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

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

This FAQ is prepared by the Investment Products Division and aims to provide basic information to market practitioners concerning the post authorization compliance issues of SFC-authorized unit trusts and mutual funds. Applicants are encouraged to contact the Investment Products Division 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"). 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 applications for the approval of post authorization changes (including scheme changes, termination, merger and withdrawal of authorization) and authorization of revised offering documents for SFC-authorized funds will be accepted or approval/authorization will be granted. The SFC reserves the rights to exercise all powers conferred under the law.

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

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

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

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

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

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Section 2 – Other post authorization compliance issues

	Question	Answer
1.	Once a fund is authorized by the SFC, is it required to comply with any on-going requirements?	Yes. An SFC-authorized fund has to comply with the post-authorization requirements as set out in Chapters 10 and 11 of the UT Code. To facilitate better compliance by SFC-authorized funds, the following forms are provided on the SFC website: ▪ *Pricing Error Form* – information to be supplied to the SFC on discovery of pricing errors ▪ *Merger / Restructuring / Termination Form* – information to be supplied to the SFC for proposed mergers / restructuring / termination of funds ▪ *Money Market Funds Form* – information to be supplied to the SFC by money market funds
2.	This FAQ has been removed.	Please refer to Question 2 of Frequently Asked Questions on Revamped Post Authorization Process of SFC-authorized Unit Trusts and Mutual Funds.
2A.	What steps should a management company take when they issue notice(s) which contain(s) information that affects the disclosure in the offering documents of SFC-authorized fund(s)?	SFC-authorized funds must issue an up-to-date offering document, which should contain information necessary for investors to be able to make an informed judgement of the investment proposed to them. Where a management company issues notice(s) which contain(s) information that affects the disclosure in the offering document of SFC-authorized fund(s), the management company should update the offering document with such information as soon as reasonably practicable. In the event that the offering document is yet to be updated, the offering document is expected to be accompanied by such notice(s). As such, the management company should make appropriate arrangements with its distributors and the Hong Kong Representative (if applicable) to provide the offering document together with copies of the relevant notice(s) to investors.

	Question	Answer
3.	Under what circumstances can dealings in an SFC-authorized fund be suspended?	Suspension of dealings may be provided for by management company in consultation with the trustee/custodian, having regard to the best interests of holders. Suspension of dealings is one of the liquidity risk management tools and practices to delay and/or limit redemption. Management company should at all times exercise due skill, care and diligence in managing the liquidity of schemes under their management. Management companies should comply with their obligations and the applicable requirements set out in the "Circular to management companies of SFC-authorized funds on liquidity risk management" dated 4 July 2016. The management company must regularly review any prolonged suspension of dealings and take all necessary steps to resume normal operations as soon as practicable.
3A.	This FAQ is obsolete and has been removed.	
3A1.	What are the notification requirements regarding suspension of dealings of an SFC-authorized fund?	Pursuant to 10.7 of the UT Code, the management company or Hong Kong representative must immediately notify the SFC if dealing in units / shares ceases or is suspended. The SFC expects that investors are notified on a timely basis. The fact that dealing is suspended must be published immediately following such decision and at least once a month during the period of suspension in an appropriate manner. Given that suspension of dealings may limit investors' right to freely redeem their shares or units on any dealing day as stipulated in a scheme's offering document, the SFC is of the view that it is an important piece of information for investors and therefore must be published in written form via appropriate means such as newspapers or websites. The suspension notice to holders does not require the SFC's prior approval. However, the notice should be filed with the SFC immediately after its issuance. The SFC should be informed of the manner in which the notice was published and the date of publication. The SFC may also request submission of records of the deliberations, justification and decision of the suspension.

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

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	Question	Answer
3B.	What should the fund manager of an SFC-authorized fund note if there is a suspension of trading on the securities market(s) on which all or a substantial part of the investments of the fund are traded and such suspension continues until the close of such market(s) ("Market Suspension")?	Pursuant to the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products, fund managers are required to manage SFC-authorized funds with due skill, care and diligence. *Issues to consider* A fund manager should critically assess the potential impact of Market Suspension on SFC-authorized funds under its management and the investors of the funds, and should ensure that it has in place appropriate policies and procedures (including contingency plans) to address such impact in the event of Market Suspension. In particular, the issues that a fund manager should consider if a Market Suspension is triggered include, without limitation: ▪ how the net asset value of the fund(s) should be calculated; ▪ if/how any fair valuation adjustments should be made[1]; ▪ how to ensure: a. strict compliance with the principle of forward pricing[2]; b. all investors are treated fairly and that existing investors' interests are protected and not diluted as much as possible; and c. the policies and procedures to be put in place (and any revisions thereto) are done in the best interests of the fund;

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

[2] Forward pricing is a fundamental principle in the regulation of SFC-authorized funds. Forward pricing ensures that incoming, continuing and outgoing investors are treated equitably such that subscription and redemptions of fund units/shares are effected on the basis of an unknown/forward price only in order to minimise the risks related to late trading and market timing. In line with such principle, SFC-authorized funds that are affected by Market Suspension are generally expected not to accept subscription and redemption orders received after the occurrence of Market Suspension and not to process such orders on the same day. Otherwise, certain investors may be able to take advantage of knowledge about development in financial markets occurred after the Market Suspension is triggered and exploit fund unit/share prices that are based on the last traded prices of securities in the fund's portfolio, when the Market Suspension is triggered.

