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11 July 2014

Re: Arrangements for an Asia Region Funds Passport

Dear Sir and Madam

We welcome the opportunity to provide our submission to the consultation questions contained in the “Consultation Paper: Arrangements for an Asia Region Funds Passport” (the “Consultation Paper”) dated 16 April 2014.

We believe that an Asia Region Funds Passport (ARFP) has the potential to deliver significant benefits to the region in providing opportunity for investors and fund operators through the increase in capacity and competitiveness of the funds management industry in the region.

PricewaterhouseCoopers (PwC) is a leading advisor to the funds management industry in the region through our network of member firms in each of the countries which the passport intends to operate. As a professional services firm with significant practices and interests in the Asia region we have collaborated with our network firms in Australia, Singapore, Korea, New Zealand, Malaysia, Thailand and the Philippines, and have set out below our regional view of the ARFP. This letter is set out in two parts: our summary and detailed discussion addressing particular questions in the Consultation Paper at **Appendix A**. We acknowledge that each country has specific areas which require further consultation and elaboration. Accordingly, where appropriate each of our PwC network firm may also submit a submission to the authority in their market.



Executive summary

PwC generally agrees with the approach that passport fund operators should satisfy home country laws and regulations prior to any validation process in a host market. The details of specific regulatory and eligibility issues are set out in the Appendix.

The creation of an ARFP involving different country participants is challenging and we are conscious of the need to balance a number of variables, including:

- investor protection;
- maintaining financial market stability and liquidity; and
- promoting a competitive, flourishing and efficient funds management industry in the region.

We set out below the key points we believe should be considered.

Economic benefits

The ARFP has the potential to have a positive impact on investors and the economies of participating countries. We believe that, where sensible, the future economic benefits arising from the ARFP should primarily remain with the participating countries. Therefore, consideration of how the funds management industry will evolve in the future and the opportunities this presents to the participating countries is vital.

For example, the Consultation Paper does not address the distribution of passport funds other than stating that it is to be determined under the laws and regulations of the host economy. We believe there is scope to consider the distribution of passport funds under “digital” technology which may involve the development of supporting infrastructure and the ownership of valuable investor data. This could initially be established and operated by the passport economies (as example, by a multi-passport economy owned organisation). In this way, the economic benefits of the ARFP will remain with the participating countries. This is an area that we are keen to discuss further.

Harmonisation

We generally support the approach of establishing a consistent passport framework and setting minimum standards regarding operational requirements in the home economy even though they may not presently be consistent with current local requirements. We believe that the benefits across the region would outweigh local differences. The benefits include:

- allows comparability of fund operators;
- engender confidence in the passport framework;
- promote investor confidence; and
- mitigating regulatory arbitrage.



We do acknowledge, however, that this could act as a barrier to new country entrants with different or less developed regulatory regimes.

Each jurisdiction has a preference towards a particular legal structure (whether a corporation, partnership or trust). Accordingly, there may be different operational and governance and tax outcomes as a result of the use of different passport fund vehicles. We would therefore encourage further consultation on harmonisation (including taxation issues) so that passport vehicles are competitive across the region.

We believe this is crucial to the success of the ARFP. From a tax perspective, the key objectives could be as follows:

- creating a level playing field in respect of returns to the investor;
- remove tax barriers in respect of distribution cross border;
- preserve tax neutrality through collective investment schemes; and
- preserve integrity by mitigating tax evasion.

Further consultation may also be required regarding consistency of the auditing framework for the ARFP and the type of reports required, as currently there are a diversity of potential approaches.

Efficiency and simplicity

It is important that the ARFP requirements are streamlined, remove duplication and promote investor protection and confidence. In brief, we support an offer process which is compliant with home economy rules with a 'lighter touch' in the host economy. In addition, we support a compliance audit of passport requirements only to be conducted by an external auditor, rather than an independent oversight body.

The ARFP will need to compete with UCITS, and therefore must offer the same degree of investor protection for consumers in addition to being cost effective for operators.

We look forward to discussing these issues further with you. In the meantime, if you have any questions, please do not hesitate to contact either Justin Ong on +65 62363708 (email: justin.ong@sg.pwc.com) or Ken Woo on +61 2 8266 2948 (email: ken.woo@au.pwc.com).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Justin Ong'.

Justin Ong
Partner – Asset Management Leader, Asia Pacific
PwC Singapore

A handwritten signature in black ink, appearing to read 'Ken Woo'.

