



Memorandum of Understanding (MoU)
between
the Securities and Futures Commission of Hong Kong
and
the Autorité des Marchés Financiers
concerning Mutual Recognition of Covered Funds, Management
Companies and related Cooperation

Dated 10 July 2017

This MoU has been concluded between SFC and AMF in light of global financial market growth and increasing cross-border activity in asset management and the offering, marketing and distribution of shares or units of collective investment schemes. Its purpose is to enable companies of collective investment schemes, based in either Hong Kong or France and licensed by the SFC or authorized by the AMF, respectively, to agree to promote reciprocal market access for fund providers by facilitating cross-border offering, marketing and distribution of certain funds between their jurisdictions subject to the requirements set out in this MoU and its Appendices.

SFC and AMF express their willingness to cooperate

- c) "CIS" means collective investment schemes.
- d) "COMOFI" means the French Monetary and Financial Code (Code monétaire et financier) as may be amended, supplemented or otherwise modified from time to time.
- e) "Covered Entities" means Covered Funds and/or Covered Management Companies.
- f) "Covered Fund" means French UCITS Funds or Hong Kong CIS authorized or seeking authorization on a cross-border basis.

- t) “Management Company” means:
 - i. “French Management Company” which means a corporation authorized by the AMF to manage CIS assets in accordance with the COMOFI, the RG AMF, and the applicable AMF’s instructions, positions and recommendations; and/or
 - ii. “Hong Kong Management Company” which means a corporation which is licensed by the SFC for Type 9 regulated activity (asset management) in accordance with Part V of the SFO.
- u) “Overarching Principles Section” means the Overarching Principles Section 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.
- v) “Person” means a natural person or legal person, or an unincorporated entity or association, including partnerships and corporations.
- w) “Requested Authority” means the Authority to whom a request is made under this MoU.
- x) “Requesting Authority” means the Authority making a request under this MoU.
- y) “RG AMF” means the General Regulation (règlement général) issued by the AMF, as may be amended, supplemented or otherwise modified from time to time.
- z) “SFO” means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) which governs the securities and futures market in Hong Kong, as may be amended, supplemented or otherwise modified from time to time.
- aa) “UCITS” means an undertaking for collective investment in transferable securities authorized in accordance with Article 5 of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as may be amended, supplemented or otherwise modified from time to time.
- bb) “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 an agreement concluded by the AMF and the SFC to promote reciprocal market access for fund providers by facilitating cross-border offering, marketing and distribution of certain funds to retail investors in France and to the public in Hong Kong, subject to the requirements set out in this MoU and its Appendices.
2. This MoU is also an agreement concluded by the AMF and the SFC to cooperate in relation to the supervision of Covered Entities that may engage in cross-border offering, marketing and distribution of shares or units of CIS to retail investors in France and to the public in Hong Kong in a manner consistent with domestic laws and regulations applicable in the Host Jurisdiction.
3. This MoU does not create any legally binding obligations, confer any rights, modify or supersede any domestic laws and regulations.
4. This MoU complements, but does not alter, the terms and conditions of existing arrangements between the Authorities including without limitation, the MoU concerning consultation, cooperation and the exchange of information related to the supervision of AIFMD entities established by the European Securities and Markets Authority to which AMF and SFC are signatories and the IOSCO MMoU.

5. Within the framework of this MoU, each Authority will remain responsible for regulating and supervising the Covered Entities under its jurisdiction. The Covered Funds should be operated and managed in accordance with the domestic laws and regulations in the Home Jurisdiction as well as with their constitutive documents.
6. Within the framework of this MoU, each Authority will remain responsible for regulating and supervising the offering, marketing and distribution of a Covered Fund within its jurisdiction in compliance with the applicable domestic laws and regulations where and to the extent that such offering, marketing and distribution are carried out in its jurisdiction. The offering, marketing and distribution of the Covered Funds in the Host Jurisdiction shall comply with the applicable domestic laws and regulations in the Host Jurisdiction. Subject to the provisions in this MoU, the Covered Entities should comply with additional rules provided in Appendix B to this MoU by the Host Authority governing the authorization, post-authorization and ongoing compliance in the context of the offering,

Article 3 Scope of mutual agreement

1. Covered Funds

- a) Pursuant to this MoU, the Authorities agree to authorize Covered Funds for offering, marketing and distribution in Hong Kong and France respectively through a streamlined process of one month (the “one-month period”)¹, as set out in Appendix B to this MoU, provided that the Covered Funds meet the applicable conditions as set out in Appendix B.
- b) Appendix B may be amended from time to time by mutual agreement between the Authorities and each Authority will publish the content of the latest version on its website.