	Question	Answer
		▪ how the dealing and settlement arrangements will be affected, such as: a. whether the day on which Market Suspension occurs is still a dealing day for the fund; b. if so, whether the fund manager will suspend dealing on that day or make any changes to the cut-off time for accepting subscription and redemption orders; and if it is the latter case, i. whether the subscription and redemption orders received after the cut-off time on that day will be carried forward to the next dealing day; and ii. whether investors can cancel the subscription and redemption orders received after the cut-off time on that day; and c. the arrangement for prolonged Market Suspension; and ▪ if any revisions should be made to the existing dealing and settlement procedures and operational guidelines of the fund after considering the above. The fund manager should consult the trustee to address these issues where appropriate. Additionally, fund managers of SFC-authorized ETFs should consider the following if a Market Suspension is triggered: ▪ the arrangement for partially filled orders; ▪ if secondary trading should be suspended; and ▪ whether substantial trading premium/discount would arise and how it should be addressed. The fund manager should discuss with the relevant participating dealers as necessary when putting in place the relevant arrangements relating to Market Suspension. The fund manager should also remind its distributors to treat all investors dealing through such distributor in a fair and consistent manner.

	Question	Answer
3C.	What disclosure issues should a fund manager consider for the implementation of any policies and procedures in addressing the potential impact of Market Suspension on an SFC-authorized fund? In addition, would prior notice to investors and prior approval from the SFC be required regarding the changes made as a result of such implementation?	SFC-authorized funds must issue an up-to-date offering document, which should contain the information necessary for investors to be able to make an informed judgement of the investment proposed to them. On implementation of any policies and procedures in addressing the potential impact of Market Suspension on an SFC-authorized fund, a fund manager should consider whether the current disclosures and risk warnings on Market Suspension and the associated dealing and settlement arrangements in the fund offering documents require further update. Relevant changes to the dealing and settlement arrangements of an SFC-authorized fund to comply with the applicable legal and/or regulatory requirements would generally not be regarded as material changes in dealing arrangements under 11.1(c)(iii) of the UT Code provided that the Overriding Requirements (as defined in FAQ9) can be satisfied, and thus do not require the SFC's prior approval in accordance with 11.1B of the UT Code. Pursuant to 11.1B and 11.2 of the UT Code, the SFC would normally expect the fund manager to inform existing holders of the fund of such changes as soon as reasonably practicable and where appropriate, the notices should prominently remind investors that their distributors may have different dealing and settlement arrangements, and that investors should check with their distributors on the relevant arrangements. No further authorization of the revised offering documents is required to be obtained from the SFC to the extent it solely reflects such changes. Fund managers are reminded to comply with the relevant filing requirements set out in FAQs 9 and 10.
4.	If a pricing error has occurred in relation to a UCITS fund authorized by the SFC for public offering in Hong Kong, what steps does the manager of the UCITS fund have to take to comply with the relevant provisions in 10.2, 10.2A and 10.2B of the UT Code?	All SFC-authorized schemes are required to comply with 10.2, 10.2A and 10.2B of the UT Code. However, in view of UCITS funds being subject to home regulators' supervision, set out below are the streamlined process and required documents which have been adopted in processing pricing errors of UCITS funds reported to the SFC.

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<tr><th></th><th>Question</th><th>Answer</th></tr>
<tr><td></td><td></td><td>Where a pricing error has occurred and the manager of the relevant UCITS fund has dealt with the rectification of the pricing error (including the calculation and making of compensation to be made to investors, if any, in accordance with 10.2, 10.2A and 10.2B of the UT Code), the manager of the UCITS fund is in general only required to file with the SFC the following information and confirmations in writing:

▪ summary of the nature of the pricing error and the remedial measures (e.g. whether compensation needs to be made to the relevant UCITS fund or the affected investors, and if so, a statement as to whether payments have been made);
▪ whether Hong Kong investors have been affected, and if so, how many;
▪ confirmation that 10.2, 10.2A and 10.2B of the UT Code is complied with;
▪ confirmation that the home regulator has no comment on the pricing error and the rectification measures (including compensation to be made to the UCITS fund or the affected investors); and
▪ bilingual notice (if any) sent to affected Hong Kong investors.

The SFC reserves the right and power to require the submission of further information and documents as it deems appropriate in respect of any pricing error of any SFC-authorized funds (including UCITS funds) on a case-by-case basis.</td></tr>
<tr><td>5.</td><td>A fund may change its investment policy or strategy or restrictions on the use of derivatives. Would prior approval from the SFC and prior notice to investors be required regarding such change?</td><td>Below are examples where SFC’s prior approval and advance notification to investors (generally expected to be of 1 month prior notice) would be required pursuant to 11.1(c)(i) of the UT Code.

▪ The fund’s net derivative exposure will change from not more than 50% of the fund’s NAV to exceeding 50% of the fund’s NAV after the scheme change (or vice versa).

▪ The fund’s net derivative exposure will change from not more than 100% of the fund’s NAV to exceeding 100% of the fund’s NAV after the scheme change (or vice versa).

If a fund proposes to effect a change whereby the fund may use derivatives for investment or other purposes where the net derivative exposure will be up to 50%</td></tr>
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	Question	Answer
		of the fund's NAV (from (i) using derivatives for hedging purposes only or (ii) not using derivatives for any purposes) (or vice versa), SFC's prior approval is not required but advance notification (generally of 1-month) is expected to be given to investors. The term "net derivative exposure" has the meaning as defined in 7.26 of the UT Code.
6.	Under 11.5 of the UT Code, notices for mergers should be submitted to the SFC for prior approval. Do I need to send notice to investors of the "receiving fund" (i.e. the absorbing fund in a merger) informing them of the merger and submit such notice for the SFC's prior approval?	For the purpose of 11.5 of the UT Code, notices are not required to be given to investors of the "receiving fund" (i.e. the absorbing fund) in a merger and you are not required to submit such notices to the SFC for prior approval. For the avoidance of doubt, the SFC requires notices to be sent to investors of the "merging fund" (i.e. the absorbed fund in a merger) in a merger and such notices should be submitted to the SFC for prior approval.
7.	What is the expectation on the notice requirements to investors in respect of changes of the controlling shareholder(s) of a key operator of a scheme[Note]? (Note: "Key operators of a scheme" refers to management company, trustee/custodian, investment delegates or Hong Kong representative of a scheme for the purpose of the FAQs herein.)	11.2 of the UT Code sets out the notice requirements to investors in respect of matters relating to a scheme. For changes in the ultimate controlling shareholder(s) of the key operators of a scheme, although SFC's prior approval is not required under 11.1 of the UT Code, it is normally expected that one month's prior written notice should be provided to the investors unless otherwise agreed by the SFC.
8.	This FAQ is obsolete and has been removed.	
8A.	Will changes made to the offering documents which are consequential to the proposed changes subject to SFC's prior approval under 11.1 of the UT Code ("11.1 Scheme Change(s)") require the SFC's prior approval?	Where the 11.1 Scheme Change(s) are subject to the SFC's prior approval, any consequential amendments to the offering documents (e.g. new risk factor(s) due to change in investment policy and/or strategy) will also be subject to the SFC's prior approval except for the related administrative changes (e.g. update on the address of the newly appointed management company in the offering documents, change of logo of the management company provided such change is not misleading to investors). As such, applicant should also properly set out the

