



**Asia-Pacific
Economic Cooperation**

Arrangements for an Asia Region Funds Passport: Feedback Statement and Consultation on Draft Rules

An APEC Finance Ministers' initiative

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Introduction

1. A consultation paper on arrangements for the Asia Region Funds Passport (the Passport) was published on 16 April 2014 by members of the Passport Working Group (Australia, Korea, New Zealand, the Philippines, Singapore and Thailand). The consultation paper detailed the proposed arrangements for the Passport developed by the Working Group. It can be found on the Passport website at <http://fundspassport.apec.org/consultation-paper/>.
2. In response to the consultation, 28 submissions were received. The submissions that were not marked confidential are available on the Passport website. Several economies also held workshops with their fund management industries. Attachment A provides a summary of the approach taken by different economies in engaging with the public during the consultation period. The Working Group economies are grateful to all who provided contributions.
3. Following the consultation period, the Working Group refined the arrangements, taking submissions into account. The proposed arrangements are now reflected in a draft memorandum of understanding (MOU). The MOU, when signed, will signal an economy's commitment to participate in the Passport and implement the Passport arrangements.

Structure of the document and scope of consultation

4. This document:
 - 4.1 summarises the key views expressed in the submissions and the Working Group's treatment of those views in developing the draft MOU, with Attachment A summarising the approach taken by different economies in engaging with the public during the consultation period;
 - 4.2 seeks feedback on the text of the annexes to the draft MOU which would apply to the operation of the Passport; and
 - 4.3 outlines indicative future milestones towards establishing and implementing the Passport (see Attachment B to this document).
5. The MOU is structured as follows.
 - 5.1 The covering MOU (not attached) would contain the impetus to participate in the Passport, establish a governing framework, and set out the eligibility criteria for economies wanting to participate in the arrangement.
 - 5.2 Annex 1 of the draft MOU (attached) sets out the only areas in which a Participant will impose obligations on Passport Funds from other economies that are offered in its economy (the Host Economy Laws and Regulations).
 - 5.3 Annex 2 of the draft MOU (attached) sets out the regulatory arrangements for Passport Funds – how Passport Funds are to be registered and supervised by regulators and how the Passport arrangements are to be enforced (the common regulatory arrangements). This annex is designed to be given effect in, but not directly incorporated into, the law of a participating economy.

- 5.4 Annex 3 of the draft MOU (attached) sets out the passport rules. This is a common set of requirements with which the Operators of Passport Funds and certain other persons involved with Passport Funds will be required to comply on an ongoing basis. The Passport rules contain provisions that govern the behaviour of a Passport Fund in both the home and host economies. The Passport rules are designed to be directly incorporated into the law of a participating economy.
 - 5.5 Annex 4 of the draft MOU (confidential) sets out arrangements for cooperation between regulators.
 - 5.6 Annex 5 of the draft MOU (confidential) provides a template document through which a prospective economy that has been approved as meeting the eligibility criteria will communicate their adoption of the understandings set out in the MOU to Passport member economies.
6. The Working Group invites feedback on the text of Annexes 1, 2 and 3, as to whether the arrangements are sufficiently clear and workable. Submitters need not restate comments made in their earlier submissions. Submissions will be published on the official Passport website (www.fundspassport.apec.org) unless a submitter specifically requests that the whole or part of the submission is treated as confidential.

Process for submissions

7. The Working Group is seeking feedback on the consultation questions set out in the Annexes and in this Feedback Statement. Submissions on all sections and questions contained in these documents are welcome, but respondents may provide comments on particular sections and discuss issues of interest in the consultation paper.
8. Please direct submissions to the Working Group via the electronic submission form on the Asia Region Funds Passport website: <http://www.fundspassport.apec.org/consultation-on-rules>, or to the responsible agency in your economy from the list below. If your economy's responsible agency is not listed in the table, please use the electronic submission form.
9. The Working Group will take account of the submissions it receives in finalising the rules and arrangements.
10. The due date for submissions is **10 April 2015**.

