

## Frequently Asked Questions on SFC Authorisation of Unit Trusts and Mutual Funds

This FAQ is prepared by the Investment Products Department and aims to provide basic information to market practitioners concerning the authorisation of unit trusts and mutual funds under the Code on Unit Trusts and Mutual Funds (“UT Code”). Applicants are encouraged to contact the Investment Products Department if in doubt on any specific issues arising from the application/interpretation of the UT Code. Please note that each application for authorisation is considered on a case-by-case basis.

The information set out below is not meant to be exhaustive. This FAQ may be updated and revised from time to time.

*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
<b>Basic Requirements for Fund Authorisation</b>		
1.	Why should a fund require SFC authorisation?	<p>Funds that are offered to the public in Hong Kong are legally required to obtain prior authorisation from the SFC, unless one of the exemptions in the Securities and Futures Ordinance (“SFO”) applies. For example, funds that exclusively target at “professional investors”<sup>1</sup> do not require SFC authorisation. The SFC derives its fund authorisation powers from section 104 of the SFO.</p> <p>The UT Code sets out the basic requirements that an SFC-authorized fund must comply with. A copy of the UT Code is available in the “IP Related Publications” section of the “Intermediaries, Licensing &amp; Investment Products – Investment Products Related Matters” page at the SFC website.</p>
2.	What does SFC authorisation involve?	<p>In order to authorise a fund which intends to offer its products to the public, we first consider the acceptability of:</p> <ul style="list-style-type: none"> <li>▪ the fund’s legal form and structure</li> <li>▪ the fund’s key operating parties, including the fund manager and the trustee/custodian</li> <li>▪ the fund’s operational features e.g. dealing frequency, valuation, etc</li> </ul>

<sup>1</sup> The term “professional investors” is defined in section 1 of Part 1 of Schedule 1 to the SFO and Securities and Futures (Professional Investor) Rules.

	Question	Answer																				
		<ul style="list-style-type: none"> <li>▪ the fund’s investment nature and compliance with the relevant requirements of the UT Code</li> <li>▪ the disclosure quality of the fund’s offering document</li> <li>▪ the fund’s compliance with the UT Code’s post authorisation obligations e.g. notice period for fee increases, pricing errors etc.</li> </ul> <p>Depending on the structure of the fund and the level of compliance with the UT Code, we may also consider other factors that are relevant to a specific fund application.</p>																				
3.	How do I apply for authorisation?	<p>To start an application, you have to complete and submit to us the Application Form in Appendix B of the UT Code together with the relevant documents set out in Chapter 1.3 of the UT Code. You will also have to pay an application fee according to the table<sup>2</sup> below. Upon the granting of authorisation, you will also have to pay an authorisation fee and the first annual fee before the authorisation is effective.</p> <table border="0" data-bbox="940 734 1982 869"> <thead> <tr> <th></th> <th></th> <th style="text-align: center;"><u>Single Fund</u></th> <th style="text-align: center;"><u>Umbrella Fund</u></th> <th style="text-align: center;"><u>Subfund</u></th> </tr> </thead> <tbody> <tr> <td>Application Fee<sup>3</sup></td> <td style="text-align: center;">HK\$</td> <td style="text-align: center;">20,000</td> <td style="text-align: center;">40,000</td> <td style="text-align: center;">5,000</td> </tr> <tr> <td>Authorisation Fee</td> <td style="text-align: center;">HK\$</td> <td style="text-align: center;">10,000</td> <td style="text-align: center;">20,000</td> <td style="text-align: center;">2,500</td> </tr> <tr> <td>Annual Fee</td> <td style="text-align: center;">HK\$</td> <td style="text-align: center;">6,000</td> <td style="text-align: center;">7,500</td> <td style="text-align: center;">4,500</td> </tr> </tbody> </table> <p>In making your application, you should submit to us:</p> <ul style="list-style-type: none"> <li>▪ the fund’s Offering and Constitutive Documents which are properly annotated against the applicable provisions in the UT Code;</li> <li>▪ changes to any subsequent draft documentation that should be properly and comprehensively marked up to facilitate review by SFC staff; and</li> <li>▪ a written confirmation of compliance signed by a senior executive or officer of the fund or of the fund manager, or their respective legal advisers for the final version of the Offering Document and the Constitutive Documents.</li> </ul> <p>You should note that the Offering Document has to be in English and in Chinese</p>			<u>Single Fund</u>	<u>Umbrella Fund</u>	<u>Subfund</u>	Application Fee <sup>3</sup>	HK\$	20,000	40,000	5,000	Authorisation Fee	HK\$	10,000	20,000	2,500	Annual Fee	HK\$	6,000	7,500	4,500
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<sup>2</sup> The fees table may be varied on legislative approval and you are recommended to check with the Investment Products Department if you have any doubts.