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<tr><th></th><th>Question</th><th>Answer</th></tr>
<tr><td></td><td></td><td>consequential changes to the relevant 11.1 Scheme Change(s) in a clear and succinct manner in the relevant application form for authorization of the revised offering documents.</td></tr>
<tr><td>9.</td><td>Does (i) an amendment to a scheme in the nature of clarifications or enhancement of its investment objectives, policies and restrictions; (ii) a change or an extension of a scheme's dealing deadline and/or frequency; (iii) a reduction of a scheme's fees and charges from the current level; or (iv) adoption of additional trading counter(s) for an ETF, require prior approval from the SFC pursuant to 11.1(c) of the UT Code? Would prior notice be required to be provided to the investors regarding the amendments and/or changes?</td><td>Scheme changes which can satisfy the Overriding Requirements (as defined below) would not generally be regarded as material changes for the purposes of 11.1(c) of the UT Code.

Set out below are the overriding principles and requirements ("Overriding Requirements") that must be satisfied in order for any changes to be not regarded as material changes for the purposes of 11.1(c) of the UT Code and do not require the SFC's prior approval:
• the changes do not amount to a material change to the scheme;
• there will be no material change or increase in the overall risk profile of the scheme following the changes; and
• the changes do not have a material adverse impact on holders' rights or interests (including changes that may limit holders' ability in exercising their rights).

Below are some illustrative examples:

a. Changes in investment objective, policies and restrictions
i. elaboration on the primary/principal investment objective, strategy, or policy of a scheme by way of a specified investment threshold/limit and the removal of and/or amendments to such threshold/limit, based on the existing investment objective, strategy or policy of the scheme as disclosed in the offering documents;

ii. elaboration on the ancillary investment strategy, objective or policy of a scheme by way of a specified investment threshold/limit and the removal of and/or amendments to such threshold/limit, based on the existing investment objective, strategy or policy of the scheme as disclosed in the offering documents;</td></tr>
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	Question	Answer
		iii. variation (including addition or removal) of examples of underlying assets or investment areas in which a scheme may invest, based on the existing investment objective, strategy or policy of the scheme as disclosed in the offering documents; iv. elaboration on or minor amendments to the internal stock selection method/process within the scope of a scheme's existing investment objective, strategy or policy as disclosed in the offering documents; v. elaboration on the existing investment objective, strategy, policy or restriction of a scheme as required by other regulators and/or as a result of the scheme's compliance with applicable legal and/or regulatory requirements; and vi. adoption of a physical replication strategy by a synthetic passive ETF[3]. *b. Changes in fees and charges* i. increase in or reduction of initial charges/subscription fees payable by investors; ii. change in the minimum initial subscription amount and/or subsequent subscription amount (unless it is due to any regulatory requirement or controls under any applicable laws and regulations); and iii. removal of fee item(s) payable by the investors and/or the scheme. *c. Changes in dealing arrangements or distribution policy* i. change of frequency and/or rate of dividends payment; ii. change of distribution policy from paying dividend out of capital /

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

	Question	Answer
		effectively out of capital to no longer paying dividend out of / effectively out of capital (i.e. solely out of net distributable income); iii. extension of dealing deadline and/or increase in dealing frequency (e.g. from monthly or weekly to daily) of a scheme, which are beneficial to investors, provided that in the former case, the extended deadline is still well before the pricing/ NAV cut off time to ensure forward pricing in accordance with the provisions of its offering and constitutive documents and the provisions of Chapter 6 of the UT Code; iv. changes in settlement/payment periods for the subscription or redemption of units/shares of a scheme, which are beneficial to investors or are necessary to comply with regulatory, fiscal or other statutory or official requirements, provided that the provisions of Chapter 6 of the UT Code can be complied with; v. adoption of additional trading counter(s) for an ETF; and vi. changes in primary market dealing arrangement of an ETF to which all participating dealers of the ETF have agreed. For (i) any changes in the frequency, and/or rate of dividends payments of a scheme and change of distribution policy from distribution out of / effectively out of capital to solely out of net distributable income or (ii) any changes which shorten the settlement period for subscription money payable by investors or extend the payment period for redemption moneys receivable by investors, the SFC would normally expect that at least one month's prior notice should be given to existing holders of the scheme in respect of the change pursuant to 11.1B and 11.2 of the UT Code. In respect of the change of distribution policy, the management company should ensure the notice containing information regarding the reasons for the change, implication of the change on the fund, share class and/or investors (e.g. any impact on the frequency of dividend payment and/or rate of dividend payment etc.) and the timeframe which the historical information on the dividend compositions will continue to be available to investors as considered appropriate by the management company to enhance the transparency of the fund's distribution policy.