2. Management Companies

Based on their common understanding of their regulatory and supervisory frameworks concerning management companies, the Authorities agree that their respective Covered Management Companies are eligible to manage Covered Funds authorized in their Home Jurisdiction and offered, marketed and distributed in the Host Jurisdiction provided that the Covered Management Companies meet the applicable conditions set out in Appendix B and that the offering, marketing and distribution of the Covered Funds comply with the requirements set out in the domestic laws and regulations of the Host Jurisdiction.

Article 4 Delegation

1. The AMF recognises that Hong Kong Management Companies may be appointed as Delegates of the investment management function for French UCITS Funds, which includes French Covered Funds, which are or may be authorized by the AMF under the COMOFI, the RG AMF, and the applicable AMF's instructions, positions and recommendations provided that the delegation arrangement complies with the requirements provided in domestic laws and regulations in France.
2. The SFC recognises that French Management Companies may be appointed as Delegates of the investment management function for Hong Kong CIS, which includes Hong Kong Covered Funds, which are or may be authorized by SFC under Section 104 of the SFO provided that the delegation arrangement complies with the requirements provided in domestic laws and regulations in Hong Kong.

Article 5 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 but does not include Enforcement Actions which are covered by the provisions of the IOSCO MMoU.
2. Cooperation will be most useful in, but is not limited to, the following circumstances:
 - a) the initial application of Covered Funds from one jurisdiction for authorization by the Host Authority; and,
 - b) the ongoing supervision of Covered Entities.
3. The Authorities may cooperate:
 - a) on an ongoing basis or ad hoc, upon request or without prior request (i.e. unsolicited assistance); and,
 - b) orally, provided that it is confirmed in writing shortly thereafter, or in writing.

¹ Such period may be extended to two months should additional information be required by the Host Authority as set out in Appendix B.

Article 6 Provision of assistance for the implement

- b) information relevant to the financial and operational condition of a Covered Entity, including, for example, reports on capital reserves, liquidity or other prudential measures, and internal control procedures;
- c) relevant supervisory information and reports a Covered Entity is required to submit to an Authority including, for example, interim and annual financial statements and early warning notices;
- d) where appropriate, any inspection findings formally communicated to a Covered Entity in writing;
- e) information relevant for monitoring and responding to the potential implications of the activities of Covered Entities to ensure the proper functioning of the financial markets;
- f) other information which is relevant to a Covered Fund;
- g) Enforcement Actions against any Management Company which have, had or may have significant impact on the operations of such Management Company in the Requesting Authority's jurisdiction; and

Appendix A

Contact points

The contact points are:

Authority	Contact details
SFC (Hong Kong)	Securities and Futures Commission 35/F, Cheung Kong Center 2 Queen's Road Central Hong Kong Email address: - mrffrance@sfc.hk
AMF (France)	Autorité des Marchés Financiers 17 place de la Bourse 75002 Paris France Email addresses: - servicedesaffairesinternationales@amf-france.org - celluleinternationale@amf-france.org

Appendix B - I – SFC Circular

7. In view of the differences between the Hong Kong and the French regulatory regimes, to ensure proper investor protection and consistency with existing Hong Kong SFC-authorized funds, this Circular sets out the additional requirements with which a French Covered Fund has to comply when applying for SFC authorization for offering, marketing and distribution to the public in Hong Kong under the MRF, as well as other requirements which a French Covered Fund has to observe after obtaining SFC authorization.
8. The SFC will grant authorization to a French Covered Fund for offering, marketing and distribution to the public in Hong Kong within one month (the one-month period)² provided that the French Covered Fund meets all the applicable requirements set out in this Circular and that the SFC has received a complete and satisfactory set of Application Documents as described in paragraph 45 in relation d)

Jurisdiction

17. The French Covered Management Company shall ensure and procure its distributors to ensure that Hong Kong investors are able to bring actions concerning the French Covered Fund and the French Covered Management Company in the courts of Hong Kong.

