



Consultation Paper on Proposed Amendments to the Code on Unit Trusts and Mutual Funds

Law Society Submissions

The Securities and Futures Commission (“SFC”) issued the “Proposed Amendments to the Code on Unit Trusts and Mutual Funds” on 22 October 2025 (“Consultation Paper”).

In response, the Law Society provides the following submissions to the questions posed. Unless otherwise defined, the same abbreviations and definitions appearing in the Consultation Paper are used in this paper.

Question 1

Do you agree with the proposal to accept the VaR approach alongside the existing NDE approach under Hong Kong’s retail fund framework?

Law Society’s response:

We agree with the overall objective of the SFC to provide flexibility to fund managers to remain competitive with other international markets. We do not express any technical views on whether the VaR approach, its thresholds and governance and risk management measures carry appropriate risks and benefits but we agree with the proposal to accept the VaR approach alongside the existing NDE approach, with the NDE approach remaining the baseline approach.

Question 2

Do you support the proposed classification of non-complex products and complex products under this proposed framework?

Law Society’s response:

We support the proposed classification and framework. We recommend that the SFC issues clear guidance regarding expected practices and safeguards, internal controls and other characteristics.

Question 3

Do you have any comments on the proposals on incorporating the updated international standards on liquidity risk management of funds?

Law Society's response:

We have no comment.

Question 4

Do you have any comments on the proposed requirements for the use of ADTs?

Law Society's response:

We have no comment.

Question 5

What is your view on the proposed requirements on underlying investments by MMFs?

Law Society's response:

The proposed requirements are generally aligned with the FSB Policy Proposal recommendation to impose limits on MMF investments. We agree with the proposed requirements.

Question 6

Do you agree with the proposed requirements for CNAV MMFs?

Law Society's response:

We note that the SFC will retain CNAV MMFs to maintain a degree of flexibility in product structures in Hong Kong. The proposed explicit requirements are technical and aimed at ensuring adequate risk management and investor protection.

We have no comment.

Question 7

Do you support the proposed approach regarding the KP Requirements?

Law Society's response:

We support the proposed approach for the limited purpose of deemed compliance with KP Requirements.

Question 8

Do you have any comments on the proposals on investment in non-SFC authorised master fund?

Law Society's response:

We have no comment.

Question 9

Do you have any comments on the proposal of merging Chapter 8.8 and 8.9 of the UT Code into a single chapter?

Law Society's response:

We have no comment.

Question 10

Do you have any comments on the proposed consequential amendments to the PRF Code, the MPF Code, the ILAS Code and the REIT Code?

Law Society's response:

We have no comment.

**The Law Society of Hong Kong
6 January 2026**