

Frequently Asked Questions on SFC Authorization of UCITS Funds

This FAQ is prepared by the Investment Products Division and aims to provide basic information to market practitioners concerning the authorization of UCITS funds by the SFC. Applicants are encouraged to contact the relevant case team in the Investment Products Division of the Securities and Futures Commission (the “SFC”) if in doubt on any specific issues arising from the application/interpretation of the Code on Unit Trusts and Mutual Funds effective on 1 January 2019 (“UT Code”) and relevant requirements. Please note that each application for authorization is considered on a case-by-case basis.

For the purpose of this FAQ, 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. This FAQ may be updated and revised from time to time. This FAQ is only for general reference. Compliance with all the requirements in this FAQ does not necessarily mean an application will be accepted or authorization will be granted. The SFC reserves the rights to exercise all powers conferred under the law.

Note: 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 FAQ.

	Question	Answer
1.	What does SFC authorization of a UCITS fund involve?	In addition to the general procedures and requirements as described under the UT Code and the FAQ on the UT Code, we have adopted streamlined measures in processing UCITS funds in Hong Kong. Please refer to the Application of the Code on Unit Trusts and Mutual Funds on UCITS funds (“UCITS Streamlined Measures”).

	Question	Answer
		The UCITS Streamlined Measures sets out the application of the UT Code to the UCITS funds domiciled in France, Luxembourg, Ireland and the Netherlands, and collective investment schemes domiciled in the United Kingdom authorized as UK UCITS.
1A.	What are the requirements if my UCITS fund may use financial derivative instruments (“FDI”) for investment or other purposes?	Where a UCITS fund may use FDI as part of their investment policies or portfolio management, reference should be made to the Guide on the Use of Financial Derivative Instruments for Unit Trusts and Mutual Funds (the “Derivative Guide”).
2.	What specific information should I disclose in the offering document/advertisements for UCITS funds which may use FDI for investment purposes?	Please refer to the Guide on Practices and Procedures for Application for Authorization of Unit Trusts and Mutual Funds , UCITS Streamlined Measures and Products Key Facts Statement illustrative templates for the disclosure requirements in offering documents. For specific information and/or risk warnings in advertisements, please refer to the Frequently Asked Questions on Advertising Materials of Collective Investment Schemes Authorized under the Product Codes .
3.	This FAQ is obsolete and has been removed.	
4.	This FAQ is obsolete and has been removed.	
5.	The home regulator of my UCITS funds requires that the fund performance figures in the offering document be updated annually. What is the SFC’s requirement on this aspect?	We consider that SFC-authorized UCITS funds should update the performance figures in their offering documents at least on an annual basis to provide relevant and current information to investors.
6.	Has the SFC published any investor education materials on UCITS III funds?	Yes, we have prepared a set of Frequently Asked Questions (“UCITS III Q&A”) to provide investors with some general information and address some basic queries regarding UCITS III. The UCITS III Q&A are available under http://www.hkiec.hk/web/en/investment/understanding-products/funds/basics/ucits-iii.html .
7.	Under C2A of Appendix C to the UT Code, a fund is required to disclose collateral policy and	For those UCITS funds which are domiciled in France, Luxembourg, Ireland and the Netherlands, and collective investment schemes domiciled in the United Kingdom

	Question	Answer
	criteria in its offering document. Is this requirement applicable to UCITS funds that may engage in activities such as securities lending that involve the collection of collateral?	authorized as UK UCITS, they are deemed to have complied with C2A of Appendix C to the UT Code. Please refer to the UCITS Streamlined Measures for requirements applicable to UCITS funds.
8.	This FAQ is obsolete and has been removed.	
9.	UCITS funds often operate with an umbrella fund structure, within which there may be many sub-funds. It may be that some of these sub-funds are offered to the public of Hong Kong, and some are not. If a fund manager of UCITS funds uses a global offering document which contains information of both SFC-authorized funds and non-SFC-authorized funds, what additional disclosures are expected to be made in the Hong Kong wrapper of the global offering document for the purposes of distribution to the public of Hong Kong?	<p>Under the Securities and Futures Ordinance (SFO), documents offering investment products to the public in Hong Kong must be authorized by the SFC, unless otherwise exempted. In principle, authorization of offering documents under the SFO would normally be granted together with the authorization of the products. Given an unauthorized product is not required to comply with SFC’s regulatory requirements, the SFC would not generally consider it appropriate to authorize any offering document in respect of such unauthorized product under the SFO. However, the SFC notes that it is not uncommon to see a UCITS umbrella fund, where some sub-funds are offered to the public (thus SFC-authorized), and some are not (non-SFC authorized). Such a UCITS umbrella fund may use a global offering document which contains information of both SFC-authorized funds and non-SFC authorized funds. In cases of such global offering documentation, the following statements must be disclosed in the Hong Kong wrapper of the global offering document in an upfront and prominent manner. In addition, the Hong Kong wrapper must precede the global offering document.</p> <p>“Warning: In relation to the funds as set out in the [Prospectus], only the following funds are authorized by the SFC pursuant to section 104 of the Securities and Futures Ordinance and hence may be offered to the public of Hong Kong:</p> <p><i>[please list names of SFC-authorized funds]</i></p> <p>Please note that the [Prospectus] is a global offering document and therefore also contains information of the following funds which are not authorized by the SFC:</p> <p><i>[please list names of unauthorized funds disclosed in the global offering document]</i></p> <p>No offer shall be made to the public of Hong Kong in respect of the above unauthorized funds. The issue of the [Prospectus] was authorized by the SFC only in</p>

	Question	Answer
		relation to the offer of the [above] SFC-authorized funds to the public of Hong Kong. Intermediaries should take note of this restriction.”

Last update: 6 February 2020