Ken Woo
Partner – Asset Management Leader
PwC Australia



APPENDIX A

Basic eligibility

Q3.1 Should there be any restrictions on the legal form of passport funds in some or all economies such as for example an exclusion of CIS that are partnerships? If so why?

Each country has a preference or is accustomed to using specific types of collective investment vehicle based on a country's specific regulatory and tax framework as follows:

- Australia, NZ and Malaysia typically use unit trust vehicles.
- Domestic funds offered in Singapore are usually in the form of unit trusts. However, offshore retail funds that are sold in Singapore (typically UCITS) take the form of contractual trusts or variable capital corporations.
- The Philippines commonly use unit trusts and corporations.
- There are no specific restrictions of legal structures in Korea, however, unit trusts are commonly used.
- In Thailand, units of foreign collective investment scheme in the type of share are securities having investment characteristic similar with investment units. A person licensed to undertake Type C securities business and a person licensed to undertake Type D securities business is eligible to undertake securities business relating to such share. The term of "foreign collective investment scheme" means a collective investment scheme established under foreign law provided that it has been granted approval, registered or authorized by the regulator having authority to regulate such scheme. A CIS Operator that intends to offer a Qualifying CIS must be licensed or registered by its home regulator, and the criteria for granting the license or registration to such CIS Operator will include the specific requirements, without limitation.

For the purposes of the passport, we support the proposition that a passport fund is not restricted by a particular legal structure (trust, corporate, partnership), and should accommodate existing structures which are already commonly used in each passport jurisdiction (subject to specific comments below). Irrespective of legal structure, the tax treatment of a passport fund should be harmonised to ensure tax neutrality or a "level playing field" such that a passport fund marketed in the host economy is not at a competitive disadvantage.

Australia: An Australian passport fund should have the ability to offer multi-currency class funds in order to compete with other vehicles types which have sub-funds under an umbrella structure (UCITS funds).



Singapore: Singapore domiciled funds in the form of unit trusts currently have the ability to offer multi-class shares, and also have sub-fund structures within an umbrella fund. LPs are never used for retail funds.

Philippines: Only corporations should be allowed be accredited as a CIS. CIS issuers must also satisfy: (i) minimum paid up capital; (ii) minimum net worth requirements; (iii) track record of continued good corporate governance (e.g. For financial institutions, only those which has “4” or “5” CAMELS composite rating (Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity of Market Risk)).

Q3.2 Would the restriction on naming and promotion in relation to MMFs give rise to any practical problems? If so please explain.

Singapore: Imposing restrictions with the objective of better investor protection and information would be deemed to be appropriate and in line with IOSCO’s recommendation on money market funds. The Code of Collective Investment Scheme (CCIS), does not put any restrictions on the naming convention of a money market fund other than the fact that it should not appear to draw a parallel with the placement of cash on deposit and also defines the words “short-term” if used in the name.

Malaysia: There are currently no restrictions on naming and promotion in relation MMFs.

Philippines: In the Philippines, generic names are disallowed.

Thailand: No. A qualifying CIS that is a money market fund must have a: (a) Weighted Average Maturity of not more than 90 days; and (b) Weighted Average Life of not more than 120 days. A qualifying CIS that is a money market fund must have a cash reserve of at least 10% of its net assets. A qualifying CIS that is a money market fund must not engage in non-permissible activities such as securities lending, repurchase transactions, and direct lending of monies.

Q3.3 To what extent are offers likely to be made of interests in a passport fund that is an ETF in its home economy but not able to be traded on a financial market in the host economy?

It is quite likely that under the ASEAN fund passport, cross listing of ETFs could be a possibility. Accordingly, thought should be given to whether this is feasible for a passport fund.

Malaysia: Similar to trading in other listed securities, investors are required to have a Central Depository System (CDS) account and a trading account maintained with a broker. Investors may buy or sell ETFs through the broker, remisier or via online trading during trading hours. If ETF is not allowed in the host economy, it can still be done through a feeder fund structure.



Q3.4 There is a risk of retail investors misunderstanding how they can realise their investment in an ETF where the interests are not traded on a local financial market. Is there reason for concern that this risk is not sufficiently addressed by host economy laws and regulations about disclosure and distribution? If so please explain.

Any liquidity restrictions in an ETF when invested outside the home economy will need to be disclosed, as this is an important consideration for investors and may impact a fund's competitiveness.

Philippines: There is a risk because retail investors will not have available information to monitor performance of their ETF investment if the underlying basket of securities comprising the ETF is not traded in the local finance market.

