HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
G16/1C

17 February 2025

The Chief Executive
All Registered Institutions

Dear Sir / Madam,

<u>Circulars Issued by the Securities and Futures Commission on Listed Closed-ended Alternative Asset Funds and Listed Structured Funds</u>

I am writing to draw your attention to the attached two circulars recently issued by the Securities and Futures Commission ("SFC"), relating to listed closed-ended alternative asset funds and listed structured funds respectively.

<u>SFC's "Circular on listed closed-ended alternative asset funds" issued on 17 February 2025</u>

This circular (at **<u>Annex I</u>**) sets out the requirements of the SFC in considering authorising closed-ended alternative funds to be listed on the Stock Exchange of Hong Kong Limited ("SEHK"), and the requirements applicable to distribution of these funds by intermediaries.

As set out in the SFC's circular, since SFC-authorised Listed Alternative Funds are complex products, except for institutional professional investors and qualified corporate professional investors, intermediaries should assess whether clients have knowledge of investing in relevant Alternative Funds or relevant alternative assets (which can be a one-off knowledge test) prior to effecting a transaction in SFC-authorised Listed Alternative Funds on their behalf. Intermediaries should also provide clients with risk disclosure statements (which can be a one-off disclosure) specific to the relevant alternative assets and SFC-authorised Listed Alternative Fund, and ensure that their clients have sufficient net worth to be able to assume the risks and bear the potential losses of trading SFC-authorised Listed Alternative Funds. Meanwhile, where there has been no solicitation or recommendation,

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intermediaries do not need to comply with the suitability requirement, or the minimum information and warning statements requirements referred to in paragraph 5.5(a) of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (SFC's Code of Conduct).

SFC's "Circular on listed structured funds" issued on 23 January 2025

This circular (at **Annex II**) sets out the additional requirements that the SFC would consider authorising listed structured funds for public offerings in Hong Kong, particularly for specific types of listed structured funds, notably leveraged and inverse products (L&I Products) and Defined Outcome Listed Structured Funds. As set out in the section "Distribution" of the SFC's circular, intermediaries are reminded that listed structured funds are derivative products and intermediaries are subject to the applicable requirements under the SFC's Code of Conduct, particularly paragraphs 5.1A to 5.3 which are relevant to providing services to clients with respect to derivative products.

Registered institutions ("RIs") which distribute the relevant listed funds are reminded to have due regard to the applicable requirements set out in the respective circulars, and put in place adequate policies, procedures and controls, as well as provide sufficient staff training to ensure the compliance with all applicable requirements.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

Encl.

c.c. Securities and Futures Commission
(Attn: Dr Eric Yip, Executive Director, Intermediaries)