offering documents and notices to Hong Kong investors of a UK Covered Fund must be provided in English and Chinese.
30. The constitutive documents and financial reports of a UK Covered Fund must be made available to Hong Kong investors in either English or Chinese. The language in which these documents are made available to Hong Kong investors should be clearly disclosed in the offering documents.



Advertising

31. All advertisements in relation to a UK Covered Fund offered in Hong Kong must comply with the relevant Hong Kong laws and regulations, in particular, the Advertising Guidelines Applicable to Collective Investment Schemes Authorised under the Product Codes.

Fees

32. The UK Covered Management Company must ensure that any SFC invoiced periodic fees in respect of the UK Covered Fund are paid.

Requirements applicable to each specific type of UK Covered Funds

33. There are requirements which each specific type of UK Covered Funds must comply with. Please refer to Annex A for details.

Application process

34. The SFC encourages applicants to consult the Investment Products Division early for any clarification as to how the relevant requirements may apply and be complied with in light of their specific circumstances.
35. The SFC may issue other circulars, frequently asked questions and other documents from time to time to provide practical guidance to the industry. Please refer to the SFC's website.
36. Applicants shall request the FCA to provide directly to the SFC a certificate confirming that the Eligibility Requirements listed in Annex B to this circular are met. The SFC will not take up the application if no such certificate is received from the FCA. Further details of the MRF application process for a UK Covered Fund seeking authorisation from the SFC are available from the SFC's website.

Investment Products Division Securities and Futures Commission



Annex A

Requirements in the Overarching Principles Section and UT Code to be complied with by all UK Covered Funds².

1. General requirements	
Mention of SFC authorisation	1.10 of Overarching Principles Section
Naming of a UK Covered Fund	5.1 and 5.2 of the Overarching Principles Section
Availability of constitutive documents	5.10(c) of the UT Code
Accompaniment to offering documents	6.3 and 6.4 of the UT Code
Inclusion of performance data	6.5 of the UT Code
Pricing, issue and redemption of units/shares	6.10 – 6.14 of the UT Code
Performance fee	6.17 of the UT Code
Fees, costs and charges which must not be paid from the fund's property	6.18(a) – (c) of the UT Code
Investment in other funds	7.11D of the UT Code
Jurisdiction	9.10 of the UT Code
Valuation and pricing, pricing errors, suspension and deferral of dealings and transactions with connected persons	Chapter 10 of the UT Code
2. Disclosure requirements in relation to offering documents	
Language	5.6 of the Overarching Principles Section
Product key facts statement	6.5 – 6.8 of the Overarching Principles Section and 6.2A of the UT Code
Use of disclaimers	6.12 of the Overarching Principles Section
Enquiries and complaints handling	7.4 of the Overarching Principles Section
Level/ basis of calculation of fees	6.16 of the UT Code
Use of financial derivative instruments for investment purpose	8.9(j) of the UT Code
Information to be disclosed in the offering document	Appendix C to the UT Code (except for C2A)

² For the avoidance of doubt, UK Covered Funds and the UK Covered Management Companies should also comply with the relevant Frequently Asked Questions (FAQs) issued by the SFC from time to time, including, FAQs on Advertising Materials of Collective Investment Schemes Authorized under the Product Codes, FAQs on the Code on Unit Trusts and Mutual Funds, FAQs on Exchange Traded Funds and Listed Funds, FAQs on Post Authorization Compliance Issues of SFC-authorized Unit Trusts and Mutual Funds, FAQs on SFC Authorization of UCITS III Funds and FAQs on the United Kingdom-Hong Kong Mutual Recognition of Funds.