Q3.5 Would the requirement for an offer in the home economy give rise to any practical problems? If so please explain.

There should not be a requirement to offer in the home country as this would be costly and onerous. It is important that the process of seeking a fund to be a passport fund be as streamlined and less bureaucratic as possible. We envisage that where the fund satisfies the requirements of the home economy, that the process of approval to market the passport fund to the host economy is straightforward, requiring only validation.

A fund operator may design a fund to be specifically marketed to a host country such as targeting specific investments potentially attractive to investors in that country (and in their local currency). Accordingly, there should not be a requirement to offer the fund to investors in the home country. The important requirement is that the fund satisfies the host country regulations and laws to be a passport fund.

Q3.6 Would the requirement for an offer in the home economy promote investor confidence in the effectiveness of supervision of passport funds by the home regulator? What other possible measures could be applied?

We do not believe that the requirement to offer the fund in the home economy further promotes investor confidence. The fact that the fund qualifies as a passport fund both in the home and host economies should be sufficient.



Licensing of the passport fund operator

Q3.7 Is the requirement for an audit of certain home economy laws and regulations related to the passport fund operational requirements sufficient to ensure that passport funds are operated in accordance with the prescribed standards?

The requirement for an audit of the operator's compliance with the home economy's regulations is essential, where this is not already codified within the regulatory framework of the home economy. For example, existing Australian regulations require an annual audit of a registered investment fund's operator in order to ensure they have appropriate control structures in place to ensure compliance with the applicable operational requirements of funds. This approach has been successful in regulating Australia's retail fund offerings. Similarly in Singapore, all retail fund management companies are subject to audit requirements including certification by auditors to the Monetary Authority of Singapore (MAS) on its compliance with key licensing and market conduct obligations. In Luxembourg, UCITS vehicles (fund level) are subject to a compliance audit, and such report is provided to the regulator and the operator only, via a "Long Form Report". Where it has been determined that a territory's governance, organisational and operational requirements are appropriate, an audit of this framework should be sufficient to ensure passport funds are operated in accordance with prescribed standards. This will avoid any duplication of audit effort. Where supplemental compliance procedures are imposed at the fund level in addition to those of the home economy, additional audit procedures and reporting will be required. Refer to our response to question 3.20 for further comments in relation to the format of reporting.

The requirement for an audit of compliance is important in order to promote confidence in passport vehicles. Where the passport funds are required to compete for capital with UCITS, independent verification mechanisms that are in place to protect investors' interests are required. One question that needs to be addressed is how the regulatory framework of participating economies, in addition to potential future entrants, is to be assessed.

The consensus view of PwC is that any requirement for a passport fund to meet the requirements of each host jurisdiction would be burdensome for both the fund and the auditor; therefore, the approach proposed in the Consultation Paper is favoured.



Q3.8 Are there any practical problems associated with the compliance audit rule? In particular are there any particular aspects that would be burdensome or inappropriate to audit?

Practical difficulties in auditing compliance will arise where the criteria on which the operator is being assessed is either subject to significantly different interpretations or where a reasonably consistent evaluation/ measurement cannot be determined. For example, the stated operational requirements of having a well-documented organisation structure and adequate internal controls mechanisms are subjective terms which may result in inconsistencies in interpretation by auditors.

In developing criteria for the passport, due consideration should be given to International Standard on Assurance Engagements (ISAE) 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. This standard provides guidance for factors to consider when assessing the suitability of criteria for audit purposes. Where there is already an established audit mechanism within the home economy such interpretative matters will generally only arise where supplemental compliance measures are required for passport certification.

In addition, practical problems may arise due to the legal structure of the passport vehicles. For example in a unit trust structure, the unit trust itself does not have any operational substance, and therefore the audit of compliance would be focused on the fund operator and/or trustee. On the other hand, in a corporate structure (similar to UCITS) the audit requirement would need to be at the fund level as the fund has its own legal entity and substance with a board of directors, and therefore this is where such compliance measures will operate.

Whichever the case, it is important that any compliance measures expected, whether audit of compliance or the set-up of a governance structure and framework, be flexible enough to cater for the different industry and market practices in each passport economy. A one-size-fits all approach would create operational difficulties and result in adoption of the passport fund much more difficult.

Please refer as well to our comments and response to question 3.20 which is of relevance in the context of practical challenges associated with the compliance audit requirement and audit opinion proposed.

Q3.9 Would it be clearer or more practical to instead require an audit of whether the passport fund operational requirements are being met?

