

## UNOFFICIAL TRANSLATION



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27 January 2021

Attention: President of the Association of Thai Securities Companies  
President of the Association of Investment Management Companies  
Managers  
All securities companies  
All securities companies licensed to undertake securities business in  
the category of mutual fund management  
All securities companies licensed to undertake securities business in  
the category of securities brokerage, securities dealing or  
underwriting of investment units  
All mutual fund supervisors

No. SEC. Nor Jor. (Wor) 1/2564 Re: Mutual Recognition of Funds between  
Hong Kong Special Administrative Region of the People's Republic of China and Thailand

We would like to bring your attention to the Memorandum of Understanding between the Government of the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") and the Government of the Kingdom of Thailand concerning Strengthening Economic Relation between Hong Kong and Thailand, signed on 29 November 2019. In this connection, the Securities and Futures Commission of Hong Kong ("SFC") and the Office of the Securities and Exchange Commission of Thailand ("SEC") have agreed to develop a cooperative framework for cross-border offerings of funds between Hong Kong and Thailand, and signed the Memorandum of Understanding between the Securities and Futures Commission of Hong Kong and the Securities and Exchange Commission of Thailand Concerning Mutual Recognition of Covered Funds and Covered Management Companies and related Cooperation ("HK-TH MRF MoU") on 20 January 2021.

To ensure that business operators have the same understanding of the requirements under HK-TH MRF MoU, the SEC hereby would like to clarify the details thereof and provide information on related practices as follows:

### **1. Objectives of HK-TH MRF MoU**

HK-TH MRF MoU aims to facilitate cross-border offerings of funds between Hong Kong and Thailand with a view to elevate Thai asset management companies ("AMCs") competitiveness in the international arena while broadening cross-border investment channels and product choices for investors in both markets. This cooperation framework opens up new business opportunities for Thai AMCs by allowing them to expand

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investor bases in Hong Kong and China<sup>1</sup>. In addition, it provides a tangible progress in building economic relation between Hong Kong and Thailand in accordance with the aforementioned MoU between both governments.

## **2. Scope of Agreement under HK-TH MRF MoU**

HK-TH MRF MoU specifies the scope of agreement between SFC and SEC concerning mutual recognition of laws and regulations and the scope of cooperation to facilitate cross-border offerings of funds to the public. The scope of agreement on offerings of fund under HK-TH MRF MoU is divided into two parts as follows:

### **2.1 Expedited review of application for the establishment of Thai Feeder Funds and Hong Kong Feeder Funds [effective upon the signing of HK-TH MRF MoU]**

The SEC agreed to expedite the approval process of a Thai Feeder Fund investing in a Hong Kong Master Fund and the SFC agreed to expedite the authorization process of a Hong Kong Feeder Fund investing in a Thai Master Fund. The feeder fund which seeks to be offered for sale to the public in the respective local market could apply for an expedited review process if it intends to invest in a master fund that meets the requirements set out in the SFC and SEC Circular (“MRF-eligible master fund”), respectively. In this regard, an MRF-eligible master fund is deemed to have complied with the rules specified by each regulator<sup>2</sup>. In order for business operators to be able to comply with the agreement under HK-TH MRF MoU properly, the SEC would like to provide clarifications as follows:

#### **(1) Thai AMC applying for an expedited review of application for the establishment of a Thai Feeder Fund investing in a Hong Kong MRF-eligible master fund:**

- Before filing an application with the SEC, the Thai AMC shall request the management company of the Hong Kong MRF-eligible master fund to consult the SFC for the issuance of a certificate confirming that the Hong Kong master fund is an MRF-eligible master fund, which meets the eligibility requirements listed in Annex B to the SEC Circular (“SFC Eligibility Certificate”). In this regard, the SFC will notify the management company of the Hong Kong MRF-eligible master fund upon the issuance of such certificate and will provide the certificate directly to the SEC;

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<sup>1</sup> The Hong Kong Monetary Authority, in conjunction with the People’s Bank of China and the Monetary Authority of Macao, launched the Wealth Management Connect Scheme on 29 June 2020, which aims to provide investors in the Greater Bay Area (“GBA”) – consisting of Guangdong, Hong Kong, and Macau – a mutual access to investment products available within the GBA via banking system.