3. Disclosure and reporting requirements	
Scheme changes, notifications, ongoing disclosures, reporting, withdrawal of authorisation, merger or termination	Chapter 11 of the UT Code
Other documents to be made available to Hong Kong investors as specified in the offering documents	Upon request by investors, specific information regarding these documents should be made available to Hong Kong investors in English or Chinese. Information regarding how investors can make such information requests should also be clearly disclosed in the Hong Kong offering documents
4. Disclosure requirements in relation to financial reports	
Notes to the accounts	Items 2 and 3 of the “Notes to the accounts” Section of the Appendix E to the UT Code



Requirements in the UT Code to be complied with by each specific type of UK Covered Funds

Feeder funds	7.12 of the UT Code
Funds of funds	8.1(b), 8.1(h) and 8.1(i) of the UT Code
Index funds	8.6(d), 8.6(e), 8.6(f), 8.6(j), 8.6(k), 8.6(l) and 8.6(m) of the UT Code
Index tracking ETFs	Requirements applicable to index funds as set out above Appendix I to the UT Code (paragraphs 7A, 9, 12, 13, 14, 19, 20, 21 and 22) 8.4A of the UT Code (if the ETF is a futures-based ETF)



Annex B

Eligibility Requirements

UK Covered Fund

1. The UK Covered Fund must be established, domiciled and managed in accordance with UK laws and regulations and its constitutive documents. It must be a UCITS scheme which is authorised as such by the FCA under Part 17 of FSMA or under the Financial Services and Markets Act 2000 (Open Ended Investment Company) Regulations 2001 (SI 2001/1228) (as amended).
2. The UK Covered Fund must not use leverage exceeding 100% of the fund's net asset value as calculated under the commitment approach provided under COLL5.3.8R.
3. The UK Covered Fund must not invest in real estate.
4. The UK Covered Fund must not have share classes with hedging arrangements other than currency hedging.

UK Covered Management Company

5. The UK Covered Fund must be managed by a UK Covered Management Company that is authorised by the FCA and has permission under Part 4A of FSMA to carry on the regulated activity specified in article 51ZA (Managing a UCITS) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended).
6. The UK Covered Management Company of a UK Covered Fund must not have been the subject of any major regulatory or enforcement actions by FCA in the past three years or, if it has been established for less than three years, since the date of its establishment.
7. The UK Covered Management Company of a UK Covered Fund may delegate the investment management functions to any person, provided that such delegation is accepted under UK laws and regulations for UK UCITS authorised for public offering, the UK Covered Management Company remains responsible for any action of its delegate(s) and such delegate operates in one of the acceptable inspection regimes recognized under 5.1 of the UT Code.

UK Covered Fund's trustee and depositary

8. The UK Covered Fund must have a trustee or depositary that qualifies to act as a trustee or depositary for UK UCITS.



FCA Circular

Mutual Recognition of Funds (MRF) between the United Kingdom (UK) and Hong Kong

The Financial Conduct Authority (FCA) and the Securities and Futures Commission (SFC) signed a Memorandum of Understanding concerning Mutual Recognition of Covered Funds and Covered Management Companies and related cooperation (Memorandum) on 8 October 2018.

For the purpose of this circular, unless otherwise defined herein, the words beginning with a capital letter refer to the list of definitions set out in Article 1 of the Memorandum.

The SFC and the FCA may consider extending this MRF to include other types of funds in future in accordance with the Memorandum.

General principles

The Memorandum operates on the principles that, in respect of a Covered Fund that has been authorised by the relevant Authority in one jurisdiction (home jurisdiction) and is seeking or has received authorisation or recognition for public offering in the other jurisdiction (host jurisdiction):

- a. The Covered Fund must meet the eligibility requirements in accordance with this circular and comply with all of the applicable requirements set out in this circular (see below);
- b. The Covered Fund must remain authorised by the relevant Authority in the home jurisdiction and be allowed for public offering within the home jurisdiction;
- c. The Covered Fund must operate and be managed in accordance with the relevant laws and regulations in the home jurisdiction and its constitutive documents;
- d. The sale and distribution of the Covered Fund in the host jurisdiction must comply with the applicable laws and regulations in the host jurisdiction;
- e. Where relevant, the Covered Fund and its Covered Management Company must comply with the additional rules required by the relevant Authority in the host jurisdiction governing the authorisation or recognition of the Covered Fund, including post-authorisation or recognition requirements, and the sale and distribution of the Covered Fund in the host jurisdiction;

- f. Investors of the Covered Fund must be treated fairly; there must be no arrangements which provide an advantage for investors in the home jurisdiction that would result in prejudice to the investors in the host jurisdiction, and vice versa; and
- g. Post sale ongoing disclosure of information on the Covered Fund must be made available to investors in the home jurisdiction and host jurisdiction at the same time (so far as is reasonably practicable given the different time zones of the jurisdictions).

