

## Frequently Asked Questions relating to Investment-Linked Assurance Schemes

This FAQ is prepared by the Investment Products Division and aims to provide basic information to market practitioners in respect of Investment-Linked Assurance Schemes (“ILAS”), which are subject to the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (“Handbook”), including the Code on Investment-Linked Assurance Schemes effective on 1 January 2019 (the “Effective Date”) under the Handbook (“ILAS Code”) therein. Applicants are encouraged to contact the relevant case team in the Investment Products Division of the Securities and Futures Commission (the “SFC” or “Commission”) if in doubt on any specific issues arising from the application/interpretation of the Handbook or this FAQ. Please note that each application for authorization 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. This FAQ is only for general reference. Compliance with all the requirements in this FAQ does not necessarily mean an application will be accepted or authorization will be granted. The SFC reserves the rights to exercise all powers conferred under the law. Unless otherwise defined herein, all capitalised terms shall have the meanings given to such terms in the Handbook.

### Section 1: FAQ in respect of application procedures

	Question	Answer
1.	This FAQ is obsolete and has been removed.	

	Question	Answer
2.	How do I apply for authorization of an ILAS?	<p>Applicants are required to submit the following documents with the application:</p> <ul style="list-style-type: none"> <li>i. a duly signed and completed <a href="#">Application Form</a>;</li> <li>ii. a duly signed and completed <a href="#">Information Checklist</a>;</li> <li>iii. documents which are required to be submitted under the Information Checklist (including, but without limitation to, (a) the duly signed and completed confirmation (as set out in Annex A thereto) of, inter alia, compliance with the ILAS Code and the applicable provisions in the Overarching Principles Section of the Handbook and that all documents required to be submitted to the Commission for the purposes of the application for authorization have been submitted (“Confirmation of Compliance”), and (b) the duly signed and completed confirmation (as set out in Annex C thereto) as required by the Circular to Product Providers of SFC-authorized unit trusts and mutual funds, SFC-authorized investment-linked assurance schemes and SFC-authorized unlisted structured investment products entitled “Guidance on Internal Product Approval Process”, as amended from time to time);</li> <li>iv. any other relevant confirmations, undertakings and certifications, as the case may be, duly signed and completed by the relevant part(ies); and</li> <li>v. a cheque made payable to “Securities and Futures Commission”, or other means of payment acceptable to the SFC, in the amount of the applicable application fee (please refer to Q2A and Q8 in Section 1 below on payment of fees).</li> </ul> <p>A draft or proof of each document must be submitted in good order and suitable for clearance for the Commission’s prior vetting before the relevant authorization may be granted. During the application process, all changes to any subsequent draft documentation must be properly and comprehensively marked up to facilitate review by Commission staff.</p> <p>An ILAS must issue a bilingual offering document. The Chinese offering document could be submitted when the English offering document is in advanced form before final authorization and it should be accompanied by a written confirmation regarding the accuracy of the Chinese translation (please see Annex B of the Information Checklist).</p> <p>A duly signed and completed Confirmation of Compliance should be re-submitted before final authorization.</p>

	Question	Answer
2A.	<p>What are the requirements for submitting documents and application fee in support of a new ILAS application to the SFC?</p>	<p>To commence an application, various documents, including, for example, offering documents, duly signed and completed application form, information checklist and confirmations, as well as the application fee are required to be submitted to the SFC.</p> <p><i>A) <u>Submission of application documents by soft copy only</u></i></p> <p>Applicants are no longer required to submit hard copy of application-related documents. Instead, applicants shall submit all application-related documents by soft copy only.</p> <p>The official receipt date of a new ILAS application shall be a business day on which the full and complete set of soft copy documents is received by the SFC at or before 6 pm (after which the receipt date will be deemed as the following business day).</p> <p><i>B) <u>Alternatives for signing application documents</u></i></p> <p>Option 1: We will accept submission of un-signed copies of the relevant application forms, information checklists, confirmations and other relevant documents (the “Relevant Forms”), which are required to be completed, as applicable, by an applicant or other parties, provided that the Relevant Forms shall be submitted with an email confirmation (from a person who meets the signatory requirements) that all information and, where applicable, confirmations and undertakings contained in the Relevant Forms (and all documents submitted relating thereto) are true and accurate.</p> <p>Option 2: An applicant may submit scanned copies of the Relevant Forms signed by a person who meets the signatory requirements.</p> <p>For the avoidance of doubt, submission of hard copies of the Relevant Forms is not required under both options.</p> <p><i>C) <u>Taking up new ILAS application(s) with application fee(s) to follow</u></i></p> <p>The SFC will take up new ILAS applications if they are in good order and the application fee is the only outstanding matter. An applicant is expected to submit the application fee as soon</p>

	Question	Answer
		<p>as practicable upon receipt of the Take-up Letter (as defined below) from the SFC, and shall contact its SFC case team to discuss the payment arrangement.</p>
3.	<p>What are the circumstances governing the use of the Application Form?</p>	<p>In principle, all applicants applying for authorization of (i) a new ILAS; or (ii) new investment option(s) to be made available under one or more existing authorized ILAS should complete an Application Form.</p> <p>However, an applicant does not need to use the Application Form for the purposes of applying for authorization of (i) adding any investment option(s) that are already available under one or more existing authorized ILAS to another existing authorized ILAS of the same insurer; or (ii) advertisements in respect any authorized ILAS.</p>
4.	<p>When will the Commission take up an application after I have submitted my application?</p>	<p>Generally, an application will only be taken up by the Commission when an applicant has submitted the documents as mentioned in Q2 and Q2A in Section 1 above. If the Commission is not satisfied with the completeness or sufficiency of the information contained in the first submission package, the package will be returned to the applicant and the application will not be taken up. The Commission also reserves the right not to take up an application if such application is accompanied by documents that do not meet the requirements of the ILAS Code in any material aspect.</p> <p>The Commission has made performance pledges for the processing of applications for authorization of ILAS.</p> <p>As a general guide, the Investment Products Division will issue a take-up letter (“Take-up Letter”) within 2 business days upon receipt of the Application Form, Information Checklist and the necessary documents in support of the application, to inform the applicant that the Commission will process the application. The date of the Take-up Letter (“Take-up Date”) is the date on which the Commission formally takes up the application. The applicant is expected to submit the applicable applications fee as mentioned in Q8 in Section 1 below as soon as practicable upon receipt of the Take-up Letter from the SFC, and shall contact its SFC case team to discuss the payment arrangement. Once an application is taken up, the application fee will not be refunded.</p>

	Question	Answer
5.	This FAQ is obsolete and has been removed.	
6.	Does a Product KFS need to be prepared for each investment option under an ILAS?	No. The Products KFS is only required to be prepared in respect of the scheme-level of an ILAS.
7.	Who can issue the Chinese translation confirmation?	<p>The Chinese translation confirmation 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 ILAS insurer;</li> <li>• the head of the legal department or the compliance officer-in-charge of the ILAS insurer; or</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 truth and accuracy of the relevant Chinese documents has been appointed to do so. Please see Annex B to the Information Checklist for a form of the Chinese translation confirmation.</p> <p>In case where a translator is appointed by one of the above parties, the following should be submitted to us: (i) a confirmation issued by the party appointing the translator to certify that such translator is fully conversant in the Chinese language and competent to review and ensure the truth and accuracy of the relevant Chinese documents; and (ii) the Chinese translation confirmation issued by the translator confirming that the Chinese version of the offering document is a true and accurate translation of the English version of the same.</p>
8.	What are the applicable fees in respect of an ILAS application? Is there any fee waiver?	You will have to pay an application fee according to the table below. Upon the granting of authorization, you will also have to pay an authorization fee and the first annual fee before

