

# Hong Kong's Securities and Futures Commission Launch FASTrack Authorisation for Luxembourg Funds

## Scope and Purpose

On 21 October 2024, the Hong Kong Securities and Futures Commission (the "SFC") announced a new fast track authorisation scheme for certain investment funds from Luxembourg and other qualifying jurisdictions.

The SFC's new Fund Authorisation Simple Track ("FASTrack")<sup>1</sup> was announced in a 'Circular to applicants seeking SFC authorisation of unit trust and mutual funds' (the "Circular") and is expected to streamline the process by which the SFC approves simple foreign mutual funds for marketing to the public in Hong Kong.

Historically, the SFC has had a two-stream approach being (i) standard, applications whereby funds' authorisation applications are processed within between one and two months, and (ii) non-standard applications, where applications are processed between two and three months.

FASTrack will apply only in relation to qualifying funds in MRF Jurisdictions (see next paragraph), will take effect on 4 November 2024 and is aimed at foreign funds which are already regulated in their home jurisdiction. For such funds, the SFC aims to speed up the timeline to grant fund

authorisations within 15 business days from application.

The SFC entered into mutual recognition arrangements with respect to investment funds from Luxembourg and other qualifying jurisdictions outside of Hong Kong (together the "MRF Jurisdictions"). The mutual recognition scheme is based on the equivalency of the regulatory regime in the MRF Jurisdictions, pursuant to which Hong Kong has assessed that the investor protection standards in MRF Jurisdictions are comparable to those in Hong Kong, and on the fact there are cooperation arrangements in place between the SFC and its regulatory counterparts in the MRF Jurisdictions.

## Criteria to be met for FASTrack

To be eligible for FASTrack, the foreign fund from a relevant MRF Jurisdiction must meet a number of conditions:

- (i) It must be
  - (a) an equity, bond or mixed fund;
  - (b) an exchange-traded fund or unlisted fund tracking an index adopted by other existing SFC-authorized fund(s) or 'plain vanilla' index<sup>2</sup>; or
  - (c) a feeder fund (where the underlying master fund is eligible for FASTrack); and

<sup>1</sup> [Circular to applicants seeking SFC authorisation of unit trusts and mutual funds - Launch of a new Fund Authorisation Simple Track \(FASTrack\) | Securities & Futures Commission of Hong Kong](#)

<sup>2</sup> A plain vanilla index is the most standard index and will generally include a free float market capitalisation weighted equities index and exclude a strategy index, smart-beta / value-based index, equal weighted equities index, and equities index with covered call and/or hedging elements etc.

- (ii) The fund is not a derivative fund<sup>3</sup> and
- (iii) The management company of the fund is located in Luxembourg or another MRF Jurisdiction or a jurisdiction with an inspection regime acceptable to the SFC which has good regulatory records (each an "AIR Jurisdiction"); and
- (iv) if applicable, (a) the investment delegate is located in an MRF Jurisdiction or an AIR Jurisdiction; or (b) the investment delegate is an affiliate of the management company or is already managing other SFC-authorized funds; and
- (v) no novel features, material issues or wider policy implications exist in relation to the fund.

Funds which do not meet the FASTrack criteria may still be approved by the SFC, but in the standard or non-standard regime, and not in the shortened timeframe for FASTrack funds.

## Impact of FASTrack on Luxembourg Funds

Under FASTrack, the SFC will take up or refuse to take up an application in relation to a qualifying Luxembourg fund within 5 business days from the date of receipt of the application. The SFC will grant authorisation within 10 business days from the take-up date if the application is successful. It is important to note that post-vetting will be conducted to ensure the applicable authorisation requirements are complied with.

In the event of a change in circumstance affecting the application, the SFC may raise requisitions which applicants must respond to within one month.

FASTrack has been introduced for a six-month pilot period until 4 May 2025. The SFC will continuously monitor the FASTrack approach during the pilot period and consider further enhancements before its formal adoption.

Hong Kong is an attractive fundraising market, and Luxembourg is fortunate to be among a relatively limited number of MRF Jurisdictions which will be able to avail of FASTrack. The new scheme should reduce time to market and if implemented on a permanent basis, it is a welcome development for the cross-border marketing of regulated Luxembourg funds.

## How we can help

Please reach out to one of your Maples Group Luxembourg contacts if you want to further explore the implications of FASTrack or need assistance in relation to registrations for marketing in Hong Kong. In addition, the Maples Group's Global Registration Services team supports both UCITS and AIFMs in their multi-market distribution strategies by providing an integrated global network of experts coordinated by a dedicated central team supporting all legal and regulatory aspects governing the cross-border marketing of investment funds in both a private placement and public offer basis.

## Further Information

For further information, please reach out to your usual Maples Group contact or any of the contacts listed below.

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<sup>3</sup> A derivative fund is a fund where its net derivative exposure does not exceed 50% of the fund's total net asset value, which is

calculated in accordance with the requirements under 7.26 of the UT code and the requirements and guidance issued by the SFC.

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