Changes to French Covered Funds

18. No change shall be made to a French Covered Fund resulting in non-compliance with the Eligibility Requirements set out in Annex B to this

28. Termination of a French Covered Fund shall require the approval of the AMF with immediate notice from the AMF to the SFC. Termination notice to Hong Kong investors should be submitted to the SFC for prior approval.

Sale/distribution, offering documents, ongoing disclosure and advertisements

Sale/distribution

29. The sale and distribution of a French Covered Fund in Hong Kong must be conducted by intermediaries properly licensed by or registered with the SFC. The sale and distribution of a French Covered Fund in Hong Kong shall comply with

36. The French Covered Management Company shall ensure fair treatment of investors in France and Hong Kong regarding the ongoing disclosure of information of a French Covered Fund (including periodic financial reports and notices).
37. The ongoing disclosure should be filed with the SFC as soon as possible and in any event within one week after it has received AMF's authorization or is filed with the AMF.
38. French Covered Funds shall comply with the requirements set out in Annex A to this Circular and on an ongoing basis, disclose any other information which may have a material impact on investors in Hong Kong.
39. Subject to paragraph 41, a French Covered Fund may use its French financial reports as the basis for distribution in Hong Kong, provided that it is supplemented by the additional information and meet the other requirements set out in Annex A to this Circular.

Language

40. The offering documents and notices to Hong Kong

- g. a cheque made payable to “Securities and Futures Commission” in the amount of the applicable application fee (see Q.3 of the FAQs on Application Procedures for Authorization of Unit Trusts and Mutual Funds under the Revamped Process).
- 46. Upon receipt of the Application Documents, the SFC will have five working days to assess that all Application Documents have been duly and properly submitted.
- 47. Provided that the French Covered Fund meets all the applicable requirements set out in this Circular and if no requisition letter, as described in paragraph 48 below, is issued by the SFC, the SFC will grant authorization with conditions⁵ to a French Covered Fund within the one-month period. The one-month period will start from the date the SFC confirms that it has received, to its satisfaction, the Application Documents listed in paragraph 45 above. Should a requisition letter be issued by the SFC, the SFC will grant authorization to a French Covered Fund within two months (the two-month period) provided that all out

Annex A

Requirements to be complied with by all French Covered Funds

1. General requirements	
Mention of SFC authorization	1.10 of the Overarching Principles Section (OPS) of the SFC Handbook
Naming of a French Covered Fund	5.1 and 5.2 of the OPS of the SFC Handbook
Availability of constitutive documents	5.10(c) of the UT Code
Accompaniment to offering documents	6.3 and 6.4 of the UT Code
Inclusion of performance data	6.5 of the UT Code
Dealing	6.14 and 10.5(c) of the UT Code
Transaction fees and performance fee	Note to 6.16 and 6.17 of the UT Code
Pricing errors	10.2 of the UT Code, FAQ 4 in the Frequently Asked Questions on Post Authorization Compliance Issues of SFC-authorized Unit Trusts and Mutual Funds
Self-managed schemes	A self-managed scheme must appoint a French Covered Management Company that is authorized by AMF to manage collective investment scheme in accordance with Article L. 532-9,II, 1° of the French Monetary and Financial Code, and Article 312-2 and Article 313-48 of the General Regulation of the AMF as investment manager.
2. Disclosure requirements in relation to offering documents (Note: this may be included in the Hong Kong covering document)	
Language	5.6 of the OPS of the SFC Handbook
Product key facts statement	6.5 – 6.8 of the OPS of the SFC Handbook and 6.2A of the UT Code
Use of disclaimers	6.12 of the OPS of the SFC Handbook
Enquiries and complaints handling	7.4 of the OPS of the SFC Handbook
Distribution fees and advertising or promotional expenses	To disclose such fee arrangements (if any) in the offering documents
Use of financial derivative instruments for investment propose	8.9(j)(ii) and 8.9(j)(iii) of the UT Code
Information to be disclosed in the offering document	Appendix C to the UT Code (paragraphs 3(c), 3(d), 3(e), 3(g), 6, 8, 10, 11, 12, 14(c), 16, 18, 18A, 19, 19A, 20, 23 and 24), FAQ 27B in the Frequently Asked Questions on the Code on Unit Trusts and Mutual Funds and FAQ 9 in the Frequently Asked Questions on SFC Authorization of UCITS III Funds
Disclosure on stock lending, repo and similar over-the-counter transactions	FAQ 21 in the Frequently Asked Questions on the Code on Unit Trusts and Mutual Funds
Disclosure on information to investors	

