HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
G16/1C

17 May 2011

The Chief Executive
All Authorized Institutions

Dear Sir/ Madam,

<u>Circulars Issued by the Securities and Futures Commission ("SFC") Regarding Preparation for the full implementation of the Code on Unit Trusts and Mutual Funds ("UT Code") and the Code on Investment-Linked Assurance Schemes ("ILAS Code")</u>

I am writing to draw your attention to the two circulars attached, issued by the SFC on 13 May 2011 ("the SFC Circulars"). The SFC Circulars provide guidance to fund mangers of Existing Schemes[1] and issuers of Existing ILAS Schemes[2] that will continue to be marketed to the public in Hong Kong on or after 25 June 2011("the relevant date") and remind them of the need to produce (i) a product key facts statement ("KFS") and (ii) a revised offering document to satisfy the disclosure requirements as contemplated in the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Products ("ROD").

From the relevant date, any Existing Scheme/ Existing ILAS Scheme that does not have a KFS and/ or an ROD shall not continue to be marketed to the public in Hong Kong. Therefore, such funds/ ILAS Schemes shall not accept subscriptions/ premium from new investors[3] from the relevant date regardless of the distribution or

1 "Existing Schemes" means (a) collective investment schemes which have been authorized by the SFC prior to 25 June 2010 and remain authorized on that date; and (b) collective investment schemes for which applications for authorization were submitted to the SFC before 25 June 2010, but which are authorized on or after 25 June 2010.

2 "Existing ILAS Schemes" means (a) ILAS Schemes which have been authorized by the SFC prior to 25 June 2010 and remain authorized on that date; and (b) ILAS Schemes for which applications for authorization were submitted to the SFC before 25 June 2010, but which are authorized on or after 25 June 2010.

3 For the avoidance of doubt, in the absence of marketing, these funds may continue to accept subscriptions from existing investors whether by way of a monthly investment plan or topping-up while these ILAS Schemes may continue to accept premium from existing investors of such schemes.

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subscription channels used. It should be noted that for Existing Schemes, as long as the fund managers follow the SFC's guidance and comments given and the SFC's KFS templates, they need not submit their KFS and RODs for the SFC's review. However, the KFS and the RODs of Existing ILAS Schemes need to be authorized by the SFC.

If Authorized Institutions (AIs), as distributors, are in doubt about whether a fund/ an ILAS Scheme needs to have, and in fact has, a KFS and/ or an ROD from the relevant date, they should get clarification from the fund manager/ ILAS issuer, so as to ensure that they conduct their activities in compliance with the revised regulatory requirements.

AIs are advised to have proper arrangements with the fund managers/ ILAS issuers to ensure that the latter will provide all the necessary and appropriate notice, clarification and training to front-line sales staff as soon as possible and preferably well before the relevant date.

Yours faithfully,

Meena Datwani
Executive Director (Banking Conduct)

Encl.

c.c. SFC (Attn: Mr Stephen Po, Senior Director of Intermediaries Supervision and Ms Alice Law, Senior Director of Policy, China & Investment Products)