	Question	Answer
		Unless otherwise specified, the SFC would expect the management company to inform existing holders of the scheme as soon as reasonably practicable. As part of the filing of the scheme change, the management company is required to file the "Filing Form for Notice of Scheme Change(s) falling within 11.B of the Code on Unit Trusts and Mutual Funds and Do Not Require SFC's Prior Approval". These changes will be subject to post-vetting by the SFC.
9A.	What types of scheme change(s) will fall under 11.1B of the UT Code which are not subject to SFC's prior approval?	Scheme changes which do not fall under 11.1 of the UT Code will be classified as change(s) falling within 11.1B of the UT Code not requiring SFC's prior approval ("11.1B Changes"). Set out below are some examples of 11.1B Changes: • changes of operators which are not key operators of the fund as referred to in 11.1(b) of the UT Code; • administrative changes e.g. change in address of the key operators, addition and resignation of directors of the scheme; • changes to punctuation or grammar; and • correction of a manifest error. Unless otherwise specified, the management company should inform existing holders of the scheme as soon as reasonably practicable for 11.1B Changes pursuant to Note(3) to 11.2 of the UT Code in order to enable them to appraise the position of the scheme. As part of the filing of the scheme change, the management company is required to file the "Filing Form for Notice of Scheme Change(s) falling within 11.1B of the Code on Unit Trusts and Mutual Funds and Do Not Require SFC's Prior Approval". 11.1B Changes will be subject to post vetting by the SFC.

	Question	Answer
10.	Will authorization be required to be obtained from the SFC prior to the issuance of the revised offering document of an SFC-authorized fund which solely reflects the 11.1B Changes?	No further authorization of the revised offering document of an existing SFC-authorized fund is required to be obtained from the SFC to the extent it solely reflects the 11.1B Changes. Nevertheless, the above revised offering document should be filed with the SFC pursuant to 11.1B of the UT Code together with a properly completed "Filing Form for Revised Offering Documents that Incorporate Changes Falling within 11.1B of the Code on Unit Trusts and Mutual Funds (UT Code) and Do Not Required SFC's Prior Approval".
11.	Do changes to the constitutive documents of an existing SFC-authorized fund which (a) solely reflect 11.1B Changes and/or (b) is a UCITS, require prior approval from the SFC pursuant to 11.1(a) of the UT Code?	Pursuant to 11.1(a) of the UT Code, prior approval is not required from the SFC in respect of changes to constitutive documents of a scheme reflecting changes which do not require prior approval from the SFC. Further, the SFC is prepared to adopt a streamlined approach in respect of certain amendments to constitutive documents of SFC-authorized funds which are UCITS ("UCITS CD Amendments"). Under the streamlined approach, prior approval is not required from the SFC in respect of UCITS CD Amendments under 11.1(a) of the UT Code. Set out below are overriding principles and requirements that need to be satisfied in order for any amendments to constitutive documents to be UCITS CD Amendments: • The management company confirms that the constitutive documents of the scheme(s) have complied with all applicable home jurisdiction's laws and regulations and home regulator's requirements and have complied with 9.10 of the UT Code; and • Such constitutive documents are the latest version that have been submitted to / filed with the home regulator; and in addition, the scheme(s) has / have also complied with D12 of Appendix D to the UT Code regarding connected party transactions.
12.	Will authorization be required to be obtained from the SFC prior to the issuance of the revised offering document of an SFC-authorized fund which solely reflects the UCITS CD Amendments referred to in FAQ11	No further authorization of the revised offering document of an existing SFC-authorized fund which is a UCITS is required to be obtained from the SFC to the extent it solely reflects the UCITS CD Amendments. Nevertheless, the above revised offering document should be filed with the SFC pursuant to 11.1B of the UT Code together with a properly completed "Filing Form for Revised Offering

	Question	Answer
	above?	Documents that Incorporate Changes Falling within 11.1B of the Code on Unit Trusts and Mutual Funds (UT Code) and Do Not Required SFC's Prior Approval".
13.	Will further authorization be required to be obtained from the SFC prior to the issuance of the revised offering document of an SFC-authorized fund which solely reflects the withdrawal of authorization of an SFC-authorized fund?	Following the withdrawal of authorization of an SFC-authorized fund ("Deauthorized Fund"), the offering document of an existing SFC-authorized fund which contains information of the Deauthorized Fund should be updated as soon as practicable to reflect such deauthorization. No further authorization of the revised offering document of an existing SFC-authorized fund which solely reflects the deauthorization of the Deauthorized Fund is required to be obtained from the SFC. However, the above revised offering document should be filed with the SFC pursuant to 11.1B of the UT Code together with a properly completed "Filing Form for Revised Offering Documents that Incorporate Changes Falling within 11.1B of the Code on Unit Trusts and Mutual Funds (UT Code) and Do Not Required SFC's Prior Approval".
14.	This FAQ is obsolete and has been removed.	
15.	What kind of information should be disclosed to investors in light of the changes in the RQFII quota administration policy of the State Administration of Foreign Exchange (SAFE) pursuant to which no specific quota will be granted to a particular product?	RQFII fund managers are reminded of their duty to inform investors as soon as reasonably practicable of any information concerning the scheme which is necessary to enable investors to appraise the position of the scheme. Following the changes in SAFE's RQFII quota administration policy, an RQFII holder now has the flexibility to allocate its RQFII quota granted by SAFE across different public fund products under its management and there will be no specific quota granted by SAFE to a particular product. In this connection, RQFII fund managers are expected to update the disclosure in the offering documents (including the product key facts statements) of their SFC-authorized RQFII funds and inform investors as soon as reasonably practicable. The revised offering document should be filed with the SFC pursuant to 11.1B of the UT Code together with a properly completed "Filing Form for Revised Offering Documents that Incorporate Changes Falling within 11.1B of the Code on Unit Trusts and Mutual Funds and Do Not Require SFC's Prior Approval." In addition, RQFII ETF managers are expected to keep investors informed should