Compliance Act	the Circular to issuers of SFC-authorized investment products concerning the US Foreign Account Tax Compliance Act
3. Disclosure requirements in relation to ongoing disclosure	
Notices to holders	11.2 (bilingual notice and notice period for unitholder meetings), 11.2A and 11.2B of the UT Code
Disclosure of withdrawal of authorization	11.4 of the UT Code
Disclosure on merger or termination	11.5 of the UT Code
Reporting to holders	11.6 of the UT Code (notification of availability of financial reports)
Constitutive documents	All constitutive documents of a French Covered Fund shall be made available to Hong Kong investors in either English or Chinese
Other documents to be made available to Hong Kong investors as specified in the offering documents	Upon request by investors, specific information regarding these documents should be made available to Hong Kong investors in English or Chinese. Information regarding how investors can make such information requests should also be clearly disclosed in the Hong Kong offering documents
4. Disclosure requirements in relation to financial reports	
Language	Financial reports of a French Covered Fund shall be made available to Hong Kong investors in either English or Chinese
Notes to the accounts	Items 2 and 3 of the "Notes to the accounts" Section of the Appendix E to the UT Code
Holdings of collateral	Items 1(b), 1(c) and 1(d) of the "Holdings of collateral" Section of the Appendix E to the UT Code

Annex B
Eligibility Requirements

French Covered Fund

1. The French Covered Fund must be established, domiciled and managed in accordance with French laws and regulations and its constitutive documents.
2. The French Covered Fund must be an undertaking for collective investment in transferable securities authorized in accordance with Article 5 Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferrable securities which is authorized by the AMF for offering, marketing and distribution to retail investors in France under Article L. 214-3 of the French Monetary and Financial Code and Article 411-3 of the General Regulation of the AMF.
3. At least 20% of the French Covered Fund's net asset value must be attributable to investors in France.
4. The French Covered Fund must be a general equity fund, bond fund or mixed fund, as defined in Annex C to this Circular.
5. The French Covered Fund must not use leverage exceeding 100% of the fund's net asset value as calculated under the UCITS commitment approach provided by Article 42 of the Directive 2010/43/EU.
6. The French Covered Fund must not invest in (i) physical commodities including precious metals or commodity based investments or real estate, or (ii) certificates representing them.
7. The French Covered Fund must not be a money market fund, an exchange traded fund, an index fund, or a structured fund as defined in Annex C to this Circular.
8. The French Covered Fund must not have share class with hedging arrangement other than currency hedging.
9. The French Covered Fund must not pay any unreasonable turnover fees or percentage-based transaction fees to the French Covered Management Company or any of its connected persons.
10. Should the French Covered Fund charge a performance fee, the fee:
 - a. can only be payable no more frequently than annually;
 - b. must be clearly disclosed in offering documents; and
 - c. must be calculated:
 - either against a benchmark, which is consistent with the risk and reward profile of the fund; or
 - on a high-on-high principle (i.e. the fee can only be payable if the net asset value per unit/share exceeds the net asset value per unit/share on which the performance fee was last calculated and paid). In such case, if a performance fee is levied on the share class(es) offered to the investors in Hong Kong by the French Covered Fund, the reference to which the performance fee (commonly known as high water mark) is calculated must not be reset after SFC authorization of the French Covered Fund.