	Question	Answer																				
		<p>authorization is effective.</p> <table border="1" data-bbox="869 347 2011 719"> <thead> <tr> <th></th> <th></th> <th>ILAS with only one investment option</th> <th>ILAS with more than, or is capable of maintaining more than, one investment option</th> <th>Each investment option under an ILAS with more than one investment option (see Note 1 below)</th> </tr> </thead> <tbody> <tr> <td>Application Fee</td> <td>HK\$</td> <td>20,000</td> <td>40,000</td> <td>5,000</td> </tr> <tr> <td>Authorization Fee<sup>1</sup></td> <td>HK\$</td> <td>10,000</td> <td>20,000</td> <td>2,500</td> </tr> <tr> <td>Annual Fee<sup>2</sup></td> <td>HK\$</td> <td>6,000</td> <td>7,500</td> <td>4,500</td> </tr> </tbody> </table> <p>The applicable fees payable are as provided in the Securities and Futures (Fees) Rules (Cap. 571AF) (“Fees Rules”) subject to the Commission’s power to grant waiver pursuant to section 11 (waiver of fees) of the Fees Rules. Upon an application for fee waiver supported by valid reasons, if the Commission is of the opinion that the payment of any of the above-mentioned fees would be unduly burdensome or inappropriate, the Commission may waive, in whole or in part, the payment of any fees, or refund, in whole or in part, any fees paid, subject to any applicable minimum amount.</p> <p>Note 1: The Commission is prepared to consider an application for fee waiver to any such investment option linked to a reference fund which has been authorized under section 104 of the Securities and Futures Ordinance.</p> <p>Note 2: The Commission is prepared to consider an application for annual fee waiver if an application for withdrawal of authorization of a scheme has been approved and the annual fee due date falls within the notice period of withdrawal of authorization.</p> <p><sup>1</sup> Authorization fee is required upon the granting of authorization.  <sup>2</sup> The first annual fee is required upon the granting of authorization.</p>			ILAS with only one investment option	ILAS with more than, or is capable of maintaining more than, one investment option	Each investment option under an ILAS with more than one investment option (see Note 1 below)	Application Fee	HK\$	20,000	40,000	5,000	Authorization Fee <sup>1</sup>	HK\$	10,000	20,000	2,500	Annual Fee <sup>2</sup>	HK\$	6,000	7,500	4,500
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	Question	Answer
9.	Will my application lapse after a certain period of time? If so, how long? What should I do if my application has lapsed?	<p>Reference is made to the circular of the SFC to applicants of SFC-authorized investment products relating to the revised application lapse policy dated 29 November 2013.</p> <p>In respect of applications received by the SFC on or after 1 January 2014, if, for any reason, 6 months have elapsed from the Take-up Date (the “6-month Period”) and no authorization has been granted, the application will lapse, subject to the SFC’s right to grant an extension at its sole discretion. The application fee will not be refunded to the applicant. In general, the SFC will only consider granting an extension in limited circumstances (please see answer to Q12 in Section 1 below).</p> <p>Once an application has lapsed, if the applicant wishes to seek authorization of the scheme, the applicant shall make a new application, whereupon it will need to pay the application fee for the new application and repeat the application procedures.</p> <p>Please see Q16 in Section 1 below for the factors which the SFC may take into account when considering whether to grant authorization of a collective investment scheme and/or for the issue of its relevant offering document(s).</p>
10.	Will I be given any prior notice by the SFC in respect of the impending lapse of my application?	<p>If, for any reason, 4 months have elapsed from the Take-up Date and no authorization has been granted, the SFC will issue a letter reminding and informing the applicant that the application will in general lapse at the expiry of 6 months from the Take-up Date.</p> <p>In cases of non-compliance with any key requirement(s), the SFC would be minded to issue a letter of mindedness to refuse an application earlier than 4 months from the Take-up Date where appropriate so that there is efficient use of resources for processing proper applications.</p>
10A.	What will happen if I do not respond or do not provide any substantive response within one month of SFC’s requisitions?	<p>Pursuant to 4.1(b) of the Overarching Principles Section of the Handbook, product providers shall respond to any enquiries made by the SFC in relation to the relevant product and the associated matters promptly and in an open and co-operative manner.</p> <p>In this connection, the SFC expects the applicant to respond to its requisitions within a</p>

	Question	Answer
		<p>reasonable period so as to achieve an efficient and effective authorization process. Unless there is an exceptional reason, the applicant is not expected to take more than one month to respond to SFC's requisitions.</p> <p>Therefore, where the applicant has not responded or provided any substantive response within one month of the SFC's requisitions on an application, the SFC may, where appropriate, inform the applicant ("Reminder") that the SFC is minded to issue to the applicant a letter of mindedness ("LOM") to refuse the application without further notice unless the applicant properly and satisfactorily addresses all SFC's previous requisitions to the SFC's satisfaction within one month from the date of Reminder. Where the applicant has not submitted any response to the SFC or has not properly and satisfactorily addressed all SFC's requisitions to the SFC's satisfaction by the relevant date, the SFC will issue an LOM to the applicant informing the applicant that the SFC is minded to refuse to authorize the application unless all the outstanding issues are addressed to the SFC's satisfaction within the period as specified in the LOM.</p>
11.	This FAQ is obsolete and has been removed.	
12.	Will the SFC extend the application beyond the 6-month Period?	<p>An application will lapse if no authorization is granted before or upon the expiry of the 6-month Period, unless an extension has been granted by the SFC. An extension of the application period will only be granted by the SFC where there is no substantive outstanding issue at the time that the extension is granted subject to the receipt of the following documents by the SFC:</p> <ul style="list-style-type: none"> <li>a. the formal written approval, consent or no objection from any other regulator of ILAS seeking for authorization (where applicable); and/or</li> <li>b. the final signed version of the confirmation and/or Chinese translation confirmation.</li> </ul>
13.	This FAQ is obsolete and has been removed.	



	Question	Answer
13A.	For UF-driven changes, what is the notice period that an ILAS issuer is expected to give policyholders?	In view of the fact that the relevant changes are UF-driven changes, it may not be practicable for an ILAS issuer to give one month's prior written notice to policyholders as otherwise contemplated under 7.11 of the ILAS Code due to circumstances beyond an ILAS issuer's control (for example, where (a) prior notice is not required to be given or (b) less than one month's prior written notice is given by the management company of the underlying / reference SFC-authorized fund to an ILAS issuer). In such cases, an ILAS issuer should inform policyholders as soon as reasonably practicable and without undue delay in order to enable them to appraise the updated position of the investment option(s).
14.	What are the authorization procedures if an ILAS insurer needs to revise a previously-authorized illustration document of an ILAS to comply with the revised ILAS Code?	In applying for authorization of the revised illustration document, an ILAS insurer is required to submit a confirmation to the SFC that the revisions are made solely to reflect the changes to the template as issued on the SFC website.
14A.	<p>On 13 September 2019, the Insurance Authority ("IA") issued the "Guideline on Benefit Illustrations for Long Term Insurance Policies" (the "Guideline") which has taken effect from 23 September 2019 with a 12-month transition period ending on 22 September 2020 with respect to certain requirements as set out in the Guideline (with early adoption encouraged).</p> <p>The specific requirements for illustration documents for ILAS policies are set out in Appendix I to the Guideline. What are the requirements and arrangements in respect of revisions to existing SFC-authorized ILAS illustration document templates that</p>	<p>As from 23 September 2020, ILAS issuers are required to adopt the ILAS illustration document templates in compliance with the requirements set out in Appendix I to the Guideline.</p> <p>Prior approval would not be required from the Commission in respect of revisions to existing SFC-authorized ILAS illustration document templates that are made solely to reflect the requirements set out in Appendix I to the Guideline. Nevertheless, ILAS issuers must file the revised ILAS illustration document templates with the Commission within one week from the date of adoption. A filing letter (which is available via: <a href="https://www.sfc.hk/web/EN/files/PCIP/Illustration_document_templates/ILAS_Illustration_Doc_Filing_Letter.pdf">https://www.sfc.hk/web/EN/files/PCIP/Illustration_document_templates/ILAS_Illustration_Doc_Filing_Letter.pdf</a>), together with all requisite documents as set out therein, must be completed and submitted. Furthermore, each of the revised ILAS illustration document templates must be marked up clearly when filed with the Commission to show all changes made against the latest version authorized by the Commission.</p> <p>The Commission will post-vet the revised ILAS illustration document templates in a vigilant manner to monitor compliance. Where the Commission identifies any issues of non-</p>