	Question	Answer
		the creation of units in an ETF is suspended due to, among other things, the full utilization of RQFII quota allocated to that ETF by the manager. In this connection, please also refer to the Circular to Management Companies of SFC-authorized Exchange Traded Funds dated 17 December 2018, as amended from time to time jointly issued by the SFC and HKEx regarding potential events triggering ongoing disclosure by ETF managers.
16.	***Revised and moved to FAQ15 under Frequently Asked Questions on Revamped Post Authorization Process of SFC-authorized Unit Trusts and Mutual Funds***	
16A.	Are there any content requirements for the Notice(s)[Note] referred to in Question 15 under Frequently Asked Questions on Revamped Post Authorization Process of SFC-authorized Unit Trusts and Mutual Funds? *(Note: As defined in Question 15 of Frequently Asked Questions on Revamped Post Authorization Process of SFC-authorized Unit Trusts and Mutual Funds.)*	It is the management companies' responsibility to ensure notices to holders are not misleading and contain accurate and adequate information to keep investors informed and to ensure they comply with all applicable legal and regulatory requirements. In preparing the final Notice(s), the management company should take into account the guiding comments (if any) and ensure that they have been properly addressed before distributing the Notice(s). The SFC will continue to conduct post-vetting of Notice(s) filed with us to monitor compliance as well as to see whether the guiding comments have been properly addressed. The SFC takes non-compliance seriously and reserves its right to take any necessary regulatory actions to ensure that the interests of investors are safeguarded.
16B.	In providing the guiding comments, if any, what would the SFC focus on in reviewing the draft Notice(s) submitted by an applicant mentioned in Question 15 under Frequently Asked Questions on Revamped Post Authorization Process of SFC-authorized Unit Trusts and Mutual Funds?	Below are some illustrative examples of information/disclosure that are expected to be included in Notice(s) regarding 11.1 Scheme Changes. Additional disclosures may be required depending on the particular circumstances of each case. a. Clear description of the salient terms of the proposed 11.1 Scheme Changes, including, if applicable, the following key features and risks of the fund(s): i. The implications on the features and risks applicable to the fund(s). ii. Any proposed changes in the operation and/or manner in which the fund(s) is/are being managed and the effects on existing investors.

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

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

SFC 證監會

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

	Question	Answer
		how such mechanism works (e.g. the adjustment that will apply to the subscribing and redeeming investors), the circumstance(s) upon which the application of the anti-dilution mechanism will be triggered, the maximum limit of the anti-dilution adjustment (e.g. maximum level of the anti-dilution levy, redemption gate or swing factor), impact on the fund or existing investors in the fund. • Illustrative examples may be set out in the Notice(s) to facilitate investors to understand the mechanism or how the new / revised dealing arrangement, pricing arrangement or charging basis of the fees (e.g. performance fees) will apply. *(d) <u>Introduction of new fees and charges or increase in fees and charges payable out of scheme property or by the investors</u>* • In the case of a fee increase beyond the permitted maximum level as disclosure in the Hong Kong Offering Documents, the new fee level; and where the fee forms part of the calculation of the ongoing charges figure (e.g. management fee), impact on the ongoing charges figure of the fund/share class (as the case may be), together with the ongoing charges figure[4] as a result of such fee increase and its calculation basis (including the reference date if applicable). • Where a new type of fee is imposed, clear description of the reason for such imposition, the basis of levying the fee (e.g. expressed as a percentage of the net asset value of the fund, whether subject to any minimum or maximum level of fee) and the party(ies) receiving the new type of fee, impact on the ongoing charges figure of the fund/share class (as the case may be), together with the ongoing charges figure[5] as a result of such change and its calculation basis (including the reference date if applicable).

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

	Question	Answer
		The above is not an exhaustive list of examples and management companies should consider to include such other information that are necessary for the holders of the SFC-authorized funds to fully understand the 11.1 Scheme Change proposed to be made to the funds for the purpose of appraising the position of the funds.
16C.	Will fund managers be required to include a statement in Notice(s) confirming that the proposed 11.1 Scheme Change(s) is/are in the best interest of the holders ("Best Interest Confirmation")?	Pursuant to 5.10(a) of the UT Code, management companies must manage their funds in accordance with the funds' constitutive documents in the best interest of the holders. In general, fund managers are not required to include the Best Interest Confirmation in the Notice(s) in respect of proposed 11.1 Scheme Change(s), especially in view of the fact that it is a general obligation of management company in the UT Code. However, the SFC reserves its power and discretion to raise requisitions where appropriate depending on specific circumstances of each case. For example, where it is not apparent to the SFC or where SFC has concerns as to whether a proposed 11.1 Scheme Change is in the best interest of holders as required by 5.10(a) of the UT Code. In such case, a Best Interest Confirmation may be required to be explicitly disclosed in the Notice(s).
16D.	Is it a requirement that fund managers must offer free redemption/switching to holders in respect of all proposed 11.1 Scheme Changes?	It is clearly stated under 11.4 and 11.5 of the UT Code that the alternatives available to investors (including, if possible, a right to switch without charge into another SFC-authorized fund) should be included in the notices to holders in respect of a merger, termination and/or withdrawal of authorization of an SFC-authorized fund. As such, fund managers are expected to make available, to the extent possible, free redemption/switching as alternatives to holders under these circumstances. In general, fund managers would not be required to offer free redemption / switching to holders in respect of all proposed 11.1 Scheme Changes. However, the SFC reserves its power to do so where it deems appropriate for safeguarding investor interest on a case-by-case basis, taking into account the specific facts and circumstances of each case. Fund managers may, however, out of their own initiatives offer free redemption/switching to investors when they are effecting

