

MEMO# 31445

October 18, 2018

Hong Kong - United Kingdom Mutual Recognition Framework

[31445]

October 18, 2018 TO: ICI Global Regulated Funds Committee
International Operations Advisory Committee RE: Hong Kong - United Kingdom Mutual Recognition Framework

On 8 October 2018, the Hong Kong Securities and Futures Commission (SFC) and the UK Financial Conduct Authority (FCA) announced that they had entered into a Memorandum of Understanding (MoU)[\[1\]](#) which will allow eligible investment funds (“covered funds”) to be mutually recognised for distributed between the Hong Kong and UK markets through a streamlined process.

The appendices to the MoU contain circulars from the FCA[\[2\]](#) and SFC[\[3\]](#) (“the circulars”) which set out the principles, eligibility requirements and rules for the mutual recognition framework, as outlined below.

General Principles

The circulars set out the following principles for covered funds that have been authorised by either the FCA or SFC:

- The Covered Fund must meet the eligibility requirements in accordance with the relevant circular and comply with all of the applicable requirements set out in the circular;
- The Covered Fund must remain authorised by the relevant Authority in the home jurisdiction and be allowed for public offering within the home jurisdiction;
- The Covered Fund must operate and be managed in accordance with the relevant laws and regulations in the home jurisdiction and its constitutive documents;
- The sale and distribution of the Covered Fund in the host jurisdiction must comply with the applicable laws and regulations in the host jurisdiction;
- Where relevant, the Covered Fund and its Covered Management Company must comply with the additional rules required by the relevant Authority in the host jurisdiction governing the authorisation or recognition of the Covered Fund, including post-authorisation or recognition requirements, and the sale and distribution of the Covered Fund in the host jurisdiction;
- Investors of the Covered Fund must be treated fairly; there must be no arrangements which provide an advantage for investors in the home jurisdiction that would result in

- prejudice to the investors in the host jurisdiction, and vice versa; and
- Post sale ongoing disclosure of information on the Covered Fund must be made available to investors in the home jurisdiction and host jurisdiction at the same time (so far as is reasonably practicable given the different time zones of the jurisdictions).

Eligibility requirements and types of eligible funds

The circulars set out specific eligibility requirements and mandate that covered funds must fall into one or more of the following fund types under the SFC's Unit Trust Code:

- General equity funds, bond funds and mixed funds;
- Feeder funds, where underlying fund falls within a specific fund types and complies with the requirements in the relevant circular;
- Fund of funds;
- Index funds; or
- Passively managed index tracking exchange traded funds.

Requirements on covered funds

Various requirements are set out for covered funds, in the following areas:

- the appointment of local representatives and/or of the provision of local investor facilities;
- changes to funds, including investor notification;
- distribution, including offering documents and ongoing investor disclosures

Giles Swan
Director of Global Funds Policy, ICI Global

endnotes

[1] Memorandum of Understanding (MoU) between the Securities and Futures Commission of Hong Kong and the Financial Conduct Authority Concerning Mutual Recognition of Covered Funds and Covered Management Companies and related Cooperation, dated 8 October 2018, available from

[https://www.sfc.hk/web/EN/files/ER/PDF/FINAL_UK%20MRF%20MOU%20with%20Appendix%20B%20\(20181008\).pdf](https://www.sfc.hk/web/EN/files/ER/PDF/FINAL_UK%20MRF%20MOU%20with%20Appendix%20B%20(20181008).pdf)

[2] FCA Circular, Mutual Recognition of Funds between the UK and Hong Kong, available from <https://www.fca.org.uk/publication/mou/fca-circular-mrf-uk-hong-kong.pdf>

[3] SFC Circular, Mutual Recognition of Funds between the UK and Hong Kong, available from <https://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=18EC70>