	Question	Answer
	<p>are made solely pursuant to Appendix I to the Guideline?</p>	<p>compliance with Appendix I to the Guideline, appropriate actions will be taken promptly. Issuers are strongly reminded that it is their responsibility to ensure the revised ILAS illustration document templates are in full compliance with the requirements set out in Appendix I to the Guideline, the Handbook (including the ILAS Code) and other applicable requirements that may be published by the Commission from time to time.</p> <p>As a general reminder and for the avoidance of doubt, where there are any changes to the ILAS illustration document templates (in addition to those reflecting solely the requirements set out in Appendix I to the Guideline) that would require the Commission's prior approval pursuant to the ILAS Code, issuers must submit separate applications in accordance with the usual procedures and requirements in respect of these changes.</p>
15.	<p>Is the SFC's authorization required for updates to existing marketing/advertising materials which are already SFC-authorized?</p>	<p>For marketing/advertising materials which have been granted authorization in respect of its issue and re-issue, as long as the updates are permitted under the authorization conditions specified in the SFC's authorization letter, no further authorization by, or filing with, the SFC is required.</p> <p>For all other updates/amendments (to the existing SFC-authorized marketing/advertising materials) which are not permitted under the original authorization conditions, authorization of the revised marketing/advertising materials by the SFC is required prior to their issuance. The updates/amendments of the marketing/advertising materials must be clearly marked against the previously authorized version for submission to the SFC.</p> <p>If the changes are made solely to reflect (i) and/or (ii) as set out below, then a corresponding written confirmation must be submitted by the ILAS insurer to confirm the same.</p> <ul style="list-style-type: none"> <li>i. scheme changes pursuant to 7.1 of the ILAS Code and the date of approval of such changes by the SFC;</li> <li>ii. revisions made to the offering documents (including the Product KFS) previously authorized by the SFC and the date of such authorization.</li> </ul> <p>Otherwise, the ILAS issuer must set out in detail and explain all these revisions for our consideration.</p>

	Question	Answer
16.	<p>What would the SFC take into account when considering whether to grant authorization of a collective investment scheme and/or for the issue of its relevant offering document(s)?</p>	<p>Under Part IV of the Securities and Futures Ordinance, on an application to the SFC, the SFC may, where it considers appropriate, authorize any collective investment scheme, and/or authorize the issue of any offering document or advertisement in respect of a collective investment scheme, subject to any conditions the SFC considers appropriate.</p> <p>The SFC may take any factor into account as it considers appropriate. Without prejudice to the generality of this right, when considering whether to grant authorization, the SFC may take into account, among other things, the following:</p> <ul style="list-style-type: none"> <li>• whether all requisite information and documents have been submitted, in all cases to the SFC’s satisfaction;</li> <li>• compliance with the Handbook, including, without limitation, the general principles laid down in the Overarching Principles Section;</li> <li>• the quality of disclosure in the subject offering document(s); and</li> <li>• any past record of non-compliance with the Handbook on the part of any relevant party to the application, refusal/rejection of application, or involuntary revocation/withdrawal of authorization in respect of a prior application, made in Hong Kong or the home jurisdiction of the product in question relating to a product with materially similar structure or features.</li> </ul> <p>Parties to the application are urged to refer to the Handbook and any Frequently Asked Questions published by the SFC from time to time.</p>
17.	<p>When can the SFC be expected to respond to the applicant with comments in respect of an application for authorization of a single-page flyer advertisement or other marketing materials after the date of submission?</p>	<p>Any application for authorization of advertising material must be submitted to the SFC in good order and in suitably advanced form with allowance for a reasonable time for review. The SFC’s overriding duty is to discharge its regulatory functions with a view to ensuring investor protection. Applicants are responsible for and must be mindful of their own commercial or external regulatory deadlines and should not expect the SFC to expedite processing in any circumstances.</p> <p>As a point of general guidance, for applications for authorization of a single-page flyer advertisement or other marketing materials, the SFC requires at least 2 business days from</p>

	Question	Answer
		the date of the submission to review and revert with comments to the applicant, provided that the submission is in good order and in suitably advanced form. More complex or lengthier applications for authorization of advertising material may take longer to review and authorize.
18.	<p>7.1(b) of the ILAS Code has been revised that SFC’s prior approval for changes of the controlling shareholder(s) of a key operator of a scheme<sup>Note</sup> is no longer required.</p> <p>What is the expectation on the notice requirements to policyholders in respect of such scheme change?</p> <p>(Note: “Key operators of a scheme” refers to applicant company, management company or investment delegates of a scheme for the purpose of this FAQ.)</p>	<p>7.11 of the ILAS Code sets out the notice requirements to policyholders in respect of matters relating to a scheme. For changes in the ultimate controlling shareholder(s) of the key operators of a scheme, it is normally expected that one month’s prior written notice should be provided to the policyholders unless otherwise agreed by the SFC.</p>
19.	<p>What are the requirements for submitting post-authorization documents to the SFC?</p>	<p>Set out below are the requirements for submitting documents to the SFC in connection with post-authorization matters of SFC-authorized ILAS.</p> <p><i>A) <u>Submission of documents by soft copy only</u></i></p> <p>ILAS issuers are no longer required to submit hard copy of post-authorization documents. Instead, ILAS issuers shall submit documents by soft copy only for all applications and post-filings.</p> <p>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.</p> <p><i>B) <u>Alternatives for signing documents</u></i></p> <p>Please refer to paragraph (B) of Question 2A under Section 1 of this FAQ.</p>

## Section 2: Others

	Question	Answer
1.	What assumed rates of return can be used in the illustration document (which is required for each ILAS)?	<p>The assumed rates of return are requirements imposed by the Insurance Authority (“IA”) on its life insurance members and are applicable to all ILAS policies.</p> <p>Pursuant to 5.4(a) of the ILAS Code, the ILAS insurer is required to provide an illustration document to prospective scheme participants, prior to signing of the application form, showing the policy value in the event of early surrender with an aim to illustrate the impact of surrender charges on policy value. Illustration shall be made using one of the following options: (i) four assumed rates of return for illustration (i.e. 0%, 3%, 6% and 9% per annum) on two pages with surrender value and death benefit shown on first and second page, respectively; or (ii) three assumed rates of return (i.e. 0%, 3% and 6% per annum) on one page with both surrender value and death benefit shown on the same page. For both options, other than the 0% per annum assumed rate of return, all assumed rates of return are maximum rates and ILAS insurers may choose to illustrate using lower rates which could be determined at the discretion of the ILAS insurer subject to the IA’s requirements.</p> <p>Please refer to the format of illustration document posted on the SFC website.</p>
2.	What are the transitional arrangements for compliance with the ILAS Code effective on the Effective Date (i.e. 1 January 2019)?	<p>As from the Effective Date, the ILAS Code will apply to new ILAS for which applications for authorization are submitted to the Commission on or after the Effective Date.</p> <p>The Commission will generally allow a 12-month transition period from the Effective Date for compliance with the amendments to the ILAS Code (except for those with respect to Chapter 7 of the ILAS Code which will take effect on the Effective Date) in the case of (i) SFC-authorized ILAS as of the Effective Date; and (ii) ILAS for which applications for authorization were submitted to the Commission prior to the Effective Date and are subsequently authorized by the Commission (together referred to as “Existing ILAS”).</p> <p>In addition, Existing ILAS will be grandfathered in respect of the enhanced eligibility requirements for substantial financial institutions (defined under Chapter 3.17 of the ILAS Code) to act as guarantors as set out under Chapters 4.4 and 6.1 of the ILAS Code.</p>

	Question	Answer
3.	Can we use gifts in promoting our ILAS products?	In order to help protect investors from being distracted by the gifts without paying sufficient attention to the features and risks of the specific investment product, all marketing materials of investment products authorized by the SFC should not contain an offer of gift, other than a discount of fees and charges, in promoting a specific investment product.
4.	This FAQ is obsolete and has been removed.	
5.	This FAQ is obsolete and has been removed.	
6.	This FAQ is obsolete and has been removed.	
7.	This FAQ is obsolete and has been removed.	
8.	Can an ILAS issuer add a new investment option which is linked to an SFC-authorized fund that is no longer offered to the public in Hong Kong to an existing SFC-authorized ILAS or a new ILAS?	No, given that the SFC-authorized fund is no longer offered to the public in Hong Kong, no new investment option linked to such fund shall be added to any existing SFC-authorized ILAS or new ILAS.
9.	This FAQ is obsolete and has been removed.	
10.	What are the requirements for proposed changes to be made to the constitutive documents of existing SFC-authorized ILAS and the revisions to their offering	Pursuant to 7.1(a) of the ILAS Code, prior approval is not required from the Commission in respect of changes to the constitutive documents of existing SFC-authorized ILAS in relation to (i) changes that have been certified by the Authorized Insurer as provided under 7.4 of the ILAS Code; or (ii) changes which do not require prior approval from the Commission.