Covered Funds, and their Covered Management Companies where applicable, that are seeking FCA recognition or have received FCA recognition pursuant to s272 of FSMA for offering to the public in the UK must comply with the relevant requirements set out in Annex A and the applicable UK Domestic Law.

On the basis of the principles set out above, if an eligible Hong Kong Covered Fund complies with the relevant Hong Kong laws and regulations and the conditions as set out in this circular, it will enjoy a streamlined process of recognition for offering to the public in the UK.

Eligibility requirements and types of eligible funds

Hong Kong Covered Funds applying for FCA recognition must meet the requirements of s272 of FSMA, namely that adequate protection is afforded to participants in the scheme, that the arrangements for the fund's constitution and management must be adequate, and the powers and duties of the operator and of the trustee or depositary must be adequate.

Hong Kong Covered Funds applying for FCA recognition must meet the eligibility requirements set out in Annex B.

Hong Kong Covered Funds applying for FCA recognition must also fall within one or more than one of the following fund types under the UT Code:

- a. General equity funds, bond funds and mixed funds;
- b. Feeder funds, where underlying fund falls within one of the fund types in paragraphs (a), (c), (d) and (e), and complies with the requirements in this circular;
- c. Fund of funds;
- d. Index funds; or
- e. Passively managed index tracking exchange traded funds.

The applicant Hong Kong Covered Fund for which FCA recognition is sought must indicate to the FCA the fund type(s) in the paragraph above it falls within.

All applicant Hong Kong Covered Funds applying for recognition under s272 of FSMA and all recognised Hong Kong Covered Funds must comply with the requirements set out under the 'Requirements applicable to all Hong Kong Covered Funds seeking recognition and recognised Hong Kong Covered Funds' section below, and must otherwise satisfy/continue to satisfy the criteria for recognition under s272 of FSMA.

Requirements applicable to all Hong Kong Covered Funds seeking recognition and recognised Hong Kong Covered Funds

In view of the differences between the UK's and Hong Kong's regulatory regimes and to ensure that there is adequate investor protection and consistency with the existing UK regime for authorised retail funds, all applicant Hong Kong Covered Funds seeking recognition under s272 of FSMA and all Hong Kong Covered Funds that are recognised by the FCA must also comply with requirements set out in this circular. The SFC will issue a separate circular which sets out the eligibility and ongoing requirements with which a UK Covered Fund and UK Covered Management Companies must comply if it wishes to obtain authorization and remain authorized under section 104 of the SFO and in line with the terms of the Memorandum.

Facilities in the UK

Each Hong Kong Covered Fund must maintain facilities for investors in the UK as required by COLL 9.4 (Facilities in the UK).

Each applicant Hong Kong Covered Fund must confirm to the FCA the address of the place of business in the UK for service on the Hong Kong Covered Fund of notices and /or other documents and must keep the FCA updated should these details change.

Operational and ongoing requirements

A summary of the ongoing regulatory rules and requirements applicable to a Hong Kong Covered Fund and its Hong Kong Covered Management Company are set out in this circular.

Home jurisdiction supervision

The recognised Hong Kong Covered Fund must, on an ongoing basis, remain authorized by the SFC for offering to the public in Hong Kong. The Hong Kong Covered Management Company must also remain appropriately licensed by or registered with the SFC for this activity, and both must be subject to ongoing regulation and supervision by the SFC.

Changes to recognised Hong Kong Covered Funds

Any proposed alteration to a recognised Hong Kong Covered Fund must be made in accordance with the applicable Hong Kong and UK laws and regulations and the provisions of its constitutive documents.

Any proposed alteration to the recognised Hong Kong Covered Fund, including changes that concern the eligibility of a recognised Hong Kong Covered Fund under this MRF and revisions made to its offering documents relating to such changes must be submitted by the Hong Kong Covered Fund/Management Company for approval by the FCA in accordance with s277 of FSMA. Effect is not to be given to any proposed alteration to the recognised Hong Kong

Covered Fund unless the FCA has either given its approval under s277(2)(a) of FSMA, or the period specified in s277(2)(b) of FSMA has expired and the FCA has not refused approval. In addition, changes that affect UK investors only and revisions made to the offering documents of a recognised Hong Kong Covered Fund relating to such changes should be made in accordance with s277 of FSMA.