French Covered Management Company

11. The French Covered Management Company must be domiciled in France and authorized by AMF to manage collective investment scheme in accordance with Article L. 532-9,II, 1° of the French Monetary and Financial Code, and Article 312-2 and Article 313-48 of the General Regulation of the AMF.
12. The French Covered Management Company and its accountable director(s) (within the meaning of Article L. 532-9, II, 4° of the French Monetary and Financial Code) have not been subject to any of the following disciplinary actions taken by the AMF, in the past 3 years or since the date of the establishment of the French Covered Management Company if it has been established for less than 3 years:
 - a. with respect to the French Covered Management Company:
 - a withdrawal of its license by the AMF (in accordance with Article L.532-10 of the French Monetary and Financial Code);
 - a temporary or permanent ban on providing some or all of the services previously provided (in accordance with Article L. 621-15, III, a of the French Monetary and Financial Code); or
 - b. with respect to the accountable director(s) of the French Covered Management Company, a temporary or permanent ban on conducting some or all of their business activities (in accordance with Article L. 621-15, III, b of the French Monetary and Financial Code).
13. Where the French Covered Management Company delegates the investment management decisions to another entity authorized to manage collective investment schemes in accordance with 313-77 of the General Regulation of the AMF, such entity is operating in one of the acceptable inspection regimes recognized under 5.1 of the UT Code (AIR Delegate)⁶.

Custodian

14. The custodian appointed by the French Covered Fund is a credit institution or an investment firm complying with the requirements set out in Article L. 214-10-1 of the French Monetary and Financial Code, in its version in force at the date of the entry into force of the MoU.

⁶ For the purpose of providing confirmation on Eligibility Requirements pursuant to paragraphs 22 and 45 of this Circular, in addition to confirming the matters listed in Annex B to this Circular, where applicable, the AMF will also confirm to the SFC that it has conducted regulatory check with the authority primarily responsible for regulating the AIR Delegate and is not aware of any regulatory concerns.

Annex C

Types of French Covered Funds

Terms used in the MRF	French definition	
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bond fund

index fund	Definitions - position 2013-06 of the AMF An OPCVM whose strategy is to replicate or track the performance of one or more indices by synthetic or physical replication, for example.	X
structured fund	Article 30-8 instruction 2011-19 of the AMF In accordance with the provisions of Article R. 214-28 of the Monetary and Financial Code, the investment objective of a structured fund is to reach a predetermined amount at the end of a set period through the mechanical application of a predefined formula based on financial market indicators or financial instruments, and to distribute income that is determined in the same manner, where applicable.	X

Appendix B - II – AMF requirements and process for mutual recognition of Hong Kong Funds

Mutual Recognition of Funds (MRF) between France and Hong Kong

1. The Securities and Futures Commission (SFC) and the Autorité des Marchés Financiers (AMF) signed a Memorandum of Understanding (MoU) on France-Hong Kong mutual recognition of funds on 10 July 2017. The MoU provides a framework for mutual recognition of covered funds offered, marketed and distributed to retail investors in France and the public in Hong Kong.
2. For the purpose of this Circular, unless otherwise defined herein, the words beginning with a capital letter refer to the list of definitions set out in article 1 of the MoU.
3. For the purpose of this Circular, the term “Hong Kong Covered Fund” means a Hong Kong-domiciled CIS authorized or seeking authorization for offering, marketing and distribution to retail investors in France through a streamlined process in accordance with Section 1 of the Chapter IV of the Second Book of the French Monetary and Financial Code pursuant to this Circular, provided that such fund meets the applicable conditions as set out in this Circular.
4. For the purpose of this Circular, the term “Hong

Operational and ongoing requirements

SFC supervision

15. The Hong Kong Covered Fund must, on an ongoing basis, remain authorized by the SFC for offering, marketing and distribution to the public in Hong Kong, be subject to the ongoing regulation and supervision of the SFC and comply with the Eligibility Requirements set out in Annex B to this Circular.

