Code on Pooled Retirement Funds

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Implementation schedule

The effective date of this Code is 1 December 2021.

For the purpose of the implementation of this Code:

(a) "New schemes" refer to PRFs or investment portfolios which apply for the SFC's authorization on or after the effective date;

(b) "New operators" refer to (i) management companies which do not manage any PRFs or investment portfolios as at the effective date; (ii) trustees which do not act as the trustee for any PRFs or investment portfolios as at the effective date (new trustees); (iii) insurance companies which do not act as the insurance company of any PRFs or investment portfolios as at the effective date; and (iv) product providers which do not act as the product provider for any PRFs or investment portfolios as at the effective date;

(c) "Existing schemes" refer to (i) PRFs or investment portfolios which are authorized by the SFC as at the effective date; and (ii) PRFs or investment portfolios which applied for the SFC's authorization prior to the effective date and are authorized by the SFC on or after the effective date; and

(d) "Existing operators" refer to (i) management companies which are managing any PRFs or investment portfolios as at the effective date; (ii) trustees which are acting as the trustee for any PRFs or investment portfolios as at the effective date (existing trustees); (iii) insurance companies which are acting as the insurance company of any PRFs or investment portfolios as at the effective date; and (iv) product providers which are acting as the product provider for any PRFs or investment portfolios as at the effective date.

As from the effective date, this Code will apply to new schemes with new operators with immediate effect.

As for existing schemes and existing operators, a transitional period of 12 months from the effective date will be provided to comply with this Code unless otherwise set out in the attached table.

Topics	Provisions of this Code	New schemes with all new operators	New schemes with any combination of new operators and existing operators	New schemes with all existing operators	Existing schemes with existing operators
IV. Specific requirements for different types of investment portfolios					
Appointment of Management Company	5.1	E			

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PART I: GENERAL MATTERS

Chapter 3: Interpretation

Unless otherwise defined, words and expressions used in this Code are as defined in the SFO.

3.1A “Advertising Guidelines” means the Advertising Guidelines Applicable to Collective

3.12C "SFO" means the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

3.13 "substantial financial institution" means an authorized institution as defined in section 2(1) of the Banking Ordinance (Chapter 155 of Laws of Hong Kong), or a financial institution which is on an ongoing basis subject to prudential regulation and supervision, with a minimum net asset value of HK$2 billion or its equivalent in foreign currency.

3.14 "trustee" means an entity appointed pursuant to 6.1 of this Code.

3.15 "UF-driven changes" means changes to an investment portfolio falling within 10.1 of this Code that solely reflect changes made to the corresponding underlying SFC-authorized fund and such underlying fund changes have been approved, or are not required to be approved by the Commission pursuant to the UT Code or the SFC Code on MPF Products.

3.16 "UT Code" means the Code on Unit Trusts and Mutual Funds.

(d) 5.10(c) of the UT Code applies;

Note: References therein to "public in Hong Kong" shall be replaced by "scheme participants".

(e) take reasonable care to ensure that the relevant parties are properly qualified for the performance of their respective duties and functions and discharging their respective obligations under this Code, having regard to the requirements as set out in the relevant Chapters of this Code; and

(f) 5.10(g) of the UT Code applies.

Chapter 5: Management Company

Appointment of Management Company

5.1 Every direct investment fund must have a management company acceptable to the Commission and shall comply with this Chapter on an ongoing basis. For the avoidance of doubt, a management company may be appointed for an investment portfolio (which is not a direct investment fund) on a voluntary basis where appropriate.

Notes (1): The management company of a direct investment fund should be licensed by or registered with the Commission to carry on a business in asset management under Part V of the SFO and should also be currently managing fund(s) authorized by the Commission under the UT Code.

(2): The voluntarily appointed management company should be licensed by or registered with the Commission to carry on a business in asset management under Part V of the SFO or based in a jurisdiction with an inspection regime acceptable to the Commission.

(3): The investment delegate (who has been delegated the investment management function of an investment portfolio) should either be licensed or registered in Hong Kong (see 5.6 below) or based in a jurisdiction with an inspection regime acceptable to the Commission.