Australia	Korea
Financial Services Unit Financial System and Services Division The Treasury	Asset Management Supervision Office Financial Supervisory Service
Email: fundspassport@treasury.gov.au	Email: fundpassport@fss.or.kr

New Zealand

Investment Law Team
Ministry of Business, Innovation and
Employment

Email: investment@mbie.govt.nz

Singapore

Primary Markets Conduct Division
Market Conduct Department
Monetary Authority of Singapore
10 Shenton Way
MAS Building
Singapore 079117

Email: arfp-consult@mas.gov.sg
Fax: (65) 6225 1350

The Philippines

Markets and Securities Regulation
Department
Securities and Exchange Commission

Email: mrd@sec.gov.ph

Thailand

Corporate Finance – Debt and Other
Products Department
Securities and Exchange Commission
333/3 Vibhavadi-Rangsit Road
Chomphon, Chatuchak
Bangkok 10900
Thailand

Email: nichaya@sec.or.th
Fax: (66) 2 695 4611

Summary and treatment of responses

11. This section summarises the submissions received in response to the consultation paper and details the key changes now reflected in the draft MOU.

General comments

12. The majority of submitters were generally supportive of the initiative and of the proposed arrangements. However, the degree of support varied, and some expressed concern about foreign competition.
13. Many submissions emphasised the importance of achieving greater scale and ensuring the arrangements do not prohibit the participation of a broader group of economies. Some submissions also urged the Working Group to consider linkages with the other mutual recognition schemes being progressed in the region.
14. A key theme throughout the submissions was a desire to achieve greater harmonisation by moving more obligations into the passport rules rather than being governed by the Home or Host Economy Laws and Regulations.
15. A large number of submissions urged the Working Group to consider the implications of domestic taxation arrangements and advocated for the neutral tax treatment of Passport Funds.
16. Each Working Group member has agreed to share with other Working Group members, information about their taxation and capital controls settings in their respective economies to provide further clarity and identify potential issues that could impede use of the passport.

Basic eligibility

Fund structure

17. The consultation paper proposed that there be no restrictions on the legal form of Passport Funds but sought views on whether some forms may be inappropriate for retail investors (for example, limited partnerships).
18. There was broad support for the position set out in the consultation paper, with some submissions clarifying that, as a minimum, trust, contractual and corporate structures should be able to be used under the passport. A number of submissions also requested that umbrella structures be allowed, that is, Operators should be allowed to register sub funds within umbrella structures as Passport Funds.
19. Other submitters noted that the laws and regulations in their Home Economies did not allow for different fund structures regardless of whether the Passport rules allow this or not.

Outcome:

There are no restrictions placed on fund structure in the draft MOU. To be registered as a Passport Fund, a Collective Investment Scheme (CIS) must be constituted or established and be a 'Regulated CIS' or a sub fund of a Regulated CIS in its Home Economy (paragraph 3(3) (a) of Annex 2). The Passport rules define what a Regulated CIS is by listing the types of Regulated CIS in each jurisdiction by reference to the legislation under which they are authorised and regulated (see section 55 of Annex 3). Eligible economies may nominate other types of Regulated CIS to be listed in the table in section 56 as long as it is regulated broadly in accordance with the IOSCO Principles and Objectives relating to CIS.

Fund Labelling

20. The consultation paper proposed that Host Economy Laws and Regulations concerning the labelling of exchange traded funds (ETFs) and money market funds (MMFs) would apply to Passport Funds and recognised that additional disclosure may be required if an ETF is sold in an economy in which it is not listed.
21. A range of views were provided on offering ETFs and MMFs under the Passport arrangements. Some submissions argued for consistent naming conventions across the participating economies. Others were more ambivalent about whether this was necessary. A number of submissions argued against additional disclosure.

Outcome:

The position outlined in the consultation paper is reflected in the draft MOU. Naming rules in the Host Economy may be applied to Passport Funds (see paragraph 2(1) (a) of Annex 1). Participating economies may choose to require additional disclosures under section 3 of Annex 1.

Requiring compliance with rules about labelling would likely mean meeting the most stringent requirement in any Participant. Because the requirements apply only to labels rather than descriptions about the fund, compliance can be achieved by simply avoiding the usage of the terms such as 'money market fund' or 'exchange traded fund'.

In addition a similar approach recognising Host Economy Laws and Regulations will apply is proposed for labelling of index funds and capital guaranteed funds.