	Question	Answer
		proposed 11.1 Scheme Changes.
17.	A management company is required to have two key personnel as required under 5.5 of the UT Code. What should the management company do if there is any change to the key personnel after the fund is authorized by the SFC?	Management companies are required to comply with 5.5 of the UT Code at all times, including the key personnel requirement. Under 4.1(c) of the Overarching Principles Section of the Handbook, the management company shall inform the SFC promptly should there be any material breach of the Handbook. Accordingly, if there is any change or proposed change to the key personnel subsequent to authorization of the fund (e.g. resignation or departure or relocation of key personnel for a fund for any reason) which may result in non-compliance with 5.5 of the UT Code, the management company should inform the SFC as soon as practicable. A management company is strongly encouraged to inform the SFC as early as possible, e.g. after it has received the resignation notice of the relevant key personnel. In addition, the management company is expected to rectify the situation without delay. Depending on the situation, the management company may be required by the SFC to cease marketing and offering the SFC-authorized funds concerned to the public and to cease accepting subscriptions from new investors, pending rectification of the issue to the SFC's satisfaction. The SFC takes non-compliance seriously and reserves its rights to take any necessary regulatory actions to ensure that the interests of investors are safeguarded. In case of doubt, early consultation with the SFC is encouraged.
18.	How are SFC-authorized unlisted index funds which are no longer marketed to the public of Hong Kong expected to comply with the requirements set out in the Circular to Management Companies of SFC-authorized Exchange Traded Funds and Unlisted Index Funds dated 4 July 2014 entitled "Disclosure of Tracking Difference and Tracking Error" (the "TE/TD Circular")?	For unlisted index funds which are authorized in accordance with the UT Code but are no longer marketed to the public of Hong Kong, if the updated tracking difference is not reflected in the KFS pursuant to the TE/TD Circular, such information should be made available to investors upon request.

	Question	Answer
19.	What are the disclosure and approval requirements for an existing SFC-authorized fund which intends to make investments in the Mainland market through the Northbound Shanghai Trading Link[5] and the Northbound Shenzhen Trading Link under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect[6] (collectively, "Stock Connect") respectively[7]?	Where an existing SFC-authorized fund intends to make investments through the Stock Connect, the following principles apply: • the fund's proposed investments via Stock Connect must be consistent with and within the existing investment objectives and strategy of that fund as disclosed in its offering documents; • the fund manager must at all times ensure that the disclosures in the offering documents (including KFS) are true, accurate, complete and not misleading and updated in a timely manner to include all information that is necessary for investors to appraise their investments in the funds; and • all other applicable requirements under the SFC Handbook including the UT Code and other relevant laws and regulations must be complied with at all times. Subject to compliance with the above principles, we would like to give the following general guidance to the industry: *Substantial investment in A shares (i.e. 30% or more of the fund's NAV)* a. Where an existing SFC-authorized fund's investment objective or policy already includes substantial (i.e. 30% or more) investment in the Mainland A share market[8], in general no prior SFC approval is required under 11.1 of the

[5] The "Northbound Shanghai Trading Link" and the "Northbound Shenzhen Trading Link" are defined in the joint announcement of the China Securities Regulatory Commission and the SFC dated 16 August 2016.
[6] The "Shanghai-Hong Kong Stock Connect" and the "Shenzhen-Hong Kong Stock Connect", as defined in the joint announcements of China Securities Regulatory Commission and the SFC dated 10 April 2014 and 16 August 2016 respectively, are pilot programmes for establishing mutual stock market access between Mainland China and Hong Kong.
[7] Where an SFC-authorized fund makes investment in the Mainland A share market through the Stock Connect or other means, it should take note of the disclosure requirements in this FAQ.
[8] Whether the investment is currently done through one or a combination of the following means: QFII, RQFII, the Shanghai-Hong Kong Stock Connect, or A share market access products. In general, if an SFC-authorized fund intends to invest 30% or more of its NAV in any combination of (on an aggregate basis or with respect to each of the three types of investments individually) shares listed on the ChiNext Board, the Small and Medium Enterprise Board or the Science and Technology Innovation Board, such exposure and the associated risk(s) are expected to be disclosed in the sections headed "Objectives and investment strategy" and "What are the key risks?" of the KFS respectively.

	Question	Answer
		UT Code for any proposed use of the Stock Connect (whether through the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect, or a combination of both). In this case: ➢ the management company could consider using Stock Connect as a means in accessing the Mainland A share market to be a change which falls within 11.1B of the UT Code if the Overriding Requirements as set out in FAQ 9 above are satisfied. The fund manager is expected to inform existing investors of the fund as soon as reasonably practicable pursuant to 11.2 of the UT Code; ➢ the management company should update the fund's offering documents (including the KFS) regarding its intended proportion of investments via the Stock Connect as well as any additional key risks associated with the Stock Connect. For instance, the risks should include, without limitation, the fact that the fund might not be able to make its intended investments through Stock Connect given that it is subject to a daily quota which does not belong to the fund and can only be utilized on a first-come-first serve basis; and ➢ the updated offering documents should be filed with the SFC in accordance with 11.1B of the UT Code. b. Where an existing SFC-authorized fund's investment objective or policy does not cover substantial investment in the Mainland A share market, for example, it invests mainly in US or European equities or is a bond fund, any proposed scheme change by the fund to make substantial (i.e. 30% or more) investment in the Mainland A share market, whether through the Stock Connect or other means, will be subject to the SFC's prior approval under 11.1 of the UT Code. Normally, 1 month's prior notice is expected to be given to investors before such scheme change is to take effect pursuant to 11.2 of the UT Code. *Ancillary investment in A shares (i.e. more than 10% but less than 30% of the fund's NAV)*

