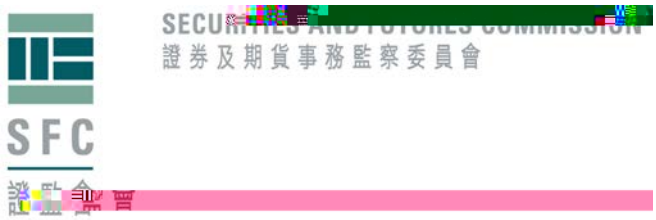

Memorandum of Understanding (MoU)

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

This MoU has been concluded between the Securities and Futures Commission of Hong Kong (SFC) and the Financial Conduct Authority (FCA) in light of global financial market growth and increasing cross-border activity in asset management and the offering and distribution of collective investment schemes. Its purpose is to facilitate (i) operation in relation to collective investment schemes, based in either Hong Kong or the UK.

It is acknowledged that UK management companies (with passporting rights) will be treated as Delegates for Hong Kong domiciled collective investment schemes authorized by SFC and UK domiciled collective investment schemes authorised by FCA for being offered to the public respectively.

The SFC is the principal regulator of the securities and futures market in Hong Kong and the primary authority for regulating retail funds offered to the public in Hong Kong. The role of the SFC is as follows: licensing and supervision of the activities of intermediaries, including fund managers and distributors; authorising funds and their offering documents to be offered to the public in Hong Kong and the ongoing supervision of SFC authorised funds.

As a statutory body, the SFC's regulatory objectives and functions are defined and governed by the Securities and Futures Ordinance. The SFC's regulatory objectives include:

- to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;
- to help the public understand the workings of the securities and futures industry;
- to provide protection for the investing public;
- to minimise crime and misconduct in the securities and futures industry;
- to reduce systemic risks in the securities and futures industry; and
- to assist the Financial Secretary in maintaining Hong Kong's financial stability.

The FCA is responsible for making and enforcing rules governing the conduct of the firms which it authorises and regulates, regulating standards of conduct in retail and wholesale markets, and for supervising the trading infrastructures that support those markets in the UK. The FCA is responsible for the prudential supervision of firms that are not regulated by the Prudential Regulation Authority (PRA), and is responsible for the regulation of primary securities markets, including via monitoring market disclosures, reviewing and approving prospectuses, and operating the UK listing regime. The FCA also has the power to recognise collective investment schemes that are managed in countries or territories outside the UK subject to the requirements set out in the Financial Services and Markets Act 2000 (FSMA 2000).

The FCA has a single strategic objective: to ensure that the relevant markets function well (see section 1F of FSMA 2000). Three operational objectives support this strategic objective: securing an appropriate degree of protection for consumers (including wholesale consumers) (section 1C of FSMA 2000); protecting and enhancing the integrity of the financial system (section 1D of FSMA 2000); and promoting effective competition in the interest of consumers in the markets for financial services (section 1E of FSMA 2000).

SFC and FCA express their willingness to cooperate with each other in the interest of fulfilling their respective supervisory and regulatory mandates, particularly with the aim of protecting investors and ensuring that the financial markets function properly.

Article 1 Definitions

In this MoU:

a) "Authority" or "Authorities" means SFC and/or FCA.

b) "CIS" means collective investment scheme.

c) "COLL" means the Collective Investment Schemes sourcebook forming part of the FCA's Handbook of rules and guidance.

d) "Covered Entity" means a Covered Fund and/or Covered Management Company.

e) "Covered Fund" means a UK UCITS and/or a Hong Kong CIS which is seeking authorisation (Hong Kong) or recognition (UK) or is authorised (Hong Kong) or recognised (UK) on a cross-border basis in accordance with Article 3 paragraph 1 of this MoU.

f) "Covered Management Company" means a UK Management Company or a ss

z) “UT Code” means the Code on Unit Trusts and Mutual Funds of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products issued by the SFC, as may be amended, supplemented or otherwise modified from time to time.

Article 2 General provisions

1. This MoU is a statement of intent to cooperate in relation to Covered Entities to the extent possible under Domestic Law.

2.

2. Appendix B may be amended from time and time and each Authority will publish the content of the latest version on its website.

3. In accordance with Domestic Law, each Authority may impose specific requirements on a Covered Fund in light of the specific circumstances of that CIS, whether upon or subsequent to the authorization or recognition of the relevant CIS.

Article 4 Scope of cooperation

1. Cooperation includes, inter alia, consultation, exchange of information, Cross-border On-site Visits and matters of mutual supervisory interest, including regulatory developments.
2. Cooperation will be most useful in, but is not limited to, the following circumstances:
   a) the initial application of a Covered Entity from one jurisdiction for authorization or recognition in the other jurisdiction; and
   b) the ongoing supervision of a Covered Entity.
3. Subject to the provisions of Domestic Law, the Authorities may cooperate:
   a) on an ongoing basis or ad hoc;
   b) orally or in writing; and
   c) upon request or on their own initiative (i.e. without a formal request).

Article 5 Notification

1. The Authorities will inform each other to the extent possible and as soon as practicable about:
   a) any known material event that could impact the proper functioning of the financial markets, or have a significant adverse impact on Covered Entities or investors of Covered Funds; and
   b) any enforcement action taken by them, including the revocation of, suspension of or modifications to relevant authorisations, licences, or registrations in respect of a Covered Entity which may have, in their reasonable opinion, a material impact on that Covered Entity.
2. With respect to a Covered Fund, each Authority will, to the extent possible, inform the other in a timely manner of:
   a) any decision or, where appropriate, pending decision to revoke the authorisation for distribution in or from the UK or Hong Kong taken by it;
   b) relevant issues such as the revocation of, or any significant changes to authorisations, licences or registrations of related Covered Entities; and
   c) (where applicable and practicable in the relevant jurisdiction) complaints from investors in relation to the Covered Entity which are brought to the Authority's attention and which are material in that Authority's opinion.
3. As necessary from time to time, each Authority will inform the other about any significant amendments to Domestic Law which are likely to have a material impact on the matters covered by, and/or cooperation under, this MoU.
4. Once a year, each Authority will provide the other with a list of the Covered Funds authorised or recognised in the other Authority's jurisdiction under the relevant Domestic Law in accordance with this MoU.