

# SFC Circular to private equity (PE) firms seeking to be licensed

## What's New ?

On 7 January 2020, the SFC issued a circular that provides general guidance for private equity (PE) firms seeking to be licensed by the SFC to carry on a business of regulated activities in Hong Kong under Part V of the Securities and Futures Ordinance (SFO).

The SFC's Licensing Handbook published in February 2019 states that a PE firm may be required to be licensed for one or more types of regulated activities depending on the types of business it conducts in Hong Kong.

## What does this mean ?

The SFC is now providing additional guidance on the following:

### Licensing requirements for general partners (GPs)

- GP is generally required to be licensed for Type 9 regulated activity (RA9) if it conducts fund management business in Hong Kong.

### Discretionary investment authority

- To differentiate RA9 from the regulated activities of advising on securities or futures contracts, the SFC takes the view that licensed asset managers must be granted full discretionary investment authority in respect of the funds they manage

### Investment committee members

- Members of an investment committee who, either individually or jointly, play a dominant role in making investment decisions for the funds are required to be licensed as representatives and, where appropriate, be approved as Ros

### Investments in securities of private companies

- In determining whether an investment portfolio of a PE fund comprises securities or futures contracts for the purposes of RA9, the SFC will consider the composition of the entire investment portfolio

### Offering co-investment opportunities

- If a PE firm offers investment opportunities to other persons whereby they may enter into securities transactions alongside the PE fund, the firm is generally required to be licensed for Type 1 regulated activity (RA1)

### Fund marketing activities

- As fund marketing activities generally constitute "dealing in securities", a PE firm carrying on a business in such activities would generally be required to be licensed for RA1

### Industry experience requirement for responsible officers (ROs)

- In assessing whether an RO applicant of a PE firm has the required relevant industry experience to satisfy competence requirements, the SFC adopts a pragmatic approach and recognises a broad range of experience as long as the applicant can demonstrate that it is relevant to his or her proposed duties

# SFC Circular to private equity (PE) firms seeking to be licensed

## Next Steps

PE Firms need to benchmark their activities with the SFC guidance to identify their licensing obligations

Once identified, the firms need to gather the relevant documents and submit them to the SFC along with the licensing application form to attain the relevant SFC license


PE firms also need to be cognisant of the on-going regulatory requirements set by the regulator, after obtaining the relevant licenses


## How CityLinkers can help

**Impact Assessment:** We can advise management on relevant impact of the licensing requirements, and ongoing regulatory obligations, specifically for your business. We can assist management to **compile the required license application documents** (e.g. application forms, business plan, compliance manual, self-assessment questionnaires etc.) prior to submission to the SFC.


We can **advise and provide support** to management to fulfil the **on-going regulatory obligations** after obtaining the license from the SFC.

## Contact Us

 Company Website: <http://www.citylinkers.com.hk>

 WhatsApp Number: (852) 6816 8938

 Email: [info@citylinkers.com.hk](mailto:info@citylinkers.com.hk)

 WeChat Page: CityLinkersGroup