For the avoidance of any doubt, if a proposed alteration is received by the FCA which renders the recognised Hong Kong Covered Fund ineligible to be considered as a Covered Fund under this MRF (for example – the fund changes strategy and this fund no longer meets the eligible covered fund type definition), the expectation is that the alteration request submitted will be for de-recognition of the fund in the UK. If the fund still wishes to access the UK market, we would expect a new s272 application to be completed, but this application will not be subject to the streamlined application process accessible by eligible applicant Hong Kong Covered Funds.

Investors in the UK and Hong Kong must also be notified at the same time (so far as is reasonably practicable given the different time zones of the jurisdictions) about any changes to the recognised Hong Kong Covered Fund by the Hong Kong Covered Management Company. Equal treatment should be given to investors in both jurisdictions in terms of the form which that notice takes.¹

Breach

In the event of a breach of Hong Kong Domestic Laws, the constitutive documents or the requirements set out or referred to in this circular, which is notifiable to the SFC and which could affect UK investors in a Hong Kong Covered Fund, the Hong Kong Covered Management Company must endeavour to notify the FCA and the SFC at the same time and rectify the breach promptly. The Hong Kong Covered Management Company will notify the FCA once the breach has been rectified.

Following FCA recognition of a Hong Kong Covered Fund under s272 of FSMA, if a recognised Hong Kong Covered Fund ceases to meet the requirements as set out in this circular, its Hong Kong Covered Management Company must notify the FCA immediately. The recognised Hong Kong Covered Fund must not continue to be offered to the public in the UK and must not accept subscriptions from new investors in the UK.

Withdrawal of recognition

Following the recognition in the UK of a Hong Kong Covered Fund, if the Hong Kong Covered Fund/Management Company no longer wishes to maintain such recognition of the fund, it should notify the FCA under s277 of FSMA. Any UK investor who has invested in the fund during the time it has been recognised in the UK should receive appropriate notice of the proposed de-recognition of the Hong Kong Covered Fund in the UK.

The FCA may at any time review a Hong Kong Covered Fund's recognition and may modify, add to or withdraw any of the conditions of such recognition, or withdraw the recognition, as it considers appropriate.

¹ To the extent there are requirements on minimum notice period and content of or template for notice to UK investors under relevant UK laws and regulations, the recognised Hong Kong Covered Fund should comply with these requirements and ensure that investors in the UK and Hong Kong receive equal treatment in terms of the notice period and information disclosed.

Sale/distribution

The sale and distribution of a recognised Hong Kong Covered Fund in the UK must comply with the relevant UK laws and regulations relating to the sale and distribution of funds.

Specific requirements apply to the communication of financial promotions and other marketing information in the UK. Unless they are exempt under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended), such financial promotions must be communicated or approved by a UK authorised person as defined in s31 of FSMA and must meet the requirements set out in Chapter 4 of the FCA's Conduct of Business Sourcebook (Communicating with clients, including financial promotions) (COBS 4).

Offering documents

The disclosure of information relating to a recognised Hong Kong Covered Fund must be complete, clear, fair and not misleading. It must be capable of being easily understood by investors.

The offering documents of a recognised Hong Kong Covered Fund must be up-to-date and contain information necessary for investors to be able to make an informed judgement of the investment proposed to them.

A recognised Hong Kong Covered Fund may use the prospectus approved by the SFC, to the extent it complies with the rules relating to financial promotions described above. Unless otherwise provided for in this circular, matters such as the type of documents, content, format, frequency of update and the updating procedures must comply with the applicable Hong Kong laws and regulations and the provisions of its constitutive documents. The SFC-approved prospectus may be supplemented by a UK covering document to comply with the disclosure requirements set out in this circular. The prospectus should also disclose any other information which may have a material impact on investors in the UK.

The recognised Hong Kong Covered Fund must take reasonable steps and measures to ensure that any updated offering documents are made available to investors in Hong Kong and the UK at the same time (so far as is reasonably practicable given the different time zones of the jurisdictions).

Financial reports

A recognised Hong Kong Covered Fund may use its Hong Kong financial reports as the basis for distribution in the UK, provided that it is supplemented by the additional information and meet the other requirements set out in Annex A.