The audit of a fund's operational requirements may be more burdensome, particularly where a single operator has multiple passport offerings. A compliance audit of the operator's compliance with the home economy laws and regulations with regards to set standards for eligibility, governance, organisation and operational conduct, would be more efficient and cost effective.



Q3.11 Should operators be allowed to count experience operating other types of retail investment schemes (for example, pension funds) as the requirement is currently drafted? Are there other types of experience which should be allowed to be counted?

Singapore: Insurance linked product schemes and pension plans if they meet the requirement of the local regulator and thus meeting the definition or treated as a retail fund, should be allowed to be counted as part of retail fund management track record.

Malaysia: Other similar types of retail investment schemes should be allowed in the counting of operator experience such as exchange traded funds, private mandates and pension funds.

Philippines: As for other types of experience, you may want to consider funds of funds managers, private equity fund managers, UITF managers, and managers of similar vehicles.

Q3.13 Should they apply to any other persons involved in the operation of a passport fund?

Singapore: Yes, for example in Singapore there is a concept of “Licensed representatives” in addition to the officers as defined under the passport scheme. These representatives have minimum qualification and entry requirements and are subject to compliance obligations and oversight by the fund’s operator. Licensed representatives include, individuals who conduct regulated fund management such as portfolio construction and allocation, research and advisory, business development and marketing or client servicing. This may include the directors and CEO of the fund management company.

Malaysia: The compliance officer requirement should also be included as passport funds operator and would also need to comply with local laws and regulations of the host economy. This would give more comfort over the compliance function.

Q3.14 Should the proposed requirements for there being a qualified person who is an officer or employee of the operator apply to ensure this important function is done in the organisation directly regulated as a passport fund operator? What if any practical problems would arise?

For smaller markets, initially, there may be practical difficulties in finding qualified officers.



Q3.15 The European Securities and Markets Authority (ESMA) in its technical advice to the European Commission on possible implementing measures of the Alternative Investment Fund Managers Directive recommended allowing a degree of substitutability between professional indemnity insurance and capital to cover professional liability risks. Should a passport fund operator be able to substitute for capital (in whole or in part) the amount of cover provided by holding professional indemnity insurance which meets specified requirements given that a purpose of the requirement for capital for passport fund operators is to address professional liability risk?

Due to different local rules, each country currently has different approaches to capital requirements, some of which are set out below.

Singapore: In Singapore, there is no comparable substitute for minimum base capital requirement, however there is another component of capital adequacy which is assessed as risk based capital requirement. This is computed with the fundamentals of operational risks for the fund manager. There is a professional indemnity insurance (PII) requirement, though only for retail fund managers but this is an additional requirement. PII is an additional requirement that is stipulated progressively at increment of the assets under management. PII has to be renewed each year and the insurance deductible is limited to 20% of the fund management company's base capital. There are alternatives to the PII which is allowed at the sole discretion of the MAS which are letters of undertaking from the parent entity or a group PII.

As for the ARFP in the absence of operational risk requirements, we suggest PII could be considered as a substitute partially and that to the extent of variability of the AUM after certain base capital requirements are met, but it should not be a complete substitute.

As a comparison to the EU model, PII serves as a substitute under the AIFMD framework but not under UCITS. Under the UCITS framework, the base capital requirement is asset under management base with a minimum and maximum limit.

Philippines: Insurance should not take the place of permanent capital. Exposing an insurance company to the effect of financial failure might create a domino effect. Given that passport operators only need to pay a premium instead of infusing capital, there is an unintended effect of leverage – this could encourage the creation of a moral hazard.

Malaysia: Currently, the regulators will not consider insurance as a substitute for capital.

Operation of the passport fund

Q3.17 Are there other means to ensure the policy objective of independent oversight is met? If so please explain these other means and why they should be permitted.

See 3.18



Q3.18 Should an independent oversight entity be permitted to conduct a compliance audit?

If the independent oversight entity were to perform the compliance audit, then there is the risk of self-review, particularly in relation to its own duties and responsibilities. Further, consideration should also be given to the competence and experience required of a compliance auditor as the compliance audit requirement is an important feature of the proposed passport regime designed to promote confidence in the passport vehicles. One indicator of such competence is the entity's ability to conduct and sign-off on other similar regulatory reports. For example, in Singapore, a practising Chartered Accountant is required to sign-off on the compliance certification of a licensed fund manager to the MAS. Aside from competence, experience in performing such audits is important. For instance, an independent oversight entity performing the compliance audit would generally have less experience relative to the passport fund's external auditors, who can leverage on the experience gained from other compliance audits to a certain extent.