<sup>3</sup> Application fee is required upon submission of your application and is non-refundable.

	Question	Answer
		<p>unless we have agreed to waive this requirement.</p> <p>The Chinese Offering Document should be accompanied by a written confirmation regarding the accuracy of the Chinese translation.</p> <p>Chinese translation certificates may be issued by any of the following parties:</p> <ul style="list-style-type: none"> <li>▪ a qualified lawyer in Hong Kong</li> <li>▪ the board of directors of the CIS</li> <li>▪ the board of directors of the CIS's management company</li> <li>▪ the head of the legal department or the compliance officer-in-charge of the management company or its Hong Kong representative who has overall responsibility for the compliance of the subject application</li> <li>▪ such other person acceptable to the SFC.</li> </ul> <p>The person providing the confirmation must be fully conversant in the Chinese language or must certify that an individual who is fully conversant in the Chinese language and competent to review and ensure the accuracy of the relevant Chinese documents and notices has been appointed to do so.</p> <p>You are reminded that the directors of the CIS or the management company are responsible for the information contained in the offering document as being accurate at the date of the publication, regardless of the language of publication.</p>
4.	What types of fund would be considered for authorisation?	<p>There are two broad categories of funds in the UT Code:</p> <ul style="list-style-type: none"> <li>▪ <u>Chapter 7 Funds</u>: generally referred to as straightforward Equity/Bond Funds</li> <li>▪ <u>Chapter 8</u>: Specialised Schemes including: <ul style="list-style-type: none"> <li>i. Unit Portfolio Management Funds (Fund of Funds)</li> <li>ii. Money Market/Cash Management Funds</li> <li>iii. Warrant Funds</li> <li>iv. Leveraged Funds</li> <li>v. Futures and Options Funds</li> </ul> </li> </ul>

	Question	Answer
		<ul style="list-style-type: none"> <li>vi. Guaranteed Funds</li> <li>vii. Index Funds</li> <li>viii. Hedge Funds</li> <li>ix. Index Tracking Exchange Traded Funds (“ETF”)</li> </ul>
<b>Fund’s Structure and Domicile</b>		
5.	What should I look out for when setting up umbrella fund structures?	<p>An umbrella fund structure is allowed under the UT Code. However, you should be careful about the types of sub-funds established under the umbrella fund.</p> <p>In general, we expect sub-funds in the same umbrella should share similar investment objectives and risk profiles. For example, a hedge fund or a guaranteed fund should not be established as a sub-fund under an existing umbrella that contains plain-vanilla equity/bond funds.</p>
6.	Can I domicile my fund in an overseas jurisdiction?	<p>Yes. The SFC, in general, adopts an open architecture towards admitting and authorising overseas funds that wish to offer their products to the retail public in Hong Kong, bearing in mind investors’ interests.</p> <p>The guiding principle is that the legal and regulatory framework for these funds and the enforcement of investor’s rights in a particular overseas jurisdiction should provide a level of investor protection comparable to that offered in Hong Kong.</p> <p>For funds that are domiciled in one of the “Recognised Jurisdictions” as set out in Appendix A1 of the UT Code, the authorisation process can be streamlined in certain areas. Please also read Q.7 below.</p>
7.	How does the “Recognised Jurisdiction Schemes” (“RJS”) concept work?	<p>The RJS concept only applies to Chapter 7 Funds (see Q.4 for details). It does not apply to Specialised Schemes under Chapter 8.</p> <p>Funds that are established in one of the RJS jurisdictions and are in compliance with similar regulatory requirements as those contemplated in Chapter 7 of the UT Code are deemed to have complied in substance with the core investment restrictions, operational and structural requirements (e.g. meeting procedures for investors)</p>