Filing

As soon as reasonably practicable, a recognised Hong Kong Covered Fund must file with the FCA (recognisedcis@fca.org.uk) any revised instrument constituting the fund, any revised prospectus, any annual and subsequent half yearly financial reports and any updated PRIIPs Key Information Document (KID).

Language

The constituting and offering documents and financial reports and notices to UK investors of a recognised Hong Kong Covered Fund must be provided to UK investors in English.

Financial promotions, advertising and marketing materials

All financial promotions, advertisements and marketing materials in relation to a recognised Hong Kong Covered Fund offered in the UK must comply with applicable UK Domestic Laws, in particular those which are set out in Annex A.

Fees

The recognised Hong Kong Covered Fund/Management Company must ensure that any FCA invoiced periodic fees in respect of the Hong Kong Covered Fund are paid.

Application Process

The FCA must assess each Hong Kong Covered Fund which applies for recognition under this MRF agreement to ensure that it satisfies the requirements of s272 of FSMA. The recognition of a Hong Kong Covered Fund is not automatic.

The following application documents shall be provided to the FCA by the applicant directly:

A duly signed and completed s272 application form along with the required scheme documentation set out in the form; and
The application fee

A complete application should be sent to recognisedcis@fca.org.uk

Applicants shall also request the SFC to provide directly to the FCA a certificate confirming that the Eligibility Requirements listed in Annex B to this circular are met. The FCA will not proceed to recognise the applicant Hong Kong Covered Fund if no such certificate is received from the SFC.

Once the application has been determined as being complete an acknowledgement email will be sent to the applicant. If an application is deemed incomplete, an email will be sent to the applicant informing them of this and what the FCA considers to be missing.

Additional questions may be raised by the FCA during the course of the review to ensure that the conditions set out in s272 of FSMA is satisfied.

If the FCA approves the application and the applicant fund becomes a recognised fund in the UK, the recognised Hong Kong Covered Fund details will be published on the Financial Services Register.

The FCA encourages applicants to consult its Fund Authorisations Team as early as possible for any clarifications as to how the relevant requirements may apply and be complied with in light of their specific circumstances. They can be contacted by telephone via the FCA switchboard - +44 (0)20 7066 1000 or by emailing recognisedcis@fca.org.uk. The Fund Authorisations Team is able to give factual information on the recognition process and our

expectations but it is not however able to give specific advice on the rules and regulations and how they apply in specific circumstances so if you are not sure on this you may wish to seek legal advice.

The FCA may issue other practical guidance to the industry from time to time. Please refer to the FCA's website – www.fca.org.uk

The FCA will aim to determine an application under s272 of FSMA from an applicant Hong Kong Covered Fund within two months of receipt of a complete application provided that the applicant Hong Kong Covered Fund satisfies the conditions set out in s272 of FSMA and it meets the applicable requirements set out in this circular.

Regular provision of information relating to compliance with requirements for recognition

The Hong Kong Covered Management Company of a recognised Hong Kong Covered Fund, recognised by virtue of s272 of FSMA must provide to the FCA such information as the FCA may direct, at such times as the FCA may direct, for the purpose of determining whether the requirements for the making of an order under s272 of FSMA in respect of the scheme continue to be satisfied as set out in s277A of FSMA.

Annex A

General requirements

Registration, including application process	<p>FSMA section 272</p> <p>COLL 6.9.2G – 6.9.5G in respect of the fund depositary</p> <p>With effect from 30 September 2019, demonstrate equivalent outcomes to COLL 6.6.25R in respect of independent directors and COLL 6.6.20R, 6.6.21R and COLL 4.5.7R (8) or (9) on value assessments.</p>
Application: information and documents	COLL 9.3 (section 272 recognised schemes)
Valuation Frequency	COLL 6.3.4R (1)
Facilities in the UK	COLL 9.4 (Facilities in the United Kingdom)
Prior notification before marketing funds to UK retail (public) investors	<p>Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773)(AIFMR) Regulations 58 – 64.</p> <p>Investment Funds sourcebook (“FUND”) 10.5 (National private placement, which reflects Chapter 3 of Part 6 of the Alternative Investment Fund Managers Regulation 2013) in particular: FUND 10.5.1G, FUND 10.5.2G, FUND 10.5.6G to FUND 10.5.13G (inclusive where these are relevant to the fund in question) and FUND 10 Annex 1.</p> <p>FUND 3.3.2R to FUND 3.3.7R; FUND 3.2.2R to FUND 3.2.6R (except for FUND 3.2.4AG and 3.2.4BG) and FUND 3.4.2R to FUND 3.4.6AR and AIFMR Part 5 Regulations 34-44².</p> <p>FUND 10.5.13G: PRIIPS KID</p>

