



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 regarding the fund's distribution policy	FAQ 34 – 34(C) in the Frequently Asked Questions on the Code on Unit Trusts and Mutual Funds
Disclosure on information to investors regarding US Foreign Account Tax Compliance Act	FAQ 35 in the Frequently Asked Questions on the Code on Unit Trusts and Mutual Funds and 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)⁵.

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.

⁵ 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	Covered under the MRF arrangement
equity fund	<p>Article 30 instruction 2011-19 of the AMF must have 60% or more exposure to equity markets at all times. The classification then depends on the geographical zone of the equities to which the UCITS is exposed. The notion of incidental exposure mentioned in Articles 30-1 to 30-4 of this Instruction means the consolidated sum of the exposure to the specific risks described. This means that the contribution of all these risks to the overall risk profile of the UCITS must be low. Under no circumstances may exposure of more than 10% of the assets to specific risks be qualified as incidental exposure within the meaning of Articles 30-1 to 30-9 of this Instruction. On the other hand, merely complying with exposure of less than 10% is not enough in itself to qualify as an incidental specific risk. The notion of incidental risk must be addressed through the nature of the risks incurred and the contribution that the relevant assets make to the overall risk profile and potential return of the UCITS.</p> <p>Article 30-1 - “French equities” UCITS (optional classification) The UCITS has at least 60% exposure to the French equity market at all times. Exposure to exchange rate risk or to markets other than the French market must remain incidental. The UCITS prospectus must mention the minimum exposure of the UCITS to the French equity market.</p> <p>Article 30-2 - “Eurozone equities” UCITS (optional classification) The UCITS has at least 60% exposure to one or several markets for equities issued in one or several Eurozone countries, possibly including the French market. Exposure to exchange rate risk or to foreign markets outside the Eurozone must be incidental. The UCITS prospectus must mention the minimum exposure of the UCITS to Eurozone equity markets.</p> <p>Article 30-3 - “European Union equities” UCITS (optional classification) The UCITS has at least 60% exposure to one or several markets for equities issued in one or more European Union countries at all times,</p>	√



	<p>possibly including Eurozone markets. Exposure to exchange rate risk for currencies other than those of the Eurozone or European Union must be incidental. Exposure to market risks other than within the European Union must remain incidental. The UCITS prospectus must mention the minimum exposure of the UCITS to the relevant equity markets.</p> <p>Article 30-4 - “International equities” UCITS (optional classification) The UCITS has at least 60% exposure to at least one foreign equity market or to the equity markets of several countries at all times, possibly including the French market. The UCITS prospectus must mention the minimum exposure of the UCITS to all the relevant markets.</p>	
bond fund	<p>Article 30-5 – “Euro-denominated bonds and other debt securities” UCITS (optional classification) The UCITS is exposed to fixed-income securities denominated in Euros at all times. Exposure to equity risk must not exceed 10% of net assets. Exposure to securities denominated in a currency other than Euros and exposure to exchange rate risk must be incidental. The “investment strategy” section of the prospectus must provide a table showing the interest-rate sensitivity range within which the UCITS is managed and the geographical zone of the issuers of the securities (or of the underlying assets for securitisation vehicles) that the UCITS is exposed to, along with the relevant exposure ranges. If the range of credit spread sensitivity is materially different from the range of interest rate sensitivity, the credit spread sensitivity must be mentioned in the “investment strategy” section of the prospectus.</p> <p>Article 30-6 - “International bonds and other debt securities” UCITS (optional classification) The UCITS is exposed to fixed-income securities denominated in other currencies than the Euro at all times (and possibly to Euro-denominated fixed-income securities). Exposure to equity risk must not exceed 10% of net assets. The “investment strategy” section of the prospectus must provide a table showing the interest-rate sensitivity range within which the UCITS is managed, the currencies in the which the securities the UCITS is invested in are denominated, the level of exchange rate risk incurred, the geographical zone of the issuers of the securities (or of the underlying assets for securitisation vehicles) that the UCITS is exposed to, along with the relevant exposure ranges. If the range of credit spread sensitivity is materially different from the range of interest</p>	√



	rate sensitivity, the credit spread sensitivity must be mentioned in the “investment strategy” section of the prospectus	
mixed fund	Article 30-9 - “Diversified” UCITS (classification to be terminated as of 31 December 2017) This category covers all UCITS that are not part of any other category herein. A French Covered Fund classified as “mixed fund” should invest at least 60% of its non-cash assets in equities and/or fixed income securities.	√
money market fund	European money market funds’ regulation : Collective investment undertakings that: <ul style="list-style-type: none"> - Invest in short-term assets - Have distinct or cumulative objectives offering returns in line with money market rates or preserving the value of the investment. 	X
ETF	Definitions - position 2013-06 of the AMF A listed UCITS (ETF) is a UCITS in which at least one class of units or shares is traded throughout the day on at least one regulated market or multilateral trading system whereby at least one market maker acts to ensure that the value Market shares of its units or shares does not vary significantly from its net asset value and, if applicable, its indicative net asset value.	X
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