	Question	Answer
		<p>imposed under the UT Code. That said, the funds must still satisfy the SFC as to the eligibility of the fund manager, trustee/custodian, and that the disclosure and post-authorisation obligations under the UT Code have been fulfilled.</p> <p>A list of the overseas jurisdictions for RJS is set out in Appendix A1 of the UT Code.</p>
8.	<p>If my fund is a Specialised Scheme but domiciled in one of the RJS, presumably this fund will have to fully comply with the UT Code requirements. Is this correct?</p>	<p>Yes. If there are any legal or regulatory difficulties that would make it unduly burdensome for your fund structure to comply with the UT Code in full, you should consult us as soon as practicable before proceeding any further with your application.</p>
<p><b>Fund Manager's Eligibility – Some Practical Issues</b></p>		
9.	<p>As a fund manager, how would I know if I am eligible to manage an SFC-authorized fund?</p>	<p>The key requirements of a fund manager for an SFC-authorized fund are:</p> <ul style="list-style-type: none"> <li>▪ Having sufficient financial, technical, and human resources</li> <li>▪ Experience</li> <li>▪ Integrity and honesty</li> <li>▪ Proper internal controls</li> <li>▪ Proper regulatory oversight of the fund's activities by a securities regulator</li> </ul> <p>One of the key criteria for an overseas fund manager is that the fund manager must be licensed or registered with and properly supervised by a securities regulator in an Acceptable Inspection Regime ("AIR"). The list of AIR is set out in Appendix A2 of the UT Code.</p> <p>For Hedge Funds which fall under Chapter 8.7 of the UT Code, there are specific requirements on the eligibility of a hedge fund manager. You should therefore ensure that you comply fully with the general requirements as well as other specific obligations under the UT Code.</p> <p>Funds that are self-managed should look closely at the requirements set out in Chapter 5.7 to 5.9 and the rules regarding the eligibility of individual directors' to become fund managers under the UT Code. Please consult us if you are in doubt</p>

	Question	Answer
		about the relevant UT Code requirements for self-managed schemes.
10.	How does the concept of “Acceptable Inspection Regime” (“AIR”) work?	<p>AIR is a concept that helps the SFC maintain regulatory oversight over overseas fund managers. In general, there should be a Memorandum of Understanding entered into by the SFC with the securities regulator in each of the AIR jurisdictions to co-operate and provide mutual assistance and exchange of information regarding the activities of fund managers licensed/registered in the relevant overseas jurisdiction. In determining whether an overseas jurisdiction could be an AIR, the SFC expects the relevant overseas regulatory authority to share common and comparable supervisory principles over activities of investment managers with the SFC and to carry out inspections of the investment managers within its jurisdiction in a manner generally consistent with the inspections conducted by the SFC.</p> <p>Fund managers of an SFC-authorized fund are required to be regulated by the relevant securities regulator in an AIR. In general, this requirement applies to the investment management operations of the fund management company and/or those of its delegates who carry out investment management functions.</p> <p>Upon receipt of an application by an overseas fund manager for SFC authorisation to manage an SFC-authorized fund, we normally conduct a regulatory check on the fund manager with the relevant overseas securities regulator(s).</p> <p>The SFC regularly reviews the list of AIR jurisdictions. If and when we consider it appropriate, the list may be expanded to include new jurisdictions.</p>
11.	As a fund manager, can I delegate my investment management functions to a third party?	<p>Yes, the UT Code allows a fund manager to delegate its investment management functions. However, the fund manager is not allowed to delegate its responsibilities. Please see Chapter 5.5(e) of the UT Code.</p> <p>Both the principal and the delegate are expected to meet the eligibility criteria for a fund manager as described in Q.9 and 10 above.</p>
12.	Could I, a fund manager, be able to delegate my management functions to someone licensed/registered in a non-AIR?	In general, an SFC-authorized fund should adhere to the requirement under Chapter 5.1 of the UT Code that its fund manager and its delegate(s) for the investment management functions is(are) regulated by the relevant regulator in an AIR, save as permitted below.

