

## Client Alert

August 2018

Baker McKenzie FenXun  
A Leading Chinese and  
International Law Joint Platform



For further information, please contact::

Sophia Man  
Partner, Hong Kong  
+852 2846 2175  
sophia.man@bakermckenzie.com

Lei Fan  
Consultant, Shanghai  
+86 21 6105 8581  
lei.fan@bakermckenziefenxun.com

## CSRC releases a consultation paper to optimize information disclosure requirements on publicly offered securities investment funds in China

On 3 August 2018, China Securities Regulatory Commission ("CSRC") issued a *Consultation Paper on Administrative Measures on Information Disclosure of Publicly Offered Securities Investment Funds* (the "**Consultation Paper**") and associated implementing rules for public opinion consultation. The Consultation Paper will replace the *Administrative Measures on Information Disclosure of Securities Investment Funds*, which has been in effect since 1 July 2004 (the "**2004 Measures**"). The Consultation Paper aims to optimize the information disclosure regime under the 2004 Measures through promoting the timeliness, simplicity and easy accessibility of information disclosed. The cut-off date for submitting feedbacks on the Consultation Paper is 2 September 2018.

The key changes under the Consultation Paper are outlined below.

### 1. Optimizing channels for disclosure of information

Considering the fast growth of internet media, the Consultation Paper adds the official website of CSRC as a mandatory channel for information disclosure of publicly offered funds, in addition to the existing channels of the websites of the fund managers and custodians, and significantly reduces the requirements on disclosure of information via traditional media such as newspapers and magazines.

Under the Consultation Paper:

- fund managers and custodians only need to disclose information on one (other than multiple) newspaper or magazine for a single fund;
- fund managers are now required to publish on designated newspapers or magazines an "indicative public announcement", instead of the full text, of the prospectus, fund contract, annual report, public announcement on fund listing and trading, summary of mid-term report and quarterly report (**Note:** The requirements on the format of such "indicative public announcement" are unknown at this stage but are expected to be short and simple)
- fund NAVs need not be disclosed on newspapers or magazines.

### 2. Introducing Products Key Facts Statement

The Consultation Paper borrows from the experience of the Securities and Futures Commission of Hong Kong on Products Key Facts Statement ("**KFS**"). A KFS is a concise and user-friendly summary, in plain language, of the key features and risks of a fund. Under the Consultation Paper, a fund manager is required, during the offering period of a fund, to prepare, publish and make available on relevant premises a KFS for such fund. In this regard, the CSRC has also



formulated a template KFS.<sup>1</sup> The KFS will replace the Summary of Fund Prospectus under the 2004 Measures as one of the offering documents.

### 3. Responsibilities of “investors-facing institutions”

Under the Consultation Paper, “investors-facing institutions” such as fund distributors and brokers of listed funds are required to assist fund managers in carrying out the fund managers' obligations to disclose to the investors the relevant information. Fund managers and “investors-facing institutions” shall clearly delineate their respective responsibilities in relation to information disclosure by written agreement between them. Moreover, fund distributors are required under the Consultation Paper to share investors' contact information with fund managers.

### 4. Other major changes in relation to disclosure

The Consultation Paper also introduces the following major disclosure related changes:

- abolish the requirement that the prospectuses of open-end funds shall be updated every six months;
- abolish the requirements that fund manager must disclose fund NAV on the last trading day of each June and December;
- set the parameters for disclosure of connected transactions;
- introduce new significant events that are to be subject to the disclosure requirements - such significant events include: fund liquidation report, termination of fund listing, merger of funds, outsourcing of fund service, change of *de-facto* controller of the fund manager, the volatility of a fund's daily NAV exceeding 10%, etc;
- provide enhanced risk disclosure requirements on complex / high risk funds (such as structured fund).

\*\*\*

Once the Consultation Paper becomes effective, managers, custodians and distributors of publicly offered funds in China should update their internal policies and procedures accordingly, and ensure that the relevant rules are duly implemented in their business operations. Also, fund managers and distributors are advised to re-visit their offering documents and client agreements to ensure compliance.

---

<sup>1</sup> Please refer to the link for a sample KFS (in Chinese):  
<http://www.csrc.gov.cn/pub/zjhpublic/zjh/201808/P020180803513604640722.pdf>

[www.bakermckenzie.com](http://www.bakermckenzie.com)

Suite 3401, China World Tower 2  
1 Jianguomenwai Dajie  
Beijing 100004, China  
Tel: +86 10 6535 3800  
Fax: +86 10 6505 2309

14th Floor, Hutchison House  
10 Harcourt Road, Central  
Hong Kong SAR, China  
Tel: +852 2846 1888  
Fax: +852 2845 0476

Unit 1601, Jin Mao Tower  
88 Century Avenue, Pudong  
Shanghai 200121, China  
Tel: +86 21 6105 8558  
Fax: +86 21 5047 0020

This client alert has been prepared for clients and professional associates of Baker & McKenzie. Whilst every effort has been made to ensure accuracy, this client alert is not an exhaustive analysis of the area of law discussed. Baker & McKenzie cannot accept responsibility for any loss incurred by any person acting or refraining from action as a result of the material in this client alert. If you require any advice concerning individual problems or other expert assistance, we recommend that you consult a competent professional adviser.

©2018 Baker & McKenzie. All rights reserved. Baker & McKenzie International is a global law firm with member law firms around the world. In accordance with the common terminology used in professional service organizations, reference to a “partner” means a person who is a partner or equivalent in such a law firm. Similarly, reference to an “office” means an office of any such law firm. This may qualify as “Attorney Advertising” requiring notice in some jurisdictions. Prior results do not guarantee a similar outcome.