Question	Answer
<p>documents in connection with the US Foreign Account Tax Compliance Act (“FATCA”) and/or other applicable laws and regulations relating to tax reporting and withholding?</p>	<p>Prior approval would not be required from the Commission in respect of changes to be made to the constitutive documents of existing SFC-authorized ILAS solely to the extent required to comply with FATCA and/or other applicable laws and regulations relating to tax reporting and withholding. Nevertheless, the ILAS issuer should provide, among other things, the following confirmations as set out in a filing letter template (which is available via: <a href="http://www.sfc.hk/web/EN/files/PCIP/FAQ/Filing-letter-for-FATCA-20140613.pdf">http://www.sfc.hk/web/EN/files/PCIP/FAQ/Filing-letter-for-FATCA-20140613.pdf</a>) (the “Filing Letter”), together with all requisite documents as set out therein:</p> <ul style="list-style-type: none"> <li>• the ILAS issuer has received competent tax advice and opinion on (i) the FATCA status of the ILAS issuer and the ILAS scheme and (ii) the FATCA disclosures in the revised offering document, constitutive documents of the ILAS scheme and/or notice(s) to policyholders (where applicable and as submitted in the filing) being true and accurate;</li> <li>• there is no indemnification imposed on the ILAS policies and the policyholders as a result of FATCA and/or other applicable laws and regulations relating to tax reporting and withholding; and</li> <li>• the revisions to the constitutive documents and/or offering document of the ILAS scheme do not materially prejudice the interests of investors of the ILAS scheme and will not amount to unfair treatment of policyholders.</li> </ul> <p>In the event that there are any proposed revisions made to the template wording on additional policy terms in respect of FATCA and/or FATCA disclosures in the ILAS offering documents issued on 13 June 2014 by The Hong Kong Federation of Insurers (“HKFI”), the following additional confirmations, as set out in the Filing Letter, will also be required:</p> <ul style="list-style-type: none"> <li>• where the ILAS issuer may effect termination of an ILAS policy as a result of, or purporting to be in respect of, FATCA and/or other applicable laws and regulations relating to tax reporting and withholding, no surrender charges or any other form of penalty will be applied; and</li> <li>• the revised offering document (where applicable) contains the minimum FATCA disclosure information as set out in Q11 in Section 2 below.</li> </ul>

	Question	Answer
		<p>Where changes to constitutive documents will affect existing policyholders and notice(s) are to be issued informing them of these changes, the notice period to be provided to the policyholders should in general be in compliance with the requirement under the ILAS Code. In addition, the ILAS issuer must provide further confirmations as set out in the Filing Letter.</p> <p>The revised offering documents and notice(s) to policyholders of these scheme changes must, nevertheless, be filed with the Commission within one week from the date of issuance in accordance with 7.3 and 7.12, respectively, of the ILAS Code with the Filing Letter. Furthermore, each of the revised offering documents and constitutive documents must be marked up clearly when filed with the Commission to show all changes made against the latest version authorized by or filed with the Commission.</p> <p>The Commission will conduct post-surveillance on the documents and materials filed with us in a vigilant manner to monitor compliance. The Commission may make follow-up enquiries and/or take other regulatory actions as it considers appropriate.</p> <p>As a general reminder and for the avoidance of doubt, where there are any changes to the ILAS offering documents and/or constitutive documents (other than those solely to the extent required to comply with FATCA and/or other applicable laws and regulations relating to tax reporting and withholding in accordance with the requirements of this FAQ) that would require the Commission's prior approval pursuant to the ILAS Code, issuers must submit separate applications in accordance with the usual procedures and requirements in respect of these changes.</p>
11.	What information is required to be disclosed to the investors regarding FATCA?	<p>Reference is made to the circular of the Commission to issuers of SFC-authorized investment products concerning FATCA dated 21 March 2014.</p> <p>ILAS issuers should keep investors informed of information concerning their ILAS which is necessary to enable investors to appraise the position of the ILAS from time to time. In this connection, it is the ILAS issuers' duty to ensure that the offering documents (including the Product KFS) of their ILAS are up-to-date and contain the information necessary for investors to make an informed judgement about the ILAS. At a minimum, the following information is generally expected to be provided to investors in the ILAS offering documents:</p>



	Question	Answer
		<ul style="list-style-type: none"> <li>• a general description of the FATCA regime;</li> <li>• details of any intergovernmental agreement to implement FATCA between the US and the country in which the ILAS issuer is established or located;</li> <li>• disclosure relating to the FATCA status of the ILAS issuers (such as its registered status as a participating foreign financial institution/reporting foreign financial institution or its status as a deemed compliant foreign financial institution);</li> <li>• a warning that all prospective investors should consult with their own tax advisors regarding the possible implications of FATCA on them and the ILAS;</li> <li>• relevant FATCA risk disclosure (including the consequences of any withholding tax on the ILAS issuers and the consequential impact on the ILAS and investors); and</li> <li>• where there is disclosure on the ILAS issuer’s right to effect termination of an ILAS policy as a result of, or purporting to be in respect of, applicable tax laws and regulations (including FATCA), it should also disclose that such termination is required by applicable laws and regulations and/or the ILAS issuer is acting fairly, in good faith and on reasonable ground in exercising such right.</li> </ul> <p>Investors are also reminded to pay close attention to the updates and announcement which may be made by the Government of the Hong Kong Special Administration Region from time to time in relation to the Hong Kong inter-governmental agreement designated to facilitate compliance with FATCA.</p>
12.	<p>What are the points to note for issuers in respect of the disclosure and post-authorization requirements relating to cost of insurance (“COI”) charges by certain ILAS?</p>	<p>For ILAS with COI charges, the COI rates are generally disclosed in a tabulated form (“COI Table”) in the ILAS offering documents. However, unlike other categories of typical ILAS fees and charges which are set out exhaustively and definitively in the offering documents, the COI Table is only indicative in nature because the COI rates may vary according to the personal circumstances (e.g. health conditions, smoking habits) of each policyholder.</p> <p>As such, issuers of ILAS with COI charges must note the following when making COI-related disclosures in the offering documents:</p>

	Question	Answer
		<ul style="list-style-type: none"> <li>• the COI rates, as well as the basis of determination and assumptions used to compile such rates, must be fair and reasonable;</li> <li>• potential investors must be informed to ask their sales intermediaries and/or refer to the customized illustration documents for the details relating to their applicable, personalized COI rates; and</li> <li>• avoid any inappropriate disclosures (e.g. wording which may imply that the ILAS issuer can adjust the COI rates unilaterally and periodically) that may unnecessarily cause confusion to, or mislead, potential investors.</li> </ul> <p>Importantly, issuers are reminded, for the avoidance of doubt, that in the event of any changes to the COI rates disclosed in the COI Table in the ILAS offering documents, the ILAS issuers shall, where appropriate, seek the Commission’s prior approval and provide prior written notification to policyholders in compliance with the requirements under 7.1, 7.2 and 7.11 of the ILAS Code.</p>
13.	<p>What information is required to be disclosed in the ILAS offering documents to investors regarding an investment option available under an SFC-authorized ILAS whose return is determined with reference to an SFC-authorized fund?</p>	<p>Appendix A to the ILAS Code sets out the information necessary to be disclosed in the ILAS offering documents to enable the investors to make an informed judgment when investing in an ILAS. In particular, paragraph (e) therein requires disclosure of certain information regarding the investment options available under an ILAS.</p> <p>In this connection, where the return of an investment option is determined with reference to an SFC-authorized fund, the following information is generally expected to be provided to investors in the ILAS offering documents:</p> <ul style="list-style-type: none"> <li>• name of the investment option (and identification code as assigned by the ILAS issuers, if applicable);</li> <li>• information which is necessary and essential for investors to identify the underlying or reference fund corresponding to the investment option (including name, share class, currency class and management company of the underlying or reference fund);</li> <li>• a prominent statement to the effect that investors should read the offering documents</li> </ul>