	Question	Answer
		<p>In view of the market development and business needs, the SFC has issued guidelines to facilitate managers of SFC-authorized funds which are licensed by the SFC or subject to regulatory supervision in an AIR and who wish to delegate their investment management functions to their affiliates in a non-AIR jurisdictions (non-AIR delegation). The Circular that contains guidelines for accepting non-AIR delegation is available on the SFC's website under "Intermediaries, Licensing and Investment Products – Investment Products Related Matters – Circular".</p> <p>We have already authorized various funds with non-AIR delegation in jurisdictions such as Belgium, Japan, Netherlands and Singapore. We welcome fund houses to approach us to discuss any plan of non-AIR delegation.</p> <p>To facilitate the industry in preparing their applications, the SFC has posted a checklist regarding the information/documents to be submitted to the SFC on the SFC's website under "Intermediaries, Licensing and Investment Products – Investment Products Related Matters – Forms &amp; Checklists".</p>
<b>Authorisation Procedures</b>		
13.	How long does the authorisation process take?	<p>The actual time required for processing an application largely depends on the level of compliance of the applicant fund with the UT Code. Processing time also depends on other key factors such as the complexity of the fund structure, the accuracy, annotation and quality of fund documentation, and the responsiveness and turn-around time of the applicant. In some but not all cases, a certain amount of time is required to conduct regulatory checks with overseas securities regulators.</p> <p>The SFC plays the role of investor advocate and bearing in mind that all applications are reviewed and processed on a case-by-case basis, a fixed timetable for authorisation of all fund applications would not be feasible nor in the investor's interest.</p> <p>However, as a general guide, the Investment Products Department will take up an application within 2 working days upon receipt of the application and the necessary fees.</p> <p>For a reasonably straightforward single fund application, we aim to provide you with our initial comments (not authorisation) on the application within 7 working days after</p>

	Question	Answer
		<p>take-up. Our feedback or comments may take the form of meetings, correspondence or other practical means.</p> <p>A fund will be ready for authorisation when we are satisfied that it complies with the applicable UT Code requirements.</p>
14.	<p>If I wish to obtain a waiver from the UT Code requirements, what should I do?</p>	<p>If you wish to apply for a waiver from any of the UT Code requirements, you should prepare a submission that addresses, at the minimum, the following key aspects:</p> <ul style="list-style-type: none"> <li>▪ Clear and distinctive reasons in support of the waiver</li> <li>▪ The impact on the fund, its investors or any other parties if the waiver is granted</li> </ul> <p>You should note that the issue of costs alone is not sufficient justification for any waiver from compliance with the UT Code.</p> <p>If the waiver involves novel issues or policy concerns, we may refer the issues for consideration by the Committee on Unit Trusts. Please note that authorisation conditions may be imposed in certain circumstances.</p>
<b>Authorisation of Index Funds</b>		
15.	<p>Will the SFC consider an index on commodities futures as an acceptable index for the purpose of Chapter 8.6(a) of the UT Code?</p>	<p>The SFC is prepared to accept a commodities futures index provided that it satisfies the index acceptability requirements in Chapter 8.6(e) of the UT Code. In view of the specific nature and risk profile of indices on commodities futures, an index fund that tracks a commodities futures index is required to make additional risk warnings and disclosures (e.g. in relation to the risks inherent in commodities and futures contracts) in its offering documents. Where an index fund seeks to track, replicate, or correspond to a commodities futures index by direct investment in constituent futures contracts, the relevant investment restrictions in Chapter 8.4A of the UT Code in relation to futures and options funds will then be applicable.</p>
<b>Authorisation of ETFs/Listed Funds</b>		
16.	<p>Are the participating dealers (PDs) of ETFs obliged to process subscription and redemption orders from third party investors?</p>	<p>An efficient creation/redemption mechanism is key to an effective arbitrage/pricing mechanism which enables an ETF to trade at a market price close to its NAV. The SFC would generally seek to require the PDs to process creation/redemption requests</p>