² For the avoidance of doubt, unless otherwise specified in this circular and annex, Hong Kong Covered Management Companies and Hong Kong Covered Funds are not required to meet the substantive or operational requirements set out in other parts of FUND, AIFMD and its related regulation in AIFMR.

<p>Pre-sales disclosures and Prospectus</p>	<p>COLL 9.3.3R (Preparation and maintenance of prospectus), which applies COLL 4.2 (Pre-sale notifications).</p> <p>COLL 9.3.2R (Additional information required in the prospectus for an application under section 272).</p> <p>COLL 6.7.6G – performance fees</p> <p>COLL 9.3.4G (Preparation of a key information document in accordance with the PRIIPS regulation)</p> <p>PRIIPS Regulation – Regulation (EU) No 1286/2014 – key information documents for packaged retail and insurance-based investment products (PRIIPS).</p> <p>The prospectus, and any other marketing materials which are directed at UK investors, must prominently disclose i) whether or not UK investors are covered by the UK Financial Services Compensation Scheme and if they are, it must state the circumstances in which they are covered and who they would need to contact for further information; ii) that UK investors are not covered by any Hong Kong compensation scheme and a UK investor’s monies are at risk; and iii) information on how a UK investor can make a complaint to the SFC in respect of the Hong Kong Covered Fund/Hong Kong Covered Management Company.</p>
<p>Financial promotions, marketing and advertising</p>	<p>Section 21 of FSMA and the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529)</p> <p>COBS 4 (Communicating with clients, including financial promotions).</p>
<p>Changes to funds, or the manager or depositary of funds</p>	<p>FSMA section 277</p>

Withdrawal of recognition	FSMA section 277 or section 279 (revocation of recognition)
Breaches	FSMA sections 279 and 281
Language	COLL 9.3.1D.
Passively managed index tracking exchange traded fund or index fund	The financial index or benchmark being tracked must meet the requirements set out in COLL 5.2.31R – 5.2.34G or 5.6.23R and 5.6.23AG.

Annex B
Eligibility Requirements
Hong Kong Covered Funds

Hong Kong Covered Funds applying for FCA recognition under s272 of FSMA must be established, domiciled and managed in accordance with Hong Kong laws and regulations and their constitutive documents. They must be authorised by SFC under section 104 of the SFO for public offering in Hong Kong.

The applicant/recognised Hong Kong Covered Fund must not use leverage exceeding 100% of the fund's net asset value as calculated under the commitment approach provided under the UT Code.

The applicant/recognised Hong Kong Covered Fund must not invest in (i) physical commodities including precious metals or commodity based investments or real estate, or (ii) certificates representing them.

The applicant/recognised Hong Kong Covered Fund must not have share classes with hedging arrangements other than currency hedging.

Hong Kong Covered Management Company

The Hong Kong Covered Fund must be managed by a Hong Kong Covered Management Company that is licensed by or registered with the SFC for Type 9 regulated activity (asset management) in accordance with Part V of the SFO that satisfies the requirements in Chapter 5 of the UT Code.

The Hong Kong Covered Management Company of a Hong Kong Covered Fund must not have been the subject of any major regulatory or enforcement actions by SFC in the past three years or, if it has been established for less than three years, since the date of its establishment.

The Hong Kong Covered Management Company of a Hong Kong Covered Fund may delegate its investment management functions to any person, provided such delegation is accepted under Hong Kong laws and regulations for Hong Kong funds authorised for public offering, and the Hong Kong Covered Management Company remains responsible for any action of its delegate(s).

Hong Kong Covered Fund's trustee/depositary

The Hong Kong Covered Fund must have a trustee/depositary that is qualified to act as a trustee/depositary of publicly offered funds.