	Question	Answer
		<p>of the underlying or reference fund which are made available by ILAS issuers for details of the underlying or reference fund, including, without limitation, its investment objectives and policies, risk factors and charges; and</p> <ul style="list-style-type: none"> <li>• where applicable, specific / bespoke information about the investment option must be disclosed to reflect any features, terms or administrative procedures applicable to the investment option not covered by the offering documents of the underlying or reference fund or different from those applicable to such fund (e.g. minimum subscription amount, different dealing / subscription arrangements, additional fees and charges at investment option level).</li> </ul> <p>To facilitate compliance, the Commission has issued a <a href="#">template</a> for investment option disclosure in ILAS offering documents following consultation with the HKFI.</p> <p>Where an ILAS issuer wishes to include additional information regarding the underlying or reference fund in the ILAS offering documents, it should ensure such disclosure in summary / extract form is necessary and appropriate given that the offering documents of the underlying or reference funds already contain the required disclosure. ILAS issuers are also reminded that they should ensure that disclosure in their ILAS offering documents is accurate and up-to-date.</p>
14.	<p>What are the enhanced compliance requirements for Internal Funds<sup>1</sup> that may be made available under SFC-authorized ILAS?</p>	<p>With effect from 1 January 2019 (the “IFR Effective Date”), all new Internal Funds that are marketed to the public in Hong Kong must comply with the following enhanced compliance requirements (the “IF Enhanced Requirements”):</p> <p>(A) Structural requirements</p> <p>An Internal Fund shall only be structured as either:</p> <ol style="list-style-type: none"> <li>i. a fund-of-SFC-authorized fund portfolios (the “FOF Portfolio”), subject to compliance with the investment and borrowing restrictions (see <b>Note 1</b> below for details); or</li> <li>ii. a portfolio with cash or cash equivalents (the “Cash Management Portfolio”), subject to compliance with the investment and borrowing restrictions (see <b>Note 2</b> below for details).</li> </ol>

	Question	Answer
		<p>(B) Disclosure requirements</p> <p>The enhanced disclosure requirements for Internal Funds are as set out in <b>Note 3</b> below.</p> <p><b>Note 1:</b></p> <p><b><u>Investment and borrowing restrictions in respect of FOF Portfolio</u></b></p> <p>a. A FOF Portfolio may only invest in SFC-authorized funds from time to time. It may invest in any number of SFC-authorized funds so long as the names of these SFC-authorized funds and its respective investment allocations are disclosed in the offering document.</p> <p>b. A FOF Portfolio may only invest in SFC-authorized funds falling under Chapters 7 (plain vanilla funds), 8.2 (Money market funds), 8.6 (Unlisted index funds and index tracking exchange traded funds), 8.9 (Funds that invest extensively in financial derivative instruments), 8.10 (Listed open-ended funds) and 8.11 (Closed-ended funds) of the UT Code.</p> <p>c. A FOF Portfolio may borrow up to 10% (by net asset value) of their underlying assets but only on a temporary basis for the purpose of meeting redemptions or defraying operating expenses.</p> <p>d. Where a FOF Portfolio invests in any SFC-authorized funds managed by the ILAS issuer or its connected person(s) or delegate(s), all initial charges and redemption charges on such underlying funds must be waived.</p> <p>e. The ILAS issuer or its delegate(s) may not obtain a rebate on any fees or charges levied by the underlying funds (or their management companies), or any quantifiable monetary benefits in connection with investments in the underlying funds, of a FOF Portfolio.</p>

	Question	Answer
		<p><b>Note 2:</b></p> <p><b><u>Investment and borrowing restrictions in respect of Cash Management Portfolio</u></b></p> <ul style="list-style-type: none"> <li>a. A Cash Management Portfolio may only invest in and hold cash or cash equivalents in their base currency in short-term bank deposits, bank current accounts, and certificates of deposit.</li> <li>b. A Cash Management Portfolio may not be subject to any borrowing and may only hold instruments issued by counterparty(ies) that fall within the ILAS issuer's stated policy of counterparty creditworthiness.</li> <li>c. The aggregate value of holding of permissible instruments issued by and / or deposits maintained with a single entity should not exceed 20% of the total net asset value of a Cash Management Portfolio.</li> <li>d. The aggregate value of holding of permissible instruments issued by and / or deposits maintained with entities within the same group<sup>2</sup> should not exceed 30% of the total net asset value of a Cash Management Portfolio.</li> <li>e. A Cash Management Portfolio must maintain a portfolio with weighted average maturity<sup>3</sup> not exceeding 60 days and a weighted average life<sup>4</sup> not exceeding 120 days and must not purchase an instrument with a remaining maturity of more than 397 days.</li> <li>f. A Cash Management Portfolio must hold at least 7.5% of its total net asset value in daily liquid assets<sup>5</sup> and at least 15% of its total net asset value in weekly liquid assets<sup>6</sup>.</li> </ul> <p><b>Note 3:</b></p> <p><b><u>Disclosure requirements</u></b></p> <p>The offering document of the relevant ILAS must contain the following information (a sample disclosure template is available via: <a href="http://www.sfc.hk/web/EN/files/PCIP/Checklist-and-Forms/ILAS_Disclosure_template_EN.pdf">http://www.sfc.hk/web/EN/files/PCIP/Checklist-and-Forms/ILAS_Disclosure_template_EN.pdf</a>):</p>

	Question	Answer
		<p>a. Investment objectives and policies of the Internal Funds.</p> <p>b. Details of the investment policies and restrictions of the Internal Funds, including, where applicable:</p> <ul style="list-style-type: none"> <li>i. the composition and material details of the portfolio (including full disclosure of the identities of the SFC-authorized funds in the case of a FOF Portfolio), and the relative proportions / range (if any) of the components in the portfolio. Also, the mechanism by which policyholders can obtain information on the latest portfolio composition must be disclosed clearly;</li> <li>ii. details of any portfolio re-balancing arrangements; and</li> <li>iii. a summary of the applicable investment and borrowing restrictions.</li> </ul> <p>c. A description of the key risk factors associated with the investments in the Internal Funds.</p> <p>d. The categories and level of all fees and charges payable by the Internal Funds.</p> <p>e. The valuation, pricing and dealing arrangements of the Internal Funds.</p> <p>f. A statement to the effect that the Internal Funds are internally managed by the ILAS issuer on a discretionary basis and is not authorized by the SFC pursuant to the UT Code.</p> <p>g. (For a FOF Portfolio) a statement directing investors to read the offering documents of the underlying SFC-authorized funds for further details (including the risk factors), and the address/contact details in Hong Kong where such documents can be obtained free of charge.</p> <p>h. (For a Cash Management Portfolio) a statement that an investment in a Cash Management Portfolio (i) is not the same as placing funds on deposit with a bank or deposit-taking company; (ii) is not subject to the supervision of the Hong Kong Monetary Authority; and (iii) is not a protected deposit and therefore is not protected by the Deposit Protection Scheme in Hong Kong.</p> <p><sup>1</sup> An “Internal Fund” means an investment option available under an SFC-authorized ILAS which is not solely linked to a fund authorized by the SFC pursuant to the Code on Unit Trusts and Mutual Funds (the “UT Code”).</p>