	Question	Answer
		<p>from third party investors save for exceptional circumstances such as:</p> <ul style="list-style-type: none"> <li>▪ suspension of dealing or determination of NAV of the ETF;</li> <li>▪ where in the opinion of the manager, acceptance of the application will have an adverse effect on the ETF;</li> <li>▪ suspension of trading on any of the shares constituting the relevant index basket; or</li> <li>▪ the ETF is not able to acquire further investments due to trading restrictions/limits in the market.</li> </ul> <p>The procedures/conditions in respect of the creation/redemption mechanism should be clearly disclosed in the ETF's prospectus / constitutive documents. In particular, any restrictions in creation/redemption of units and the circumstances under which investors' orders may be refused should be prominently disclosed in the prospectus/constitutive documents. In addition, any fees and charges incurred by the PDs in executing investors' orders or any factors which may reduce the amount of redemption proceeds to investors should also be clearly disclosed in the prospectus.</p> <p>Consultation with the Investment Products Department is encouraged if in doubt with the specific circumstances.</p>
17.	What is the key responsibility of an ETF manager regarding the pricing/arbitrage mechanism of the ETF?	<p>The overall responsibility of an ETF manager is to manage the ETF in the exclusive interest of investors, including the duty to closely monitor the operations (e.g. pricing/arbitrage mechanism) of the ETF. For instance, should an ETF trade at a substantial premium/discount to the NAV, the manager should investigate the matter and take appropriate action promptly.</p>
18.	What are the authorisation conditions of listed closed-ended funds?	<p>As a general policy, closed-ended funds would be acceptable under the UT Code subject to the additional conditions and requirements in view of the closed-end nature of the funds while the closed-ended funds will seek listing on the Main Board of the Stock Exchange of Hong Kong ("SEHK") and the listing platform will effectively provide liquidity to the closed-ended funds.</p> <p>In light of the above, authorisation of a closed-end fund will generally be granted on condition that:</p>

	Question	Answer
		<p>a) the fund will remain listed on the SEHK;</p> <p>b) the fund’s last closing Net Asset Value (“NAV”) will be published on the fund’s website daily;</p> <p>c) potential risk factors regarding the closed-end nature of the fund will be fully and prominently disclosed to investors; and</p> <p>d) the fund will seek unitholders’ approval on the following matters:</p> <ul style="list-style-type: none"> <li>(i) retirement of the Manager and appointment of the replacement manager;</li> <li>(ii) change of investment objective and/or policy;</li> <li>(iii) request for delisting or de-authorisation; and</li> <li>(iv) new issue or units following listing at a price below NAV per unit (save for the issue of units pursuant to any exercise of the over-allotment option as described in the offering circular).</li> </ul> <p>The SFC reserves the power to impose additional conditions.</p>
	<p><b>Investment in real estate investment trusts (“REITs”) by SFC-authorized funds</b></p>	
19.	<p>Are SFC-authorized funds allowed to invest in the initial public offering of a REIT seeking to list on a stock exchange?</p>	<p>SFC-authorized funds are currently allowed to subscribe for securities offered in initial public offerings seeking to list on a stock exchange. These subscriptions are normally conditional on the securities being successfully listed on a stock exchange. This flexibility applies equally to REITs seeking a stock exchange listing.</p>
20.	<p>Does Chapter 7.11 of the UT Code still apply to REITs? Should REITs be considered as “collective investment schemes” or “securities” for the purpose of complying with Chapter 7 requirements?</p>	<p>Under the revised Chapter 7.14 of the UT Code, where investments are made in listed REITs, Chapters 7.1 and 7.2 of the UT Code apply. However, where investments are made in unlisted REITs, which are either companies or collective investment schemes, then Chapters 7.3 and 7.11 apply respectively.</p>
21.	<p>Are SFC-authorized schemes required to obtain approval from their shareholders/unitholders and serve them advance notices if they now</p>	<p>The offering document or prospectus of SFC-authorized schemes should clearly state their investment objectives, policies and investment restrictions. Therefore, where fund managers make use of the flexibility to invest in listed REITs as a result of the</p>

