

## Frequently Asked Questions on France-Hong Kong Mutual Recognition of Funds

These frequently asked questions (FAQs) are prepared by the Investment Products Division to provide guidance to market practitioners regarding the France-Hong Kong Mutual Recognition of Funds (MRF) scheme. Firms are encouraged to contact the relevant case team in the Investment Products Division if they are in doubt on any specific issues arising from the application/interpretation of the matters relating to the MRF.

The information set out below is not meant to be exhaustive. These FAQs may be updated and revised from time to time. These FAQs are only for general reference. Compliance with all the requirements in these FAQs does not necessarily mean that an application will be accepted or an 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 them in the Circular on Mutual Recognition of Funds between the France and Hong Kong issued by the SFC on 10 July 2017 (SFC Circular), as amended from time to time and the AMF requirement and process for mutual recognition of Hong Kong Funds dated 10 July 2017 (AMF Circular), as amended from time to time.

|    | Question   | Answer   |
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| 1. | How should French Covered Funds that would like to seek SFC authorization submit their applications? | <p>Applications of French Covered Funds seeking authorization under the MRF received by the SFC will be processed according to the fund authorization process as set out in the Frequently Asked Questions on Application Procedures for Authorization of Unit Trusts and Mutual Funds.</p> <p>As provided in paragraph 45 of the SFC Circular, soft copies of the Application Documents should be emailed to <a href="mailto:mrffrance@sfc.hk">mrffrance@sfc.hk</a>. The names of the applicants and the names of the French Covered Funds under application should be clearly indicated in both the emails' subject and body.</p> <p>Please refer to Question 2 of Frequently Asked Questions on Application Procedures for Authorization of Unit Trusts and Mutual Funds for the latest fee schedule.</p> <p>An application is considered received by the SFC only upon the SFC's receipt of the soft copies of all the required Application Documents.</p> |

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|    |   | <p>In general, the Investment Products Division will issue a letter (Take-up Letter) within 5 business days upon the receipt of the Application Documents, to inform the applicant that the SFC will process the application. The date of the Take-up Letter (i.e. the Take-up Date) is the date on which the SFC formally takes up the application. The applicant is expected to submit the applicable application fee as soon as practicable upon receipt of the Take-up Letter from the SFC. Once an application is taken up, the application fee will not be refunded.</p> <p>During the application process, all changes to any subsequent draft documentation must be properly and comprehensively marked up to facilitate review by the SFC.</p>   |
| 2. | <p>Who can issue marketing materials in respect of French Covered Funds? Will these marketing materials need SFC's prior authorization?</p> | <p>All advertisements and marketing materials in relation to a French Covered Fund issued in Hong Kong shall comply with the relevant Hong Kong laws and regulations, including but not limited to the requirements set out in the Advertising Guidelines Applicable to Collective Investment Schemes Authorized under the Product Codes issued by the SFC.</p> <p>French Covered Funds should issue advertisement and marketing materials via a representative or distributor who is licensed or registered for Type 1, Type 4 or Type 6 regulated activity or based on other applicable exemptions under section 103 of the Securities and Futures Ordinance. Such materials would not be subject to authorization/pre-vetting by the SFC but would be subject to post-vetting by the SFC. The representative or distributor should also take responsibility for the advertisements and marketing materials that it issues.</p> |
| 3. | <p>Will the Hong Kong representative of a French Covered Fund be required to be licensed by the SFC?</p>                                    | <p>To be eligible to act as a Hong Kong representative, the Code on Unit Trusts and Mutual Funds (UT Code) requires a Hong Kong representative must be (a) licensed or registered under the Securities and Futures Ordinance (SFO); or (b) a trust company registered under Part VIII of the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and such company is an affiliate of an authorized financial institution defined under the SFO and is acceptable to the Commission.</p> <p>The UT Code does not mandate that the Hong Kong representative must be licensed or registered for any particular regulated activity. However, Hong Kong</p>  |

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|    |   | <p>representatives that carry on regulated activities under the SFO must be licensed or registered accordingly. For example, if the Hong Kong representative would like to distribute the French Covered Fund in Hong Kong, it would need to be licensed for Type 1 regulated activity.</p> <p>Please refer to Chapter 9 of the UT Code for further details.</p>  |
| 4. | <p>What are the language requirements for the Hong Kong offering documents of French Covered Funds?</p> | <p>The Hong Kong offering documents of the French Covered Funds should be prepared in English and Chinese.</p> <p>The English version of the French Covered Funds' Hong Kong offering documents should be submitted at the time of application.</p> <p>The Chinese version of such offering documents should be submitted together with the Chinese translation confirmation(s) regarding the truth and accuracy of the Chinese translation (in prescribed form as set out in the Information Checklist <a href="http://www.sfc.hk/web/EN/forms/products/forms.html">http://www.sfc.hk/web/EN/forms/products/forms.html</a>) prior to the authorization becoming effective.</p> <p>The Chinese translations should take into account market practices and customary use of Chinese language in Hong Kong.</p> |
| 5. | <p>How should French Covered Funds prepare the product key facts statement (KFS)?</p>                   | <p>For the preparation of KFS, a French Covered Fund should refer to the KFS illustrative template for General Funds (<a href="http://www.sfc.hk/web/EN/regulatory-functions/products/product-authorization/products-key-facts-statements.html">http://www.sfc.hk/web/EN/regulatory-functions/products/product-authorization/products-key-facts-statements.html</a>) for necessary guidance.</p> <p>In particular,</p> <ol style="list-style-type: none"> <li>the following statement is expected to be included in the KFS in an upfront and prominent manner:</li> </ol> <p>“This is a French fund authorized for public offering in Hong Kong pursuant to Mutual Recognition of Funds between France and Hong Kong arrangement.”</p>   |

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|    |  | <p>2. the following statements is expected to be included in the “Additional Information” section of the KFS:</p> <p>“This fund, authorized by the SFC for offering, marketing and distribution to the public in Hong Kong, remains governed by laws, ordinances and other regulations or requirements applicable in France and is supervised by the Autorité des Marchés Financiers in France. It complies with rules (including investment restrictions) that are different from the requirements applicable to other SFC-authorized funds established under the Hong Kong laws.”</p>  |
| 6. | How should Hong Kong Covered Funds that would like to seek AMF’s authorization submit their applications?  | Before starting an application with the AMF, applicant should consult the SFC for the issuance of an eligibility certificate pursuant to paragraph 45 of the AMF Circular. Upon the issuance of such certificate, the SFC will notify the applicant that the applicant could submit the application to the AMF.  |
| 7. | Is there any prescribed form for the Hong Kong Covered Management Company’s confirmation to the SFC that at least 20% of the Hong Kong Covered Fund’s net asset value is attributable to investors in Hong Kong for the purpose of paragraph 16 of the AMF Circular? | <p>Pursuant to paragraph 16 of the AMF Circular, the Hong Kong Covered Management Company shall confirm to the SFC semi-annually (i.e. end of June / December each year) that at least 20% of the Hong Kong Covered Fund’s net asset value is attributable to investors in Hong Kong at the end of each reporting period.</p> <p>For compliance with such requirement, the Hong Kong Covered Management Company should submit to the SFC a duly signed and completed confirmation (in prescribed form as set out in the Form of Confirmation from Hong Kong Covered Management Company to the SFC pursuant to paragraph 16 of the AMF requirement and process for mutual recognition of Hong Kong Funds dated 10 July 2017 (<a href="http://www.sfc.hk/web/EN/forms/products/forms.html">http://www.sfc.hk/web/EN/forms/products/forms.html</a>)) within one week from end of June / December, as the case may be.</p> |

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