	Question	Answer
		<p><sup>2</sup> Entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards are generally regarded as “entities within the same group”.</p> <p><sup>3</sup> Weighted average maturity is a measure of the average length of time to maturity of all the underlying assets in a Cash Management Portfolio weighted to reflect the relative holdings in each instrument; and is used to measure the sensitivity of a Cash Management Portfolio to changing money market interest rates.</p> <p><sup>4</sup> Weighted average life is the weighted average of the remaining life of each asset held in a Cash Management Portfolio; and is used to measure the credit risk, as well as the liquidity risk.</p> <p><sup>5</sup> Daily liquid assets refers to (i) cash; and (ii) instruments convertible into cash (whether by maturity or through exercise of a demand feature) within one working day.</p> <p><sup>6</sup> Weekly liquid assets refers to (i) cash; and (ii) instruments convertible into cash (whether by maturity or through exercise of a demand feature) within five working days.</p>
14A.	What are the transitional arrangements for compliance with the IF Enhanced Requirements for all Internal Funds existing as at the IFR Effective Date (the “Existing Internal Funds”)?	A transition period of 12 months from the IFR Effective Date will be provided for Existing Internal Funds to comply with the IF Enhanced Requirements. Existing Internal Funds not meeting the IF Enhanced Requirements cannot continue to be marketed to the public in Hong Kong under any SFC-authorized ILAS after the transition period.
15.	The Contracts (Rights of Third Parties) Ordinance (the “TP Ordinance”) will take effect from 1 January 2016. What are the requirements for proposed changes to be made to the constitutive documents of SFC-authorized ILAS (i.e. policy contracts) in connection with the exclusion of the application of the TP Ordinance? What information is required to be	<p>Pursuant to 7.1(a) of the ILAS Code, prior approval is not required from the Commission in respect of changes to the constitutive documents of existing SFC-authorized ILAS in relation to (i) changes that have been certified by the Authorized Insurer as provided under 7.4 of the ILAS Code; or (ii) changes which do not require prior approval from the Commission.</p> <p>Given that the TP Ordinance expressly provides that the rights granted thereunder would not apply if the said contract provides for an express exclusion of such application, prior approval would not be required from the Commission in respect of changes to be made to the constitutive documents (i.e. policy contracts) of existing SFC-authorized ILAS solely to</p>

Question	Answer
<p>disclosed to the investors as a result?</p>	<p>provide for an exclusion of the application of the TP Ordinance. In addition, prior notification to existing policyholders under 7.11 of the ILAS Code is not required as such changes will only apply to new policy contracts to be entered into in respect of an SFC-authorized ILAS.</p> <p>It is the ILAS issuers' duty to ensure that the offering documents (including the Product KFS) of their ILAS are up-to-date and contain the information necessary for investors to make an informed judgment about the ILAS. Therefore, ILAS issuers are expected to disclose in the offering documents the fact that the ILAS policy is excluded from the application of the TP Ordinance. In addition, it should also disclose the implication that other than the ILAS issuer and the policyholder, a person who is not a party to the ILAS policy contract (e.g. a third party beneficiary) shall have no right under the TP Ordinance to enforce any of its terms. Prior approval would not be required from the Commission in respect of any revisions to the offering documents which solely reflect the changes above.</p> <p>Nevertheless, ILAS issuers must file (i) such changes to the constitutive documents (i.e. policy contracts) within one week from the effective date of such changes with the filing form for scheme changes that do not require SFC's prior approval (which is available via: <a href="http://www.sfc.hk/web/EN/forms/products/forms.html">http://www.sfc.hk/web/EN/forms/products/forms.html</a>) and (ii) the revised offering documents within one week from the date of issuance with the filing form for revised offering documents that do not require SFC's prior approval (which is available via: <a href="http://www.sfc.hk/web/EN/forms/products/forms.html">http://www.sfc.hk/web/EN/forms/products/forms.html</a>). Furthermore, each of the revised constitutive documents and offering documents must be marked up clearly when filed with the Commission to show all changes made against the latest version filed with the Commission.</p> <p>The Commission will conduct post-surveillance on the documents filed with us in a vigilant manner to monitor compliance. The Commission may make follow-up enquiries and/or take other regulatory actions as it considers appropriate.</p> <p>As a general reminder and for the avoidance of doubt, where there are any changes to the constitutive documents and offering documents (other than those solely to provide for an exclusion of the application of the TP Ordinance) that would require the Commission's prior approval pursuant to the ILAS Code, issuers must submit separate applications in accordance with the usual procedures and requirements in respect of these changes.</p>



	Question	Answer
16.	<p>Can an investment option available under an SFC-authorized ILAS be linked to an RMB-denominated SFC-authorized fund or the RMB share class of an SFC-authorized fund?</p>	<p>Yes. An investment option available under an SFC-authorized ILAS can be linked to an RMB-denominated SFC-authorized fund or the RMB share class of an SFC-authorized fund for offering to the public in Hong Kong.</p> <p>ILAS issuers should refer to Q13 in Section 2 above on the information required to be disclosed in the ILAS offering documents regarding an investment option available under an SFC-authorized ILAS whose return is determined with reference to an SFC-authorized fund.</p>
17.	<p>The Inland Revenue (Amendment) (No.3) Ordinance 2016 (“Amendment Ordinance”), which puts in place a legislative framework for Hong Kong to implement the automatic exchange of financial account information (“AEOI”), came into effect on 30 June 2016. What are the requirements for proposed changes to be made to the constitutive documents of existing SFC-authorized ILAS (i.e. policy contracts) in connection with the implementation of AEOI under the Amendment Ordinance?</p>	<p>Pursuant to 7.1(a) of the ILAS Code, prior approval is not required from the Commission in respect of changes to the constitutive documents of existing SFC-authorized ILAS in relation to (i) changes that have been certified by the Authorized Insurer as provided under 7.4 of the ILAS Code; or (ii) changes which do not require prior approval from the Commission.</p> <p>Prior approval would not be required from the Commission in respect of changes to be made to the constitutive documents of existing SFC-authorized ILAS solely for the implementation of AEOI under the Amendment Ordinance. Nevertheless, ILAS issuers must file such changes to the constitutive documents within one week from the effective date of such changes with the filing form for scheme changes that do not require SFC’s prior approval (which is available via: <a href="http://www.sfc.hk/web/EN/forms/products/forms.html">http://www.sfc.hk/web/EN/forms/products/forms.html</a>) together with the confirmation that:</p> <ul style="list-style-type: none"> <li>• the changes to the constitutive documents of the ILAS are made solely for the implementation of AEOI under the Amendment Ordinance; and</li> <li>• the changes to the constitutive documents of the ILAS do not materially prejudice the interests of investors of the ILAS and will not amount to unfair treatment of policyholders.</li> </ul> <p>Where changes to constitutive documents will affect existing policyholders and notice(s) are to be issued informing them of these changes, the notice period to be provided to the policyholders should in general be in compliance with the requirements under the ILAS Code.</p> <p>The Commission will conduct post-surveillance on the documents and materials filed with us in a vigilant manner to monitor compliance. The Commission may make follow-up enquiries</p>