	Question	Answer
	commence investments in listed REITs as a result of the SFC's decision to allow such investments?	revision in the UT Code, they should determine and, where appropriate, seek legal advice, as to whether they have to seek approval from investors or provide them with prior notice, in accordance with the terms of the constitutive documents and offering documents of their funds.
<b>Investment in ETFs by SFC-authorized funds</b>		
22.	Does the SFC consider ETFs as listed securities or Collective Investment Schemes (CIS) for the purpose of Chapter 7 of the UT Code?	<p>ETFs are technically CIS. Yet the SFC is prepared to consider that ETFs with the following characteristics may be deemed as listed securities for the purposes of Chapter 7.1 of the UT Code:</p> <ul style="list-style-type: none"> <li>a) ETFs that are listed and regularly traded on recognised stock exchange open to the public (nominal listing not accepted);</li> <li>b) the investment objective of the ETFs is to track a securities/commodities index or the performance of the ETF is linked with a securities/commodities index. Such index should be able to comply with the acceptability requirements as stipulated under Chapter 8.6(e) of the UT Code.</li> </ul> <p>All SFC-authorized ETFs are deemed as listed securities. The SFC may consider accepting other types of ETFs as securities for the purpose of Chapter 7.1 on a case-by-case basis.</p>
<b>Waivers from compliance with certain provisions of the UT Code (granted by the Committee of Unit Trusts since 1 April 2005)</b>		
23.	Are SFC-authorized close-ended funds listed on the Stock Exchange of Hong Kong (SEHK) subject to the dealing requirement under Chapter 6.13 of the UT Code whereby there must be at least one regular dealing day per month?	In principle, Chapter 6.13 of the UT Code aims to ensure that there are adequate redemption windows available to investors such that they may exit from their investments in a SFC-authorized fund within a reasonable period. The SFC generally considers that the listing platform on the SEHK will effectively provide liquidity to a close-ended fund, as such trading on the SEHK allows investors to purchase and sell units of the fund in a manner similar to other publicly traded securities. The SFC has, therefore, granted a waiver from compliance with Chapter 6.13 of the UT Code with respect to a close-ended fund listed on the SEHK after taking into account that, among others, the fund manager would have procedures and mechanism in place to