Q3.19 Should an independent oversight entity be permitted to self-certify its own compliance in respect of its own obligations under the passport rules instead of arranging its compliance to be audited in any circumstances? If so, under what circumstances should such self-certification be allowed and how can the potential conflict of interests be satisfactorily mitigated?

The objective of the certification/audit of compliance with passport rules aims to give the various stakeholders (i.e. home regulators, host regulators, investors and operators) confidence in the operations and management of the passport fund by the various operators. Allowing the independent oversight entity to be able to self-certify its own compliance in respect of its obligations could create a perceived conflict of interest/independence in the eyes of the regulators and investors (especially since the passport is targeted at assumed layman retail investors).

Q3.20 Would there be any practical difficulties in an auditor providing the opinion proposed? If so please elaborate and identify any alternative measures or alternative form of report that would sufficiently address the policy objective of ensuring compliance through independent checking where reasonable (for example, a review engagement providing negative assurance or an agreed upon procedures report from the auditor).

Practical difficulties in an auditor providing the opinion proposed will arise where the criteria on which the fund is being assessed are either subject to significantly different interpretations or where reasonably consistent evaluation/ measurement criteria cannot be determined. Earlier examples were provided in question 3.8 around the stated operational requirements of having a well-documented organisation structure and adequate internal controls mechanisms, both of which are subjective terms which may result in inconsistencies in interpretation by auditors. Another example would be auditing compliance with the investment restrictions of the passport fund during the year (e.g. eligibility of investments, limits imposed) which would prove to be impractical, given the frequency of trading and volume of investment positions held by the passport funds, and therefore potentially cost prohibitive.



There are various reporting options in providing comfort around a passport fund's compliance with the passport rules. These include a reasonable assurance opinion expressed in a positive form (this is the current proposal at hand), certification via a factual finding report (agreed-upon procedures report), and a limited assurance opinion expressed in a negative form (either short form or long form). Guiding principles that perhaps could be considered when deciding on the preferred option include the following:

- value and benefit to all stakeholders and users (i.e. operator, home and host regulator, investors);
- consistency and comparability of the audit performed and information provided; and
- cost and impact on operators and ultimately the passport funds.

Whilst the current proposed reasonable assurance opinion would offer the highest relative level of assurance ("reasonable assurance") to investors and the regulators, it focuses on the audit of the outcome, being compliance with the rules rather than on the controls and process implemented to achieve that outcome. This could result in inconsistencies in the work performed, especially where judgement is exercised by the auditors which may result in a difference in approach and extent of testing. Further, the audit may become potentially cost prohibitive as the degree of testing required for substantiating, to a reasonable extent, compliance with obligations throughout the year, would be extensive.

A factual findings report provides full transparency on the detailed tests carried out by the auditor and the associated results and findings from these tests for the user to conclude themselves on the subject matter in question. Therefore, whilst the transparency of information provided would promote greater consistency and comparability in the audit performed and information provided, it does not provide any form of independent assurance. Further, the detailed tests to be performed would need to be harmonised across the member economies to ensure there is consistency in the audit performed.

The third potential approach is a limited assurance opinion. A limited assurance engagement seeks to reduce the engagement risk to a level that is acceptable in the circumstances of the engagement, but where such risk is greater than for a reasonable assurance engagement. Therefore, the testing required to substantiate a limited assurance opinion is less than that expected for a reasonable assurance opinion. For example, in Singapore the short form limited assurance opinion is used as the basis for the compliance certification to the MAS on an operator's compliance with the key licensing and market conduct requirements, drawing from the work performed as the statutory auditor of the operator. If deemed appropriate, this short form approach could be further enhanced with a long form report in a format agreed between the industry and the participating economies' regulators. Such an approach would better balance the need for greater consistency and comparability in the audit and information provided with the need to manage the cost and impact on operators. The long form report could include an understanding of the operation of the passport fund in those areas deemed key by the regulators. For example, in Luxembourg the long form report required for UCITS vehicles covers areas such as compliance with the investment eligibility, diversification of investments, errors and breaches, investor complaints, valuation of investments, depository/custody, administration, transfer agency, intermediaries, market timing along with a report on shortcomings noted over the course of the audit with agreed remedial actions. Such a report would enhance the regulator's understanding of the



operations of the fund, and the agreed format will ensure greater consistency in terms of approach and reporting. By way of illustration, under the reasonable assurance option, auditing the passport fund's compliance with the investment restrictions during the year of the fund's operation would prove to be challenging and impractical and the factual reporting of any breaches noted would be of limited value in a self-reporting regime by the operator. Therefore, an alternative approach under the limited assurance option would be to consider the adequacy of controls in place drawing from the work performed as the statutory auditor of the passport fund, along with a description of such controls provided in a long form report.