Reporting obligation

16. The Hong Kong Covered Fund shall have at least 20% of the Hong Kong Covered Fund's net asset value attributable to investors in Hong Kong on an ongoing basis for offering, marketing and distribution to retail investors in France.

The Hong Kong Covered Management Company shall confirm to the SFC semi-annually 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.

17. If the SFC becomes aware or is notified that the Hong Kong Covered Fund or its Hong Kong Covered Management Company fails to meet the requirements set out in paragraph 16 above, it shall notify the AMF as soon as possible.

Jurisdiction

18. The Hong Kong Covered Management Company shall ensure and procure its distributors to ensure that French investors are able to bring actions concerning the Hong Kong Covered Fund and the Hong Kong Covered Management Company in the courts of France.

Changes to Hong Kong Covered Funds

19. No change shall be made to a Hong Kong Covered Fund resulting in non-compliance with the Eligibility Requirements set out in Annex B to this Circular. If the SFC is aware of such change, it shall notify the AMF as soon as possible.
20. Changes to a Hong Kong Covered Fund shall be made in accordance with the applicable Hong Kong laws and regulations and the provisions of its constitutive documents⁸. Changes to a Hong Kong Covered Fund shall not contravene the applicable Hong Kong laws and regulations and the requirements set out in this Circular.
21. These changes shall be effective upon approval by the SFC or compliance with the appropriate procedures.
22. However, changes that affect French investors only and revisions made to the offering documents of a Hong Kong Covered Fund relating to such changes should be made in accordance with the requirements under the relevant French laws and regulations. Prior consultation with the AMF concerning such changes is encouraged.
23. The SFC shall notify the AMF of any change approved by the SFC in respect of a Hong Kong Covered Fund authorized by the AMF in France as soon as possible and in any event within one week from the date of approval.

In addition, the SFC will confirm to the AMF that the Hong Kong Covered Fund effecting such changes continues to meet the Eligibility Requirements set out in Annex B to this Circular.

24. The Hong Kong Covered Management Company shall ensure that the AMF is informed of any change filed with the SFC as soon as possible and in any event within one week from the date of filing with the SFC.

⁸ For the avoidance of doubt, change in Delegate(s) is subject to SFC's prior approval.

25. Holders in France shall be notified about the c

34. A Hong Kong Covered Fund may utilize the prospectus authorized by the SFC. Unless otherwise provided in this Circular, matters such as the content of the prospectus, its format, the frequency of its update and the update procedures shall comply with the applicable Hong Kong laws and regulations and the provisions of its constitutive documents. In addition, the SFC-authorized prospectus may be supplemented by a French covering document to comply with the disclosure requirements set out in Annex A to this Circular and to disclose any other information which may have a material impact on investors in France. The prospectus and the French covering document shall not contain any information that wou

44. The AMF will authorize the Hong Kong Covered Funds for offering, marketing and distribution to retail investors in France provided that it has received from the applicant a complete set of Application Documents (Application Documents as defined hereinafter).

- a. a duly signed and completed application form available on the [AMF website](#);
- b. a certificate from the SFC confirming that the Eligibility Requirements listed in Annex B to this Circular are met;
- c. the constitutive document (articles of association for example) in French or in English;
- d. the prospectus in French or in English; and where they exist, the latest annual report and any subsequent half-yearly report, in French or in English;
- e. a key information for investors document, as governed by Article L. 214-23 III of the French Financial and Monetary Code, in its version in force at the date of the entry into force of the MRF, or, as the European Regulation n°1286/2014¹¹ may require, a key information document;
- f. any marketing material to be used for marketing the Hong Kong Covered Funds in France; and
- g. a proof of payment made to the “*Autorité des Marchés Financiers*” in the amount of the applicable application fee according to Article L. 621-5-3, I, 4) and D. 621-27, 4) of the French Monetary and Financial Code.