<sup>2</sup> A Thai feeder fund investing in a Hong Kong MRF-eligible master fund is deemed to have substantially complied with Clause 2.1.4.1 – 2.1.4.3 in Division 2 of Appendix 3 of the Notification of the Capital Market Supervisory Board No. Tor Nor. 87/2558 Re: Investment of Funds dated 17 December 2015.

- Thai AMC should submit the application for establishment of mutual fund via the SEC's Online Fund Approval and Management System (OFAM) together with all the necessary documents in support of the application for approval of establishment of a feeder fund, in line with the normal practice. The SEC will not proceed with the application if no SFC Eligibility Certificate is received from the SFC. The SEC will grant approval for the establishment of a Thai feeder fund investing in Hong Kong MRF-eligible master fund within 21 calendar days upon receipt of the application together with the correct and complete evidentiary documentation, provided that the Thai feeder fund meets all the applicable requirements and all outstanding issues are addressed to the satisfaction of the SEC by such time.

**(2) A Hong Kong domiciled feeder fund investing in a Thai MRF-eligible master fund:**

- The Thai AMC who manages the Thai domiciled fund shall request the SEC to issue a certificate confirming that the Thai domiciled fund is an MRF-eligible master fund, which meets the eligibility requirements listed in Annex B to the SFC Circular ("SEC Eligibility Certificate");

- The SEC will provide the SEC Eligibility Certificate directly to the SFC, who will use it as a supporting document of the application for authorization of Hong Kong feeder fund. The SEC will notify the Thai AMC who manages the MRF-eligible master fund upon the issuance of such certificate;

- The certification that the Thai domiciled fund is an MRF-eligible master fund is accurate as of the date on which the SEC considers the information of such mutual fund. The Thai AMC is required to perform on-going monitoring and oversee that the mutual fund maintains the qualifications of an MRF-eligible master fund in accordance with the requirements under HK-TH MRF MoU.

**2.2 Cross-border offerings of funds between Hong Kong and Thailand under HK-TH MRF MoU [To be effective upon completion of the amendment to the related regulations of the SEC which shall not be later than six months as from the signing date of HK-TH MRF MoU]**

- HK-TH MRF MoU contains an agreement on mutual recognition of regulations whereby a Covered Management Company is required to comply with stricter requirements of the host regulator, in terms of both investment restrictions and procedures for fund management. The details of the agreement are specified in Appendix B of HK-TH MRF MoU;

- Regarding the disclosure requirements imposed on Covered Funds including, for example, preparation of prospectus and annual report of mutual funds, etc., and the regulations related to sales conduct, HK-TH MRF MoU requires business operators to comply with the regulations of the host regulator of the jurisdiction wherein the offerings of fund take place;

- The SEC is revising the related regulations to support the offerings of Hong Kong funds, including Exchange Traded Fund (ETF), in Thailand. In this regard, the SEC plans to conduct a public hearing on the proposed revisions and will clarify the requirements of the revised regulations as well as providing guidelines for business operators accordingly.

For further information and inquiries, please contact Ms. Sireethorn Civilize, Assistant Director, at Tel: 0-2263-6246 or email: [sireetho@sec.or.th](mailto:sireetho@sec.or.th).

Please kindly be informed accordingly

Yours Sincerely,

(Ruenvadee Suwanmongkol)  
Secretary-General

Enclosure: Photocopy of the Memorandum of Understanding between the Securities and Futures Commission of Hong Kong and the Securities and Exchange Commission of Thailand Concerning Mutual Recognition of Covered Funds and Covered Management Companies and related Cooperation.

Investment Management Policy Department  
Tel: 0-2263-6246

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