	Question	Answer
		<p>ensure that the fund would be widely held at the point of listing – no single unitholder would hold more than 30% of the fund and there would be a minimum of 300 investors, which was in line with the basic requirement regarding public spread of investors for listings of investment companies under Chapter 21 of the Listing Rules.</p> <p>The above waiver was granted subject to the following conditions:</p> <ol style="list-style-type: none"> <li>a) the fund would remain listed on the exchange;</li> <li>b) the fund’s last closing NAV would be published at such times and in such manner acceptable to the SFC (e.g. the closing NAV would be published on the management company’s website on a daily basis);</li> <li>c) potential risk factors regarding the close-ended nature of the fund would be fully and prominently disclosed to investors; and</li> <li>d) the fund would seek unitholders’ approval on the following matters: <ul style="list-style-type: none"> <li>• retirement of its management company and appointment of the replacement management company;</li> <li>• change of investment objective and/or policy;</li> <li>• request for delisting or de-authorisation; and</li> <li>• new issue of units following listing at a price below NAV per unit.</li> </ul> </li> </ol> <p>The requirement relating to payment of redemption proceeds under Chapter 6.14 of the UT Code would not be applicable to a listed close-ended fund which has been granted a waiver from Chapter 6.13.</p>
24.	<p>Pursuant to Chapter 8.6(a) of the UT Code, the principal objective of an index fund is to track, replicate or correspond to an index on equities, debts or other securities, with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the index. Is a SFC-authorized index fund allowed to track or replicate a commodity futures index?</p>	<p>Chapter 8.6(a) of the UT Code provides a general description of indices commonly used by index funds for the purpose of tracking performance. Other indices may emerge as the market develops and the SFC is prepared to consider such indices on a case-by-case basis. The SFC has therefore granted a waiver from compliance with Chapter 8.6(a) of the UT Code and allow an index fund to track a commodity futures index, taking into account the following relevant factors:</p> <ol style="list-style-type: none"> <li>a) acceptability of the commodity futures index in accordance with the criteria set out in Chapter 8.6(e) of the UT Code;</li> <li>b) the investment strategy of the fund and compliance with the UT Code requirements applicable to the types of investments that the fund would invest in;</li> </ol>

	Question	Answer
		<p>and</p> <p>c) additional disclosures (e.g. risks relating to the commodity futures index, information relating to the investment strategy adopted by the fund to track the index performance and the risks associated with the investments of the fund).</p>
25.	<p>Chapter 10.8 of the UT Code provides that where redemption requests on any one dealing day exceed 10% of the total number of units/shares in issue, redemption requests in excess of 10% may be deferred to the next dealing day. Can a SFC-authorized fund impose a lower threshold for deferral of redemptions?</p>	<p>The SFC will consider other thresholds for deferral of redemptions on a case-by-case basis, having regard to the overall measures that a fund will put in place to safeguard investors' interest.</p> <p>The SFC has granted a waiver from strict compliance with Chapter 10.8 of the UT Code to a fund, whereby the fund might defer redemptions if the total number of redeeming shares in any period of four consecutive dealing days exceeded 10% of the total number of shares in issue. In granting that waiver, the SFC has considered that:</p> <ul style="list-style-type: none"> <li>a) the fund was a daily-dealing fund and its offering document has provided that redemptions might not in any event be deferred for more than five consecutive dealing days upon receipt of a redemption request, i.e. the fund would continue to satisfy the requirements under Chapters 6.13 and 6.14 of the UT Code regarding dealing frequency and payment of redemption proceeds respectively;</li> <li>b) the power to defer redemptions would only be exercised under exceptional market conditions taking into account interests of the fund and its investors;</li> <li>c) should the fund proceed with a deferral of redemptions, affected investors would be given the right to cancel their redemption requests deferred. Also, priority of execution would be given to them over redemption applications received subsequently in order to ensure fair allocation to investors; and</li> <li>d) the deferral mechanism was clearly disclosed in the fund's offering document.</li> </ul>
	<p><b>Miscellaneous</b></p>	
26.	<p>If a fund has a master offering document prepared overseas, may I submit a Hong Kong Offering Document instead of the full version of</p>	<p>The basic disclosure requirements for a fund's offering document are set out in Appendix C of the UT Code. The Hong Kong Offering Document must satisfy the UT Code requirements. If the Hong Kong Offering Document relies on references or information in the master offering document to form a complete disclosure document,</p>

	Question	Answer
	the master offering document?	the SFC may require that the master offering document also be authorised. An overseas fund should not circulate its master offering document to the Hong Kong public if the document has not been authorised by the SFC.

*Last updated: 12 November 2008*