

Dear Sirs,

Please find below our comments to the proposed revision on the Code on Unit Trusts and Mutual Funds ("UT Code") which forms part of the consultation paper on proposals to enhance protection for the investing public for your consideration.

1. Extended maximum interval of payment of redemption money to exceeding 1 month under special circumstances (i.e. legal and regulatory restriction)

Comment: We support this revision. However, could the SFC specify the procedures to follow when this extension of timeframe is needed due to legal and regulatory restriction? e.g. Whether we have to seek the SFC's prior approval as it may fall under Chapter 11.1(d) of the UT Code? Whether we have to issue notice to affected shareholders and post-file such notice to the SFC?

2. Disclosure of collateral information on the offering document

Comment: It seems difficult to implement as the information on collateral may change but we are not able to update the offering document on real-time basis. Can the information be shown on the website instead of the offering document? If not possible, would the SFC consider revising the scope of disclosure (e.g. only disclose collateral policy and diversification requirement (if any)) or requiring such disclosure to specific types of authorized funds of which collateral forming significant portion of the fund's asset? Given that most HK authorized funds are offshore funds, the update of offering document has to obtain home regulator's approval. It will incur substantive costs and administrative burden to comply with such disclosure requirement.

Could the SFC please advise what kinds of collateral does it cover? e.g. collateral for securities lending transaction, OTC transactions?

3. Filing of notice and updated offering document to the SFC (11.1B and 11.2A of the Revised Code)

Comment: The time limit we have to file a revised HK Offering Document and notice to the SFC has been shortened (from two weeks to one week). One week seems very short, especially when the time limit is expressed as a week and not in business days. In other words, if we were to file during a week where there are only 2 or 3 business days, it could be rather difficult to comply with this requirement. In this respect, we would suggest the SFC to consider express the timeframe for filing in business days.

4. Chapter 11.1 of the UT Code

Comment: Could the SFC specify what constitute constitutive documents as stated in Chapter 11.1 of the UT Code? Are investment management agreement and investment advisory agreement considered constitutive documents? If so, does it mean that whenever there is any change in these kinds of agreement, regardless of the nature/materiality of the change, we have to submit it to the SFC for prior approval?

We believe that the SFC has received many questions on what kinds of scheme change would fall under Chapter 11.1 which requires SFC's prior approval following the issuance of this new Chapter in August 2008. To facilitate compliance, we propose the SFC to draw up a list (though not exhaustive) showing common scheme changes that fall/do not fall under Chapter 11.1 and issue through FAQ for industry's reference.

5. Product Key Fact Statement ("PKF")

Comment: Regarding the section titled "Investment Mix", would the SFC expect the PKF showing a pie chart for each subfund in case the fund concerned is an umbrella fund. Given the investment mix will change from time to time, does it mean that we have to update the pie charts regularly? If so, how frequent would the SFC expect the fund house to update the pie charts?

Regarding the section titled "What are the key risks", could the SFC please clarify whether it refers to the risk disclosure box ("RDB") currently being shown upfront in the HK offering document? If so, we consider it a duplication in disclosure and recommend removing the existing RDB after the PKF comes into effect. If not, please specify whether the SFC expects a separate key risk disclosure for each subfund in this section, in case the fund concerned is an umbrella fund.

Regarding the section titled "How has the fund performed", please clarify whether it is compulsory to show performance by a bar chart.

Since the PKF forms part of the offering document, does it mean that the SFC will approve the PKF? If so, would the SFC collect all supporting documents from the fund houses to substantiate the information shown there including performance figures, investment mix etc? In case of changes in information shown in the PKF, would the SFC approve the changes / the PKF itself prior to issuance?

It appears that the PKF contains similar information as those contained in factsheets which normally issued monthly. Would the SFC expect the fund houses to update the PKF monthly? Otherwise, the information contained in the factsheets will be more up-to-date than those in PKF and PFK may not be able to serve the intended purpose.

Thank you for your kind consideration to our comments and we look forward to your consultative conclusion. Please do not hesitate to contact me.

Best Regards,

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