(4): A list of acceptable inspection regimes is published on the Commission's website. The Commission will consider other jurisdictions on their merits and may accept an undertaking from the relevant management company or investment delegate that the books and records in relation to its management of the investment portfolio will be made available for inspection by the Commission on request.

5.2 5.2 of the UT Code applies.

5.3 5.3 of the UT Code applies.

Qualifications of Directors

5.4 5.4 of the UT Code applies.

Criteria for Acceptability of Management Company

5.5 5.5 of the UT Code applies.

Licensing Requirement

5.6 5.6 of the UT Code applies.

General Obligations of Management Company

5.6A A management company must comply with the following:

(a) 5.10(a) of the UT Code applies;

Note: References therein to "constitutive documents" shall be replaced by "constitutive documents and this Code".

(b) 5.10(b) of the UT Code applies (except for the requirements for preparation of financial reports);

(c) 5.10(e) of the UT Code applies; and

(d) 5.10(f) of the UT Code applies.

Note: Note to 5.10(d) of the UT Code applies and references therein to (i) "trustee/custodian" shall be replaced by "trustee or the insurance company", and (ii) "4.5" shall be replaced by "6.4A/6A.2 of this Code".

Retirement of Management Company

5.7 5.11 of the UT Code applies.

Note: References therein to:
(i) "trustee" shall be replaced by "trustee or the insurance company"; and
(ii) "directors of a mutual fund corporation" shall be deleted.

5.8 5.12 of the UT Code applies.

5.9 5.13 of the UT Code applies.

Note: References therein to:
(i) "trustee" shall be replaced by "trustee or the insurance company"; and
(ii) "directors of a mutual fund corporation" shall be deleted.

5.10 5.14 of the UT Code applies.

Note: References therein to:
(i) "trustee" shall be replaced by "trustee or the insurance company"; and
(ii) "directors of a mutual fund corporation" shall be deleted.

5.11 [Deleted]

Chapter 6: Trustee

Appointment of Trustee

6.1 Every PRF and investment portfolio must be governed by a trust with a trustee that is acceptable to the Commission and shall comply with this Chapter on an ongoing basis, unless the PRF or investment portfolio is the subject of or regulated by an insurance arrangement.

Note: An acceptable trustee should be subject to prudential regulation and supervision on an ongoing basis. Trustee shall appoint an independent auditor to periodically review its internal controls and systems on terms of reference in compliance with this Code (see Appendix E to this Code) and should file such report with the Commission, unless such trustee is also currently submitting an internal control review report under Appendix G to the UT Code as a trustee/custodian of SFC-authorized fund(s) and confirms to the Commission that the applicable internal control measures in respect of such SFC-authorized fund(s) also apply to the PRF and investment portfolio(s) under its trusteeship.

6.2 A trustee must be one of the following:

(a) 4.2(a) of the UT Code applies;

(b) a trust company registered under Part VIII of the Trustee Ordinance (Chapter 29 of Laws of Hong Kong) which is a subsidiary of such a bank or a banking institution falling under 6.2(d) or of an insurance company authorized in Hong Kong;

Note: In determining the acceptability of a subsidiary of a banking institution falling under 6.2(d), the Commission will take into account factors including the level of oversight and supervision from such banking institution.

(c) 4.2(c) of the UT Code applies; or

(d) 4.2(d) of the UT Code applies.

6.3 4.3 of the UT Code applies.

6.4 Notwithstanding 6.3, the trustee's paid-up share capital and non-distributable capital reserves may be less than HK$10 million if the trustee is a wholly-owned subsidiary of a bank or an insurance company (the holding company); and

(a) 4.4(a) of the UT Code applies; or

(b) 4.4(b) of the UT Code applies.

General Obligations of Trustee

6.4A The trustee must comply with the following:

(a) 4.5(a) of the UT Code applies;

(b) 4.5(b) of the UT Code applies;

(c) 4.5(c) of the UT Code applies;

Note: References therein to "prices" shall be replaced by "prices and number of units (where applicable)".

(d) 4.5(d) of the UT Code applies;

Note: References therein to "this UT Code" shall be replaced by "this Code".