46. Upon receipt of the Application Documents, the AMF will have five working days to assess that all Application Documents have been duly

52. The AMF encourages applicants to consult the Asset Management Division early for any clarification or guidance as to how the relevant requirements may apply and be complied with in light of their specific circumstances.
53. The AMF may issue other circulars or instructions, frequently asked questions and other documents from time to time to provide practical guidance to the industry. Please refer to the AMF's website or contact Asset Management Division.

Policy Regulation and International Affairs Division
Asset Management Division
Autorité des Marchés Financiers

Annex A

Requirements to be complied with by all Hong Kong Covered Funds

French statutory and regulatory measures applicable to the marketing of shares or units of Hong Kong Covered Funds in France

Hong Kong Covered Funds must comply with statutory and regulatory measures applicable to the marketing of shares or units of collective investment schemes¹³ in France. Hereafter are quoted France's main financial law provisions stemming from the Monetary and Financial Code, the General Regulation of

Distributors of Hong Kong Covered Funds units or shares are responsible for determining, under the supervision of the competent authorities and courts, whether they are actually engaged in marketing activities in France.

When units or shares of a Hong Kong Covered Fund have been marketed as defined above, those units or shares shall be considered as being marketed in France whenever investors among whom marketing in France was carried out are unitholders or shareholders in the said Hong Kong Covered Fund.

Pursuant to the MRF, units or shares of Hong Kong Covered Funds may be marketed in France only to retail investors (including professional investors treated as retail investors according to Article 314-5 of the General Regulation of the AMF).

1. Relations between Hong Kong Covered Funds and the AMF

Appointment of a centralising correspondent for Hong Kong Covered Funds

Regulatory provisions

Article 421-27, AMF General Regulation

Instruction

Instruction AMF DOC-2014-03 on procedure for marketing units or shares of AIFs – Article 21

Rule overview: A Hong Kong Covered Fund marketed in France has to appoint one or more correspondents, including a centralising correspondent, established in France under the conditions set out in this AMF Instruction.

Fixed-sum AMF filing fee relating to marketing

Statutory provisions

Article L. 621-5-3 I 4°, Monetary and Financial Code

Regulatory provisions

Article D. 621-27 4, Monetary and Financial Code

Article 421-27, AMF General Regulation

Rule overview: Hong Kong Covered Funds are subject to a set fee, as provided in the above provisions. The Hong Kong Covered Fund centralising correspondent is responsible for paying the fee to the AMF. The amount is 2,000 euros per sub-fund or per Hong Kong Covered Fund with no sub-funds. The fee is payable on the day the authorisation application is filed with the AMF and on 30 April of each subsequent year.

Sending information to the AMF

Hong Kong Covered Funds must send the information relating to:

- Annual and half-yearly reports;
- Changes affecting the Hong Kong Covered Fund (change of name, creation of a new class of units or shares, creation of a new compartment, merger, demerger, liquidation, winding up, transfer), along with amendments to its key investor information document (KIID) and prospectus);
- Post-filing changes to the Hong Kong Covered Fund that will affect its marketing in France.

This information must be sent to the AMF at gio@amf-france.org.

2. Soliciting, establishing a relationship with and informing investors

General provision on investor solicitation

Soliciting the public to invest in Hong Kong Covered Funds is subject to the same provisions as those applicable to French UCITS (see. Article hereinabove), especially (i) Article 40 3° of AMF Instruction 2011-19, (ii) Article 8 of AMF Instruction 2011-19 and (iii) Annex XII of AMF Instruction 2011-19.

Direct marketing of banking or financial products and services

Statutory provisions

Articles L. 341-1 to L. 341-16, Monetary and Financial Code

Regulatory provisions

Articles D. 341-1 to R. 341-16, Monetary and Financial Code

Rule overview: Direct marketing of financial products or services is an active selling method regulated under the Monetary and Financial Code. This regime applies whenever banking or financial products and services are marketed directly in France, including where only the person solicited is based in France.