	Question	Answer
		c. Where an existing SFC-authorized fund proposes to make ancillary investment (i.e. more than 10% but less than 30%) in the Mainland A share market, whether through the Stock Connect or any other means, in general no prior SFC approval is required under 11.1 of the UT Code. However, management companies are reminded that: ➢ they should ensure that the relevant fund's offering documents are up-to-date containing all relevant disclosures and risks associated with investment in the Mainland A share market (including, for example, any additional risks associated with the use of the Stock Connect); ➢ any updated offering documents should be filed with the SFC in accordance with 11.1B of the UT Code which will be subject to post-vetting by the SFC; and ➢ existing investors of the fund should be informed as soon as reasonably practicable pursuant to 11.2 of the UT Code regarding any scheme change relating to the fund's ancillary investment in the Mainland A share market. *Minimal investment in A shares (i.e. not more than 10% of the fund's NAV)* d. Where an existing SFC-authorized fund's proposed investment in the Mainland A share market via the Stock Connect is minimal (i.e. not more than 10%), in general no prior SFC approval is required under 11.1 of the UT Code. Management companies must however review the disclosures contained in the relevant fund's offering documents and exercise professional judgement to determine whether any enhanced disclosures and/or clarifications are required to be made to the offering documents. Any updated offering documents should be filed with the SFC in accordance with 11.1B of the UT Code.
20.	What are the disclosure and approval requirements for an existing SFC-authorized fund which intends to make investments in the	Where an existing SFC-authorized fund intends to make investments via the CIBM Initiative and/or the Bond Connect, the following principles apply:

	Question	Answer
	Mainland debt securities market through the CIBM Initiative[9] and/or the Bond Connect[10]?	• the fund's proposed investments via CIBM Initiative and/or the Bond Connect must be consistent with and within the existing investment objectives and strategy of that fund as disclosed in its offering documents; • the management company must at all times ensure that the disclosures in the offering documents (including KFS) are true, accurate, complete and not misleading and updated in a timely manner to include all information that is necessary for investors to appraise their investments in the funds; and • all other applicable requirements under the SFC Handbook including the UT Code and other relevant laws and regulations must be complied with at all times. In particular, the management company must always ensure that proper custodian arrangements in the Mainland are put in place for the safe custody and segregation of the fund's assets with respect to the fund's investment in the Mainland securities market (whether through the CIBM Initiative or the Bond Connect). • where the fund invests primarily[11] in the Mainland securities market, whether via QFII/RQFII or the CIBM Initiative, the Hong Kong offering documents of the fund should include extracts of a Mainland legal opinion (or its corresponding confirmation, where applicable[12]) as well as the trustee's arrangements related to safe custody and segregation of the fund's assets

[9] In February 2016, the People's Bank of China announced the opening-up of the mainland China's Interbank Bond Market ("CIBM") to a wider group of eligible foreign institutional investors free of quota restriction (the "CIBM Initiative").

[10] As defined in the joint announcement of the People's Bank of China and the Hong Kong Monetary Authority dated 16 May 2017, the "Bond Connect" is an arrangement that establishes mutual bond market access between Hong Kong and mainland China. Overseas investors can invest in the CIBM through Northbound Trading of the Bond Connect.

[11] For funds primarily regulated by the SFC, this means 70% or more of the fund's NAV. For UCITS funds, this means at least two thirds of the fund's NAV, which is generally understood to be the minimum investment threshold for primary investment.

[12] The extracts of a Mainland legal opinion shall be included in the case of a single fund or the first sub-fund under an umbrella fund that invests primarily in the Mainland securities market using QFII/RQFII quota or the CIBM Initiative. For other sub-funds under the same umbrella fund that invest primarily in the Mainland securities market using QFII/RQFII quota or the CIBM Initiative, the management company and trustee may, in place of obtaining such Mainland legal opinion, provide a confirmation to the effect that the arrangements for safe custody and segregation of the assets of the sub-funds are in compliance with the UT Code and are the same as the initial sub-fund, and that there are no material adverse changes to its operational conditions.

	Question	Answer
		with respect to such investment. Subject to compliance with the above principles, we would like to give the following general guidance to the industry: *Substantial investment in Mainland debt securities market (i.e. 30% or more of the fund's NAV)* a. Where an existing SFC-authorized fund's investment objective or policy includes substantial (i.e. 30% or more) investment in the Mainland debt securities market, whether the investment is currently done via QFII or RQFII, in general no prior SFC approval is required under 11.1 of the UT Code for any proposed use of the CIBM Initiative and/or the Bond Connect. In this case: ➢ the management company could consider using CIBM Initiative and/or the Bond Connect as a means in accessing the Mainland debt securities market to be a change which falls under 11.1B of the UT Code if the Overriding Requirements as set out in FAQ 9 above are satisfied. The management company is expected to inform existing investors of the fund as soon as reasonably practicable pursuant to 11.2 of the UT Code; ➢ the management company should update the fund's offering documents (including the KFS) regarding its intended proportion of investments via the CIBM Initiative and/or the Bond Connect as well as any additional key risks associated with the CIBM Initiative and/or the Bond Connect. For instance, the risks should include, without limitation, the uncertainty in relation to the tax arrangement for investment via the CIBM Initiative and/or the Bond Connect; and ➢ the updated offering documents should be filed with the SFC in accordance with 11.1B of the UT Code. b. Where an existing SFC-authorized fund's investment objective or policy does not cover substantial investment in the Mainland debt securities market, for example, it invests mainly in US or European debt securities or is an equity fund, any proposed scheme change by the fund to make substantial (i.e. 30%

	Question	Answer
		or more) investment in the Mainland debt securities market, whether through the CIBM Initiative, the Bond Connect or other means, will be subject to the SFC's prior approval under 11.1 of the UT Code. Normally, 1 month's prior notice is expected to be given to investors before such scheme change is to take effect pursuant to 11.2 of the UT Code. *Ancillary investment in Mainland debt securities market (i.e. more than 10% but less than 30% of the fund's NAV)* c. Where an existing SFC-authorized fund proposes to make ancillary investment (i.e. more than 10% but less than 30%) in the Mainland debt securities market, whether through the CIBM Initiative, the Bond Connect or any other means, in general no prior SFC approval is required under 11.1 of the UT Code. However, management companies are reminded that: ➢ they should ensure that the relevant fund's offering documents are up-to-date containing all relevant disclosures and risks associated with investment in the Mainland debt securities market (including, for example, any additional risks associated with the use of the CIBM Initiative and/or the Bond Connect); ➢ any updated offering documents should be filed with the SFC in accordance with 11.1B of the UT Code which will be subject to post-vetting by the SFC; and ➢ existing investors of the fund should be informed as soon as reasonably practicable pursuant to 11.2 of the UT Code above regarding any scheme change relating to the fund's ancillary investment in the Mainland debt securities market. *Minimal investment in Mainland debt securities market (i.e. not more than 10% of the fund's NAV)* d. Where an existing SFC-authorized fund's proposed investment in the Mainland debt securities market, whether through the CIBM Initiative, the Bond Connect or any other means, is minimal (i.e. not more than 10%), in general no prior SFC approval is required under 11.1 of the UT Code. Management companies must however review the disclosures contained in