(e) 4.5(e) of the UT Code applies;

(f) confirm annually to the Commission and in the annual statement to scheme participants that, in its opinion, each management company has in all material respects managed the PRF and/or investment portfolio(s) in accordance with the provisions of the constitutive documents and this Code; if a management company has not done so, the respects in which it has not done so and the steps which the trustee has taken in respect thereof;

(g) 4.5(g) of the UT Code applies;

(h) 4.5(h) of the UT Code applies;

(i) 4.5(i) of the UT Code applies;

Note: References therein to "4.5(a)(iii)" shall be replaced by "6.4A(a) of this Code".

(j) 4.5(j) of the UT Code applies; and

Note: References therein to:
(i) "this UT Code" shall be replaced by "this Code"; and
(ii) "Appendix G" shall be replaced by "Appendix E to this Code".

(k) 4.5(k) of the UT Code applies.

Note: References therein to:
(i) "management company" shall be replaced by "Product Provider"; and
(ii)

the UT Code shall be replaced by "ensure"; and

(iii) references to "take reasonable care to ensure that the methods adopted by the management company in calculating the value of units/shares are adequate to ensure" in 4.5(c) of the UT Code shall be replaced by "ensure that the methods adopted in calculating the value of units are adequateuateuatated06002

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7.5 [Deleted]

Jurisdiction

7.6 9.10 of the UT Code applies.

schemes pursuant to 1.2 of the UT Code.

8.12 [Deleted]

Register of ORSO schemes

8.13 The trustee, insurance company or the person so appointed by the trustee or the insurance company must maintain a register of ORSO schemes. The Commission must be advised on request of the address(es) where the register is kept.

Pricing, issue and redemption

Initial offers

8.14 6.10 of the UT Code applies.

Valuation and pricing

8.15 6.11 of the UT Code applies.

8.15A 6.11A of the UT Code applies.

Note: References therein to "trustee/custodian" shall be replaced by "trustee or the
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(b) a statement to the effect that discretionary benefits will be distributed to scheme participants if the investment income of the guaranteed fund (net of fees, charges, smoothing or other reserves) is in excess of the guaranteed amount;

(c) a warning statement that the amount of such discretionary benefits could be nominal;

(d) how and by whom such discretionary benefits are determined and the extent of any discretion that may be exercised in making such determination;

(e) the rates of return declared for the last five years;

(f) a statement that past performance should not be taken as an indication of future performance; and

Note: For a guaranteed fund with less than five years track record, figures for shorter periods may be shown, provided the date of commencement is shown.

(g) a readily comprehensible description of the methods of determining the discretionary benefits, including the following information, to the extent applicable:

(I) the reporting date; and

(II) (i) for a participating product where a scheme participant has a right to participate in profits from the long term fund of the policy issuer or any part of that fund

(i) details of the fund or part fund to which the right relates;

(ii) the principles on which the distribution of profits among scheme participants is based and whether these principles are derived from the constitution of the policy issuer or otherwise;

(iii) the bonus/return rates declared for the last five years; and

(iv) the proportions of total distributed profits that were distributed to scheme participants for the last five years;

(ii) for an investmentc39fu29 (c)-2 66.011(s)8.8 (4-2 (i)2v-9 (iv)-5 ())]T6.6 (i)2d5 (t)-6

(iii) for an investment account product

(i) a description of the method which will be used to calculate the interest rate for each period; and

(ii) the rates of interest declared for the last five years.

Note: For the purpose of 9.3, the relevant rates, proportions and percentage changes may be published on the website of the scheme.

PART III: POST-AUTHORIZATION REQUIREMENTS

Chapter 10: Post -authorization Requirements

Scheme Changes , notifications and ongoing disclosures

10.1 The proposed changes to a PRF or an investment portfolio (other than UF-driven changes) in respect of the following must be submitted to the Commission for prior approval:

(a) 11.1(a) of the UT Code applies;

Note: References therein to "trustee/custodian as provided under 6.7 or approved by holders" shall be replaced by "trustee/insurancededub .004 Tw 0Tw -18f7

10.4 [Deleted]

Transaction s with connected person

11.6 All transactions between the scheme and the Product Provider, guarantor,

(iii) C14(c) of Appendix C to the UT Code applies.

Notes: (1) Notes (1) and (2) apply.
(2) References therein to "11.1A, 11.1B and 11.2 of this UT Code" shall be replaced by "10.1A, 10.1B and 10.11 of this Code".