Location

22. The consultation paper proposed that a CIS can only be offered as a Passport Fund if the CIS is constituted or established and authorised in a participating economy and the Operator is authorised and has a principal place of business in that same economy.
23. Some submitters asked the Working Group to consider removing the second restriction to create a management company passport.

Outcome:

The position outlined in the consultation paper is reflected in the draft MOU. The definition of Operator (section 55 of Annex 3) requires the Operator to be regulated within the same legal framework as the Regulated CIS.

Given the complexities involved in creating a management company passport, the Working Group considered it appropriate to limit the scope of the Passport framework to schemes with a local Operator in its initial stages.

Home Economy public offer

24. A large number of submissions commented on the proposed Home Economy public offer rule outlined in the consultation paper. Some opposed the rule on the basis of the regulatory burden it would create. Others raised issues with the conditions, expressing concern about what would be required to prove compliance.

Outcome:

Based on the feedback received in submissions, the Home Economy public offer rule as set out in the Passport rules (section 17 of Annex 3) has been modified in a number of ways.

The Working Group remains of the view that there should be a nexus between the Operator's business activities and the Home Economy. This is to give public confidence that the Home Regulator can review regulated disclosure for the scheme and that there is local connection supporting the Home Regulator in monitoring the compliance of the fund. However, the Working Group considers that this test could be met in a number of different ways. As such, Passport Funds can comply with the rule by meeting one of three alternative tests (see section 17 of Annex 3).

Requirements relating to the Passport Fund Operator**Operational requirements**

25. The consultation paper proposed that the operational requirements on a Passport Fund Operator be set out under the Home Economy Laws and Regulations, which would be subject to a compliance audit required by the Passport rules. A question was also asked whether it would be clearer to impose both the operational and the audit requirements under the Passport rules, rather than Home Economy Laws and Regulations. Submissions on this question were mixed.

Outcome:

The Working Group considers that it would be clearer to impose the Passport Fund operational requirements as substantive obligations in the Passport rules (Part 3 of Annex 3). This will also mean that Operators of Passport Funds are subject to the same minimum standards regardless of their Home Economy. Including these obligations in the Passport rules will also mean that they are automatically subject to the compliance review discussed below (which is expressed to cover the Passport rules).

Track record of the Operator

26. The consultation paper proposed that Operators will need at least five years' experience as an Operator of CIS before they can operate Passport Funds. It also sets parameters around when the experience of the Operator or its related parties could be counted for this purpose (for example, the experience must be obtained in a participating economy or an economy with a comparable regulatory framework).
27. Many submitters supported the requirement but asked for more clarity about which economies experience can be counted.

Outcome:

The position in the consultation paper is largely reflected in Section 9 of Annex 3. Further description has been added to clarify that the Home Regulator will look for experience applying to a financial asset CIS as defined in Section 55 of Annex 3 that have been regulated in a way that enables interests in the CIS to be offered to the public generally. This could be CIS that are not Regulated CIS because they are subject to another regulatory regime such as Australian regulated superannuation funds.

To provide certainty, Passport Regulators consider for example France, Germany, Ireland, Luxembourg, the United Kingdom and United States of America as economies that currently have sufficiently broadly similar regulatory frameworks for the purposes of delegation of functions by a fund operator under section 11(3) of the Annex 3 unless some adverse change occurs.

Qualifications of the Operator

28. The consultation paper detailed experience requirements for various officers and employees of Passport Fund Operators (including executive directors, the chief executive officer, and officers responsible for making investment decisions).
29. Several submissions requested more flexibility, arguing that having officers with a diversity of experience can be beneficial. Others noted that a requirement to have officers with responsibility for investment decisions within the Operator would limit an Operator's ability to outsource the investment management function.

Outcome:

The Working Group considers that the requirements in the consultation paper were broadly appropriate in order to provide consumers and regulators with confidence in Passport Fund Operators. However, in response to the submissions, some additional flexibility is reflected in the Passport rules. Instead of requiring an officer within the Operator to be responsible for making investment decisions, the Working Group considers it sufficient for there to be an officer within the Operator that is responsible for supervising investment decisions (see section 6 of Annex 3) including monitoring performance of an investment management delegate and being substantially involved in decisions about whether the delegate should continue based on their performance.