	Question	Answer
		<p>and/or take other regulatory actions as it considers appropriate.</p> <p>Where there are any changes to the ILAS constitutive documents (other than those solely for the implementation of AEOI under the Amendment Ordinance in accordance with the requirements of this FAQ) that would require the Commission's prior approval pursuant to the ILAS Code, ILAS issuers must submit separate applications in accordance with the usual procedures and requirements in respect of these changes.</p> <p>In respect of any revisions to the offering documents of existing SFC-authorized ILAS which incorporate the AEOI related disclosures, ILAS issuers should refer to the requirements and filing procedures set out in the Commission's circular to issuers of SFC-authorized collective investment schemes concerning automatic exchange of financial account information dated 20 October 2016.</p>
18.	<p>Pursuant to the Insurance (Levy) Order and the Insurance (Levy) Regulation, the Insurance Authority will start collecting levy on premiums of insurance policies (the "Levy") from policyholders through insurance companies on 1 January 2018. If ILAS issuers would like to make changes to the constitutive documents (i.e. policy contracts) and/or offering documents of their SFC-authorized ILAS in connection with the collection of Levy, what are the requirements under the ILAS Code?</p>	<p>Currently, changes to an ILAS that fall within 7.1 of the ILAS Code would normally require the Commission's prior approval and prior notification to be provided to existing policyholders before the changes are to take effect.</p> <p>Given that the collection of Levy is a statutory change without affecting the existing features of the ILAS, it does not constitute a change to ILAS falling within 7.1 of the ILAS Code. Accordingly, if the ILAS issuers would like to make any changes to the constitutive documents and/or offering documents of their SFC-authorized ILAS to solely reflect the collection of Levy, such changes do not require the Commission's prior approval and the notice requirement under 7.11 of the ILAS Code does not apply.</p> <p>ILAS issuers must file:</p> <ul style="list-style-type: none"> <li>• such changes to the constitutive documents within one week from the effective date of such changes with the filing form for scheme changes that do not require SFC's prior approval (which is available via: <a href="http://www.sfc.hk/web/EN/forms/products/forms.html">http://www.sfc.hk/web/EN/forms/products/forms.html</a>); and/or</li> <li>• the revised offering documents within one week from the date of issuance with the filing</li> </ul>

	Question	Answer
		<p>form for revised offering documents that do not require SFC’s prior approval (which is available via: <a href="http://www.sfc.hk/web/EN/forms/products/forms.html">http://www.sfc.hk/web/EN/forms/products/forms.html</a>).</p> <p>Each of the revised constitutive documents and offering documents must be marked up clearly when filed with the Commission to show all changes made against the latest version filed with the Commission.</p> <p>As a general reminder, where there are any changes to the constitutive documents and/or offering documents (other than those made solely to reflect the collection of Levy) that would require the Commission’s prior approval pursuant to the ILAS Code, ILAS issuers must submit separate applications in accordance with the usual procedures and requirements in respect of these changes.</p>
19.	<p>What information is required to be disclosed to investors if an investment option (available under an SFC-authorized ILAS) pays dividend received from its corresponding underlying / reference SFC-authorized fund(s) which may pay dividend out of/effectively out of its capital (“Dividend Payout Investment Option”)?</p>	<p>The offering documents of SFC-authorized ILAS should clearly state the distribution policy of the ILAS (including their investment options).</p> <p>A Dividend Payout Investment Option typically links to a distributing share class of an underlying / reference SFC-authorized fund which may pay dividend out of / effectively out of capital. Such investment option will pay any dividend received from the underlying / reference fund to investors according to its distribution policy.</p> <p>Where an SFC-authorized ILAS makes available any Dividend Payout Investment Option(s), its offering documents should, at a minimum, disclose the following information prominently:</p> <ol style="list-style-type: none"> <li>a. the corresponding underlying / reference fund may at its discretion pay / effectively pay dividend out of the capital of the fund;</li> <li>b. payment of dividends out of capital by the corresponding underlying / reference fund amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment;</li> <li>c. any distributions involving payment of dividends out of capital / effectively out of capital may result in an immediate reduction of the net asset value per share/unit of the</li> </ol>

	Question	Answer
		<p>underlying / reference fund, which may have a negative impact on the price of the Dividend Payout Investment Option;</p> <p>d. the associated risks and consequential impact on the ILAS and investors, including, without limitation, reduction in the policy value and death benefit payable;</p> <p>e. the amount of dividend paid by the Dividend Payout Investment Option and the Dividend Composition Information (as defined in Q34 in the Frequently Asked Questions on the Code on Unit Trusts and Mutual Funds<sup>1</sup> (“FAQ on the UT Code”)) of the corresponding underlying / reference fund for the last 12 months (the “IO Dividend Related Information”) are made available by the ILAS issuer on request and also on the website of the SFC-authorized ILAS (if any); and</p> <p>f. the ILAS issuer may amend the distribution policy of the ILAS (including their investment options) subject to SFC’s prior approval and by giving not less than one month’s prior notice to investors.</p> <p>For the avoidance of doubt, the above requirements shall not be applicable to an investment option which does not pay dividend or make any distribution at all according to its distribution policy (for example, any investment option linked to the accumulation share class of the underlying / reference fund(s) or any dividend received from the underlying / reference fund(s) will be automatically reinvested in the same underlying / reference fund(s)).</p> <p>Please refer to Q20 in Section 2 below for the disclosure requirements when issuing marketing materials of SFC-authorized ILAS which highlight or advertise the regular dividend payment / distribution features of the Dividend Payout Investment Options and/or their corresponding underlying / reference funds.</p>

<sup>1</sup> Please see the FAQ on the UT Code via the following link: <https://www.sfc.hk/web/EN/faqs/publicly-offered-investment-product/code-on-unit-trusts-and-mutual-funds.html>.

	Question	Answer
19A.	This FAQ is obsolete and has been removed.	
19B.	Does the SFC require the IO Dividend Related Information to be disclosed in a particular manner?	<p>The IO Dividend Related Information should be clearly presented with the minimum information below in respect of each of the Dividend Payout Investment Options and make available by the ILAS issuers on request and on the website of the SFC-authorized ILAS (if any):</p> <ol style="list-style-type: none"> <li>the dividend per notional unit of the Dividend Payout Investment Option;</li> <li>the Dividend Composition Information of the corresponding underlying / reference funds provided by the respective investment manager / Hong Kong representative in a manner set out in Q34(A) in the FAQ on the UT Code, or the information as to how to make available such information;</li> <li>a statement as to whether the Dividend Composition Information of the corresponding underlying / reference fund is the same as that of the Dividend Payout Investment Option (if they are not the same, a statement explaining the deviation should be disclosed); and</li> <li>the following warning statement in a prominent manner: <p><b><i>“Warning: Please note that a positive distribution yield does not imply a positive return. Investors should not make any investment decision solely based on information contained herein. You should read the ILAS offering documents and the relevant offering documents (including the key facts statement) of the corresponding underlying / reference funds for further details including the risk factors.”</i></b></p> </li> </ol>
19C.	As stated in Q19 in Section 2 above, the IO Dividend Related Information for the last 12 months (“12-month Period”) shall be made available by the ILAS issuer on	The 12-month Period is intended to be a rolling 12-month period starting from the date on which payment of dividends is being made by a Dividend Payout Investment Option after the Distribution Requirements Effective Date.