A summary of all fees and charges in tabular form should be provided to allow scheme participants to have an overview of the fees structure at a glance. Where complex calculations are required to disclose fees and charges, illustrative examples should be given for clarity.

(e) Investment Objectives and Restrictions

Summary of investment objective and policy of the investment portfolios including, where applicable:

(i) the types of intended investments, and their relative proportions in the portfolio;

(ii) the geographical distribution of the intended investments;

(iii) the investment and borrowing restrictions;

(iv) if the nature of the investment policy so dictates, a warning that the investment portfolio is subject to special risks, and a description of the risks involved, and where appropriate, the risk management policy in place; and

(v) details of securities financing transactions of the investment portfolio including, at a minimum, the disclosure requirements under C2(a) to (h) of Appendix C to the UT Code.

Notes: (1) For fund investing in SFC-authorized fund(s), scheme participants can be directed to the offering documents of the underlying fund(s) for such details.
(2) References therein to:
(i) "trustee/custodian" under C2(f) of Appendix C to the UT Code shall be replaced by "trustee or the insurance company"; and
(ii) "management company" shall be replaced by "Product Provider, guarantor, management company".

(f) Borrowing Powers

The circumstances under which the investment portfolio may have outstanding borrowings and the purpose for which such outstanding borrowings were incurred.

(g) Summary of Provisions in Constitutive Documents

A summary of the provisions described in paragraphs (d), (f), (g) and (j) of Appendix B to this Code with respect to:

- Valuation of Property and Pricing

- Characteristics of Contributions

- Benefits

- Conditions of Termination

(h) Rebates

C15 of Appendix C to the UT Code applies.

Note: References therein to "10.12 of this UT Code" shall be deleted.

(i) Application and Withdrawal Procedures

A summary of procedures for application and withdrawal.

C8, C9 and C11 of Appendix C to the UT Code apply.

Note: References therein to:
(i) "11.7 of this UT Code" shall be replaced by "10.15 of this Code"; and
(ii) "in the case of umbrella funds" shall be deleted.

(j) Governing Law

The governing law of the PRF should be disclosed and an acknowledgment that the parties concerned have the right to bring legal action in a Hong Kong court as well as in any court elsewhere which has a relevant connection with the PRF.

(k) Taxation

Where the likely tax benefits to be enjoyed by scheme participants are described, the principal brochure should also briefly explain the Product Provider's understanding of the tax implications for scheme participants, based on expert advice received by the Product Provider.

Scheme participants should also be advised to seek professional advice regarding their own particular tax circumstances.

(l) Date of publication of the principal brochure

C21 of Appendix C to the UT Code applies.

(m) Responsibility Statement

A statement that the Product Provider accepts responsibility for the accuracy of the information contained in the principal brochure and confirms, having made all reasonable enquires, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

APIF(s) (including their investment objectives and policies, and risk factors) shall be disclosed in the principal brochure of the PRF.

(ii) details of any investment portfolio re-balancing arrangements; and

(iii) full disclosure of the identity(ies) of the underlying SFC-authorized fund(s).

(x) For 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.

Appendix B

Contents of the Constitutive Documents

The constitutive documents should incorporate the detailed terms and conditions of the PRF and investment portfolio(s) . The paragraphs which follow illustrate the details which the Commission will look for although it is prepared to be flexible in determining which criteria should apply. For the avoidance of doubt, the contents of the constitutive documents should not be contradictory to the applicable provisions of this Code.

(a) *Name and Type of PRF and investment portfolio(s)*

(b) *Parties Involved*

A statement to specify the parties involved in the operation of the PRF and investment portfolio(s) including, as applicable, the Product Provider, the management company, the guarantor, the trustee and the auditor, giving full particulars of their functions, duties and obligations, as well as details relating to their retirement, removal and replacement.

(c) *Investment Returns*

A detailed description of how the investment returns of the investment portfolios are determined, for example, with reference to:

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the scheme participants

(g) *Benefits*

(i) The currency, dates and places of payment of benefits.

(ii)

(l) *Governing Law*

The governing law of the PRF must be specified.

Note: See 8.6 and paragraph (j) of Appendix A to this Code.

Appendix C

[Deleted]

Appendix D

[Deleted]

Appendix E