Distance marketing of consumer financial services

Statutory provisions

4. Remuneration of Hong Kong Covered Funds distributors

Hong Kong Covered Funds with categories of units or shares reserved for a specific investor category

Regulatory provisions

Articles 422-23 and 421-26 II, AMF General Regulation

Rule overview: If a Hong Kong Covered Fund or the sub-fund of a Hong Kong Covered Fund has categories of units or shares reserved for a specific category of investor, as defined in the prospectus, the distributor must ensure that the investor fulfills the subscription requirements.

5. Monitoring investor relations

Informing investors after they have made an investment

Statutory provisions

Articles 333-342 of the Monetary and Financial Law (L. n° 2009-1473 of 11 November 2009) and Articles 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000

- b. with respect to the responsible officers of the Hong Kong Covered Management Company, a revocation or suspension of their licences by the SFC pursuant to section 194 of the SFO.
12. Where the Hong Kong Covered Management Company delegates the investment management decisions to another entity authorized to manage collective investment schemes, such entity is operating in one of the acceptable inspection regimes recognized under 5.1 of the UT Code (AIR Delegate)¹⁷.

Custodian

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The custodian must be appointed by the Hong Kong Covered Fund must be

Annex C

Types of Hong Kong Covered Funds

Terms used in the MRF	Hong Kong definition	Covered under the MRF arrangement
equity fund	A Hong Kong-domiciled general equity fund should comply with the requirements under Chapter 7 of 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 (UT Code). A Hong Kong-domiciled equity fund should invest at least 70% of its non-cash assets in equities. A Hong Kong-domiciled equity fund that invests in financial derivative instruments (FDIs) with commitment leverage of up to 100% of its NAV should comply with the requirements under Chapter 8.9 of the UT Code.	
bond fund	A Hong Kong-domiciled bond fund should comply with the requirements under Chapter 7 of the UT Code. A Hong Kong-domiciled bond fund should invest at least 70% of its non-cash assets in fixed income securities. A Hong Kong-domiciled bond fund that invests in FDIs with commitment leverage of up to 100% of its NAV should comply with the requirements under Chapter 8.9 of the UT Code.	
mixed fund	A Hong Kong-domiciled mixed fund should comply with the requirements under Chapter 7 of the UT Code. A Hong Kong-domiciled mixed fund should invest at least 70% of its non-cash assets in a combination of equities and fixed income securities. A Hong Kong-domiciled mixed fund that invests in FDIs with commitment leverage of up to 100% of its NAV should comply with the requirements under Chapter 8.9 of the UT Code.	
money market fund	A Hong Kong-domiciled money market / cash management fund (MMF) means a collective investment	

	A MMF seeking SFC's authorization is expected to adopt a variable NAV. For a MMF which adopts a stable / constant NAV and/or use amortised cost accounting for valuation, the MMF should comply with the relevant principles set out in the "Policy Recommendations for Money Market Funds (Final Report)" issued by the International Organization of Securities Commissions dated October 2012.	
ETF	An ETF should comply with the requirements under Chapters 8.6, 8.8 (applicable to ETF which adopts a synthetic replication strategy) and Appendix I of the UT Code. A Hong Kong-domiciled ETF is a collective investment scheme, the principal objective of which is to track, replicate or correspond to a financial index or benchmark, with an aim of providing or achieving investment results or returns that closely match or correspond to the performance of the index or benchmark. A ETF may adopt one or more of the following strategies to achieve the fund's index tracking objective: (i) full replication by investing in a portfolio of securities that replicates the composition of the underlying index; (ii) representative sampling by investing in a portfolio of securities featuring a high correlation with the underlying index, but not exactly the same as those in the index; or (iii) synthetic replication through the use of financial derivative instruments (such as swaps and performance-linked structured products issued by counterparties) to replicate the index performance. SFC-authorized ETFs must be listed on The Stock Exchange of Hong Kong for trading.	X
index fund	An index fund should comply with the requirements under Chapters 8.6 and 8.8 (applicable to index fund which	

**structured
fund**

A Hong Kong-domiciled structured fund (including index fund / ETF that adopts a synthetic replication strategy) is a collective investment scheme which seeks to achieve its investment objective primarily through investing substantially in FDIs, for example swap or market access products or similar arrangements. A structured fund is passively managed and usually tracon nt fa minn