

~~18 November 2010~~ Revised as of 17 December 2018

**Circular to Management Companies of  
SFC-authorized Exchange Traded Funds (“ETFs”)<sup>1</sup>**

**List of Potential Events Triggering Ongoing Disclosure**

1. Under 11.1B of the Code on Unit Trusts and Mutual Funds (“UT Code”), management companies should provide holders with reasonable prior notice, or inform holders as soon as reasonably practicable of any information concerning the scheme which is necessary to enable holders to appraise the position of the scheme.
2. Under the Listing Agreement for Collective Investment Schemes set out in Part G of Appendix 7 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, a scheme shall inform the Exchange immediately of, among other things, any other information necessary to enable the holders of interests to appraise the position of the scheme and to avoid the establishment of a false market in the interests of the scheme.
3. To assist management companies of ETFs to comply with the disclosure obligations under the UT Code and Listing Agreement and without prejudice to the notification obligation under 11.1A of the UT Code, the following are non-exhaustive examples of events that may trigger the above on-going disclosure requirements where any of them would have a **material** impact on an ETF:
  - (a) Changes falling within 11.1 or 11.1B of the UT Code;

*Note: This includes, for example, changes in the replication strategy of the ETF; changes in the collateral policy from that disclosed in the offering document of the ETF; and changes in the financial conditions or the regulatory status of the key operators of the ETF.*
  - (b) Filing of winding up petitions, the issuing of winding up orders or the appointment of receivers or provisional liquidators, or the institution of disciplinary proceedings in respect of its licence or registration to conduct any regulated activity, or proceedings analogous to the above, against any of the trustee, custodian, or management company;
  - (c) Replacement of the underlying index or indices, or changes of the index calculation methodology;
  - (d) Litigation brought against the ETF or any of the trustee, custodian, or management company;

<sup>1</sup> Unless otherwise specified, the term “ETF” used in this circular shall cover passive ETF, active ETF, leveraged product, inverse product and fund with listed share class.

- (e) Where the ETF adopts a synthetic replication strategy:
- (i) default of any derivative instruments held by the ETF,
  - (ii) filing of winding up petitions, the issuing of winding up orders or the appointment of receivers or provisional liquidators against any derivative counterparty or guarantor of such counterparty, or
  - (iii) any material adverse change in the financial conditions or business of any derivative counterparty or guarantor of such counterparty;

*Note: This may, for example, include any credit downgrade or any change in the concentration of the default risks of the counterparties to products used by the derivative counterparty or its guarantor that could result in a material adverse change in the financial conditions or business of such derivative counterparty or guarantor of the ETF.*

- (f) ~~Where the ETF has designated market makers,~~ the cessation of market making activity (including the resignation of the last market maker) for units (traded in any counter) of ~~for the~~ ETF;
  - (g) Suspension of creation and / or redemption of units in the ETF;
  - (h) Changes in tax or regulatory requirements that may impact upon the net asset value of the ETF; or
  - (i) Material breaches of the constitutional documents of the ETF.
4. Please note that the obligations to disclose information depend upon the facts of each case and as the management company of the ETF, you have the duty and should make your own judgements as to what and when such information is required to be disclosed. The above examples are not meant to be exhaustive.
5. You are welcome to contact the relevant case officer of the SFC and the HKEX\* should you have any questions on the above.