	Question	Answer												
	<p>request and also on the website of the SFC-authorized ILAS (if any). Does it mean the ILAS issuer has to prepare the IO Dividend Related Information in the past 12 months preceding the publication date of that FAQ i.e. 11 May 2018 (“Distribution Requirements Effective Date”)?</p> <p>Also, do I need to make available to investors all of the historical information on IO Dividend Related Information that has been previously disclosed?</p>	<p>As an illustration, if a Dividend Payout Investment Option pays dividends on a quarterly basis (i.e. March, June, September and December in each calendar year), it is expected to make available / disclose, at minimum, the IO Dividend Related Information in respect of the following distributions during the following periods once distribution is made:</p> <table border="1" data-bbox="869 472 1960 1034"> <thead> <tr> <th data-bbox="869 472 1413 587">Illustrated Period</th> <th data-bbox="1413 472 1960 587">IO Dividend Related Information in respect of the following distributions is to be made available / disclosed</th> </tr> </thead> <tbody> <tr> <td data-bbox="869 587 1413 703">After the Distribution Requirements Effective Date and until and after the Jun 2018 distribution</td> <td data-bbox="1413 587 1960 703">Jun 2018</td> </tr> <tr> <td data-bbox="869 703 1413 786">After the Sep 2018 distribution and prior to the Dec 2018 distribution</td> <td data-bbox="1413 703 1960 786">Jun 2018, Sep 2018</td> </tr> <tr> <td data-bbox="869 786 1413 869">After the Dec 2018 distribution and prior to the Mar 2019 distribution</td> <td data-bbox="1413 786 1960 869">Jun 2018, Sep 2018, Dec 2018</td> </tr> <tr> <td data-bbox="869 869 1413 952">After the Mar 2019 distribution and prior to the Jun 2019 distribution</td> <td data-bbox="1413 869 1960 952">Jun 2018, Sep 2018, Dec 2018, Mar 2019</td> </tr> <tr> <td data-bbox="869 952 1413 1034">After the Jun 2019 distribution and prior to the Sep 2019 distribution</td> <td data-bbox="1413 952 1960 1034">Sep 2018, Dec 2018, Mar 2019, Jun 2019</td> </tr> </tbody> </table> <p>The disclosure mentioned above only represents the minimum requirement. As such, ILAS issuer may continue to make available to investors any historical IO Dividend Related Information that had been previously disclosed from time to time in such manner as the ILAS issuer considers necessary and/or appropriate to enhance the transparency of the Dividend Payout Investment Option’s distribution policy.</p>	Illustrated Period	IO Dividend Related Information in respect of the following distributions is to be made available / disclosed	After the Distribution Requirements Effective Date and until and after the Jun 2018 distribution	Jun 2018	After the Sep 2018 distribution and prior to the Dec 2018 distribution	Jun 2018, Sep 2018	After the Dec 2018 distribution and prior to the Mar 2019 distribution	Jun 2018, Sep 2018, Dec 2018	After the Mar 2019 distribution and prior to the Jun 2019 distribution	Jun 2018, Sep 2018, Dec 2018, Mar 2019	After the Jun 2019 distribution and prior to the Sep 2019 distribution	Sep 2018, Dec 2018, Mar 2019, Jun 2019
Illustrated Period	IO Dividend Related Information in respect of the following distributions is to be made available / disclosed													
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After the Dec 2018 distribution and prior to the Mar 2019 distribution	Jun 2018, Sep 2018, Dec 2018													
After the Mar 2019 distribution and prior to the Jun 2019 distribution	Jun 2018, Sep 2018, Dec 2018, Mar 2019													
After the Jun 2019 distribution and prior to the Sep 2019 distribution	Sep 2018, Dec 2018, Mar 2019, Jun 2019													
20.	Can an SFC-authorized ILAS highlight or advertise the regular dividend payment / distribution feature of its Dividend Payout	Issuers of marketing materials of SFC-authorized ILAS should comply with all applicable regulatory requirements, including the Advertising Guidelines Applicable to Collective Investment Schemes Authorized under the Product Codes.												

	Question	Answer
	<p>Investment Options and/or their corresponding underlying / reference funds in the marketing materials?</p> <p>If so, can the SFC provide some guidance with respect to such marketing materials?</p>	<p>When issuing marketing materials of the SFC-authorized ILAS which highlight or advertise the regular dividend payment / distribution feature of the Dividend Payout Investment Options and/or their corresponding underlying / reference funds, ILAS issuers must:</p> <ul style="list-style-type: none"> <li>i. observe the overriding principles set out in Q39 of the Frequently Asked Questions on Advertising Materials of Collective Investment Schemes Authorized under Product Codes<sup>2</sup> (“FAQ on Advertising Materials”) and exercise their professional judgment in a prudent manner;</li> <li>ii. ensure compliance of, among other regulatory and legal requirements, the guidance under Q39A to Q39E of the FAQ on Advertising Materials (certain examples are provided in Q39F for illustrative purposes) to the extent applicable; and</li> <li>iii. disclose the information referred to in (a), (b), (c) and (d) in Q19 in Section 2 above in a prominent and upfront manner (e.g. the risk disclosure box).</li> </ul>
21.	<p>Are the applicants required to file a soft copy of the issued offering documents to the SFC?</p>	<p>Yes. To enable the SFC to post the offering documents of the SFC-authorized ILAS 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 <u>one week</u> 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.</p> <p>Applicants may submit the authorized offering documents by way of e-mail or by means of a compact disc to their case officer(s) of the Investment Products Division who is responsible for overseeing the relevant ILAS issuer.</p>
22.	<p>What types of scheme changes will not be regarded as material changes for the</p>	<p>Scheme changes which can satisfy the Overriding Requirements (as defined below) would not generally be regarded as material changes for the purposes of 7.1(c) of the ILAS Code.</p>

<sup>2</sup> Please see the FAQ on Advertising Materials via the following link: <http://www.sfc.hk/web/EN/faqs/publicly-offered-investment-product/advertising-materials-of-collective-investment-schemes-authorized-under-the-product-codes.html>.

	Question	Answer
	<p>purposes of 7.1(c) of the ILAS Code and therefore do not require SFC's prior approval?</p>	<p>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 7.1(c) of the ILAS Code and do not require the SFC's prior approval:</p> <ul style="list-style-type: none"> <li>• the changes do not amount to a material change to the scheme;</li> <li>• there will be no material change or increase in the overall risk profile of the scheme/investment option(s) following the changes; and</li> <li>• the changes do not have a material adverse impact on policyholders' rights or interests (including changes that may limit policyholders' ability in exercising their rights).</li> </ul>
23.	<p>Can the SFC provide some guidance as to the key information or disclosure expected to be set out in the notice(s) to policyholders regarding scheme changes to an SFC-authorized ILAS falling within 7.1 of the ILAS Code?</p>	<p>Below are some illustrative examples of information/disclosure that are expected to be included in notice(s) regarding changes falling within 7.1 of the ILAS Code. Additional disclosures may be required depending on the particular circumstances of each case.</p> <ol style="list-style-type: none"> <li>a. Clear description of the salient terms of the proposed changes, including, if applicable, the following key features and risks of the scheme(s) / investment option(s): <ol style="list-style-type: none"> <li>i. The implications on the features and risks applicable to the scheme(s)/investment option(s).</li> <li>ii. Any proposed changes in the operation of the scheme(s) and the effect on existing policyholders.</li> <li>iii. Any change in the fee level of scheme(s)/investment option(s) following the implementation of the proposed changes.</li> <li>iv. Any costs and/or expenses that will be incurred in connection with the proposed changes and who (e.g. the scheme and/or the ILAS issuer) will bear them. Amount of costs and/or expenses where they will be borne by the scheme(s).</li> <li>v. Any matters/impact arising from the proposed changes that may materially prejudice the existing policyholders' rights or interests.</li> </ol> </li> <li>b. Reasons and rationale of the proposed changes.</li> </ol>



	Question	Answer
		<p>c. The publication date of the notice(s) and the effective date of the proposed changes.</p> <p>d. Where applicable, reference to where and how the offering documents of the scheme(s) and the corresponding underlying funds can be obtained.</p> <p>e. Hong Kong contact (including address and telephone number) for enquiries by policyholders.</p> <p>f. 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 ILAS issuer accepts full responsibility for the accuracy of the information contained in the notice etc.</p> <p>ILAS issuers should include such other information that are necessary for the policyholders to appraise and to comprehend the changes proposed to be made to the scheme(s)/investment option(s).</p>
24.	Who can sign the application forms relating to the approval of scheme changes pursuant to 7.1 of the ILAS Code and authorization of revised offering documents and filing forms for scheme changes and revised offering documents which do not require SFC’s prior approval?	The relevant application forms and filing forms should be duly completed and properly executed by the senior ranking executive of the applicant with overall responsibility for the application. However, the senior ranking executive of the applicant may designate an appropriate person to execute and sign the relevant forms on his/her behalf.
25.	Will further authorization be required to be obtained from the SFC prior to the issuance of the revised offering documents of an SFC-authorized ILAS	<p>Following the IO Events under an SFC-authorized ILAS, the ILAS offering documents shall be updated as soon as practicable to reflect the IO Events.</p> <p>No further authorization from the SFC is required for revision(s) to the ILAS offering</p>

	Question	Answer
	which solely reflect the (i) merger, (ii) termination and/or (iii) withdrawal of authorization of an investment option (collectively, the “IO Events”)?	documents which are made solely to reflect the IO Events. Such offering documents shall nevertheless be filed with the SFC within one week from the date of issuance pursuant to 7.3 of the ILAS Code using the relevant filling form.

### Section 3: Novel coronavirus (COVID-19)

	Question	Answer
1.	This FAQ has been removed.	Please refer to Question 2A and Question 19 under Section 1 of this FAQ.

Last update: 13 August 2020