In conclusion, a reasonable assurance opinion may not be feasible in view of the practical challenges and cost consideration as described above, and the factual findings report is inadequate in providing the necessary assurance. On balance, perhaps the use of a limited assurance opinion could be considered, which could be further enhanced with a long form report (in an agreed format), if deemed appropriate. A limited assurance opinion on compliance, accompanied by a long form report, is already required for UCITS vehicles domiciled in Luxembourg. To provide a contrasting position, the Australian regulator requires a reasonable assurance opinion on compliance to accompany a long form 'compliance plan' lodged by the responsible entity of a retail investment fund.

Q3.21 Is this the most appropriate approach to ensure there are adequate standards which are applied consistently?

Separate from any financial statement audit opinion, the most appropriate approach would be for a single format of audit report, opining on compliance with the supplemental passport rules only. This opinion could also include a statement of compliance with the home economy regulations. Early engagement of the auditing profession to determine the format of the audit report is essential in order to ensure home/host regulators and operators receive the appropriate form of assurance.

In addition, the officers or management can be asked to sign the equivalent of a management's statement of responsibility for compliance. This would be a legal, notarized, and binding document that certifies compliance by the accountable officers.

Q3.26 Are these eligibility requirements sufficient to ensure that the delegates have the necessary experience to perform the delegated functions and are subject to appropriate regulatory oversight? If not, what other measures should apply?

We agree that the delegate of a third country should be authorised and registered in the home economy (which is consistent with AIFMD and UCITS). Therefore there needs to be a co-operation agreement with the home regulator and the third country's supervisory authority.

Although we acknowledge that delegates should be subject to regulations of the home economy, the delegates should not be restricted to passport economies. There needs to be further clarity about the extent of activities that can be delegated and to whom.



Q3.28 Is it appropriate for a host regulator to require financial statements and audit reports to be translated to an official language of the host economy? If not, why not?

The passport fund operator should comply with the local marketing requirements of the host economy. In Australia, Singapore and the Philippines, English is the standard language.

General questions about the substantive requirements

Q3.29 Do you agree with the proposed approach in terms of whether home, host or passport rules apply to this area of CIS regulation?

There should be harmonisation across home economy operational requirements in order to create a level playing field and ensure comparability and consistency.

Q3.30 Do you think that the proposed approach would enable the passport to achieve its key objective of providing a high degree of investor protection? If not, in what way can the approach be enhanced?

We consider that the proposed approach would achieve the objective of providing a higher degree of investor protection. There should also be a standardised Key Investor Information Document (abridged prospectus/fact sheet). Variant of such could lead to conflicting or non-comparable information in the participating markets.

Q3.35 Are there any additional requirements you would suggest? If so, what are the rules and why?

The content of the audit report of the financial statements should be also be harmonised. It should follow International Standards of Auditing but it should allow for local financial statement reporting requirements where relevant e.g. (RAP 7 in Singapore which is based on IFRS principles). Assuming that the standards are converged or substantially converged this will allow choice of home economy reporting standards or IFRS.



Q3.36 Do you have questions about how the passport will work that are not addressed in the proposed framework? What are they?

There are a number of areas that should also be considered including:

- AML/KYC rules;
- Performance fees;
- Digital distribution;
- Intermediary oversight;
- Tax harmonisation;
- Consistency with local laws and resolution of conflicts;
- Harmonisation of processes;
- The application of Foreign Account Tax Compliance Act (FATCA) rules and the Common Reporting Standard; and
- Standardised document containing key investor information.

We are happy to discuss these areas with you in more detail.

Questions about regulatory functions

Q4.1 Is the proposed registration and assessment process operationally practicable?

There should not be a requirement for the fund operator to apply to both the home and host economies. Rather, consistent with the UCITS IV framework, the home regulator contacts the host regulator and submissions are made only to the home economy. This would make the whole operation of fund approval and time to-market much more feasible and efficient.

Q4.2 If not, what changes would you propose? What impact would the proposed approach have on competitiveness and ensuring investor confidence?

Currently UCITS offers can be made within 10 days of application to the regulator. You may want to consider whether this timeframe is feasible.

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