

From an investor's perspective, what is the difference between a fund domiciled in HK and a fund domiciled in an overseas jurisdiction? Are overseas domiciled funds also governed by the local regulatory framework?

All funds that are available to the public in Hong Kong are required to be authorized by the SFC and meet the requirements in the Code on Unit Trusts and Mutual Funds (the "Code"). This covers investment restrictions, the eligibility of the fund manager/custodian/trustee, information disclosure and operational policy, etc. If funds are domiciled overseas, the SFC will consider whether the funds are governed by laws and regulations that are comparable to the Code or offer equivalent investor protection before authorizing them under the Code. To verify whether a fund is authorized, investors can call the SFC's Investor Hotline at 2840 9222 or check the "List of Authorized Investment Products" category under the chapter of "Intermediaries, Licensing & Investment Products" on the SFC website (www.sfc.hk).

From a Hong Kong investor's perspective, provided the fund is authorized by the SFC, both Hong Kong and offshore domiciled funds offer similar level of protection and are under the supervision of the local regulatory regime. To ensure that monies in a fund are protected, each authorized fund must appoint an independent trustee/custodian to have custody of its assets. The assets of a fund manager and that of a fund are completely segregated; a fund manager could never access the assets of a fund that it manages.

Do overseas domiciled funds share the same liquidation procedure as the HK domiciled funds?

The laws in different jurisdictions inevitably differ as to how liquidation proceedings are conducted and the relevant protection afforded to creditors and shareholders. However, in respect of a fund, investors (who are considered shareholders or unitholders) of funds which go into liquidation would usually take priority after the creditors (if any) of the fund and would be entitled to their pro rata entitlement to the remaining assets of the fund after all creditors have been paid. Since fund assets may be located in many different jurisdictions, the orderly disposal and realization thereof by liquidators may result in a possible delay in investors' recovery of their investments.

In the event that a fund manager, trustee or custodian went into liquidation, assets belonging to that entity would be made available for distribution to creditors and shareholders, whilst third party fund assets entrusted to it would not as they remain completely segregated from such assets.

(Investment involves risk. Please refer to the offering document for further details including the risk factors.)

Hong Kong Investment Funds Association