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

	Question	Answer
		including: • the reason for the proposed change; • the effective date of the fund ceasing to be an eligible CIS under CIES; • the implications on the CIES Investors; • alternative(s) available to the CIES Investors (for example, free redemption or, if possible, free switching into another eligible CIS managed by the same fund group); • reminder to seek professional advice; and • such other information that is necessary for the investors to fully comprehend the change proposed to be made to the fund for the purpose of appraising the position of the fund and their investment. The notice should be filed with the SFC within one week from the date of issuance, together with a properly completed "Filing Form for Notice of Scheme Change(s) falling within 11.1B of the Code on Unit Trusts and Mutual Funds and Do Not Require SFC's Prior Approval". Management companies are also reminded to observe the relevant notification requirement of the Immigration Department in respect of the above change as issued and updated by the Immigration Department from time to time.

Section 3 – Novel coronavirus (COVID-19)

	Question	Answer
1.	Due to the extreme market volatility and uncertainty in local and international markets relating to the COVID-19 outbreak, can fund managers increase the swing factor to be applied on the net asset value (NAV) of their SFC-authorized funds beyond the maximum swing factor as disclosed in the funds' offering	In view of the potential impact on, among others, the volatility and liquidity of the underlying invested assets of the SFC-authorized funds relating to the COVID-19 outbreak, fund managers should ensure that all assets of their funds are fairly and accurately valued and liquidity risk management tools (such as swing pricing or anti-dilution levy) are used appropriately. Fund managers must ensure fair treatment to all investors including redeeming investors and those remaining in the funds.

SFC 證監會

	Question	Answer
	documents? Will such increase require prior SFC approval?	Given the exceptional market circumstances, it is important that fund managers are sufficiently agile to respond to extreme market situations so that the funds can be managed in the best interests of investors. Fund managers may increase the swing factor beyond the maximum level that has been set out in the funds' offering documents as a temporary measure, without SFC's prior approval subject to the following conditions: (i) the decision to revise the swing factor under the fund's swing pricing mechanism must be duly justified (including a robust methodology that provides an accurate NAV which is representative of the prevailing market conditions) and is in the best interests of investors, following a robust internal governance process supported by proper records/documentations; (ii) the fund managers/the fund must notify existing and new investors (and, to the extent applicable, properly inform distributors of the fund) that a swing factor which exceeds the limit disclosed in the offering document may be used before applying the revised swing factor; (iii) the fund managers must be able to demonstrate and justify that the swing factor applied at any time was representative of the prevailing market conditions and was in the best interests of investors; and (iv) the revision and use of revised swing factor is permitted under the fund's constitutive documents, and complies with the applicable laws and regulatory requirements imposed by their home regulators. To enable fund managers to apply the increased swing factor as efficiently as possible, fund managers may notify investors through the fund's website and/or through the fund's usual communication channels, and apply the revised swing factor with immediate effect (provided that the above conditions are met). Fund managers are required to give the SFC early alerts of any material issues affecting their SFC-authorized funds. As such, they must inform the SFC of the above as soon as practicable if they intend to increase or apply the swing factor

	Question	Answer
		exceeding the one that is disclosed in the offering documents. Notification to investors shall also be filed with the SFC. SFC may ask the fund managers to justify on an ex-post basis the level of the swing factor applied and to provide documentary evidence in relation to (iii). This FAQ will also apply to anti-dilution levy in a similar manner.
2.	Can an SFC-authorized fund apply swing pricing mechanism under the proposed temporary measure in FAQ 1 above, if it has not disclosed in the offering document that swing pricing may be used?	The temporary measure applies to funds which have already disclosed the use of swing pricing mechanism as a liquidity risk management tool in their offering documents. Funds which do not have such disclosure in their offering documents but which might wish to use swing pricing will be dealt with on a case by case basis. The SFC will need to better understand, among others, the circumstances as to why they need to apply swing pricing given that their offering documents have not disclosed this as well as other matters such as whether they are permitted to do so under relevant governing laws and constitutive documents and by their home regulators. Given the current market conditions, fund managers are urged to make proper assessment to ensure that investors' interests will not be prejudiced and investors are treated fairly at all times. Fund managers are strongly encouraged to consult the SFC if in doubt. This FAQ will also apply to anti-dilution levy in a similar manner.
3.	Will the SFC implement any temporary relief measures as regards post-authorizations due to the operational difficulties relating to the COVID-19 outbreak?	In view of the potential operational difficulties faced by fund managers during the COVID-19 outbreak, the SFC is implementing the following temporary relief measures to alleviate the administrative burden in respect of post-authorization matters. *A) Accepting documents by soft copy only* Fund managers are allowed to submit documents by soft copy only for all

	Question	Answer
		applications and post-filings, including but not limited to documents submitted for fulfilment of post-authorization conditions. The official receipt date of an application or a post-filing shall be a business day on which the full and complete set of soft copy documents is received by the SFC. *B) Accepting un-signed documents* We will accept submission of un-signed copies of the relevant application forms, filing forms, confirmations and other relevant documents (the "Relevant Forms") provided that they are submitted with an email confirmation (from a person who meets the signatory requirements for the Relevant Forms) that such forms and documents in connection with the subject application or filing are in order. Fund managers are still required to submit (following existing protocol) the duly executed and signed Relevant Forms to the SFC as soon as practicable afterwards.

Last updated: 1 April 2020