Financial resources of the Operator

30. The consultation paper proposed that Operators be required to maintain capital of at least USD 1 million (the base capital requirement) plus additional capital equivalent to 0.1% of the AUM in excess of USD 500 million up to a maximum of USD 20 million of additional capital. The paper also sought feedback on whether professional indemnity insurance should be permitted to be used as a substitute.
31. Submitters were mixed on the question of using professional indemnity insurance as a substitute. Some supported the idea on the basis that it would allow smaller Operators to participate. Others thought it may lead to Passport Fund Operators not being adequately capitalised.

Outcome:

The draft MOU allows professional indemnity insurance – considered acceptable to the Home Regulator – as a substitute for capital, but only for 80% of the additional capital requirement cover in paragraph 30 of this statement. The base capital requirement and 20% of the additional capital requirement cannot be met through professional indemnity insurance (section 7 of Annex 3).

A number of other minor clarifications have been made by the Working Group but otherwise the capital requirements reflect those set out in the consultation paper.

Good standing

32. The consultation paper proposed that a good standing test be applied to Passport Fund Operators, officers and controllers. This rule did not attract much comment.

Outcome:

The good standing requirement is reflected in the Passport rules in largely the same terms as it was set out in the consultation paper with some minor clarifications (section 10 of Annex 3).

Funds under management

33. The consultation paper proposed that an Operator and its related parties must have at least USD 500 million funds under management in order to be eligible to offer Passport Funds. A number of submissions were concerned about the effect of an appreciation of the US dollar against their local currency. However, the Working Group considered that there are benefits to having a single currency benchmark, noting the currency risks associated.
34. Others made various suggestions on how “funds under management” should be defined to enable it to be calculated more generously.

Outcome:

The Working Group considers it necessary that a Passport Fund Operator has a certain level of assets under management as a measure of experience and capacity to manage sizeable funds. Also, to ensure that the Passport Fund being set up can potentially benefit from the economies of scale enjoyed by the Operator. This test is reflected in paragraph 3(4)(a) of Annex 2. It requires the Passport Fund Operator and its related parties to be responsible for the operation of financial asset CIS with a total value of at least USD 500 million. Financial asset CIS is defined in section 55 of Annex 3 and includes a broader range of collective investments than Regulated CIS, for example, pension funds. The test applies only at the time of registration of each Passport Fund in the Home Economy, so later exchange rate variations will not affect compliance in respect of that Passport Fund.

Operation of the Passport Fund

Custody

35. The consultation paper proposed a number of requirements relating to the custody of Passport Fund assets including restrictions on the party by which the assets can be held and how they must be held.
36. Most submissions supported the proposed arrangements. However, a number argued that there should be no requirement that sub custodians are regulated in the Home Economy.

Outcome:

The substance of the arrangements outlined in the consultation paper is largely reflected in section 13 of Annex 3. However, the requirements are expressed slightly differently. This is to more explicitly recognise the different entities in each economy that have responsibility at law for holding CIS assets. There is no requirement for sub custodians to be regulated in the Home Economy. However, the responsible holding party is required to remain legally responsible for the safekeeping of Passport Fund's assets as if it held the assets itself.

In addition there is provision that the requirements do not apply to certain kinds of assets including deposits with a bank who is the custodian, certain assets held for operational purposes and certain derivatives.

Independent oversight

37. The consultation paper proposed that Passport Fund Operators be subject to oversight by either an independent entity or a board or compliance committee with at least half independent directors or members. The consultation paper also set out what the functions of the entity performing the oversight role would be.
38. Many submissions agreed with the proposed arrangements but expressed the need for more flexibility in how the requirement for independent oversight might be met.

Outcome:

The Working Group considers that more flexibility is needed to accommodate the variety of mechanisms for independent oversight in Asian region economies. As such, it is now a criterion of eligibility that an economy's regulatory framework provides for an entity or person that is sufficiently independent and capable of performing the independent oversight function. This will allow the Passport rules to recognise a variety of mechanism for independent oversight that are sufficiently effective. The mechanisms that currently exist in Working Group economies are listed in the table in section 14 of Annex 3. It is envisaged that the table will be updated to include additional mechanisms when other economies join the Passport having met the relevant eligibility criterion.

Compliance audit

39. The consultation paper proposed that Passport Funds be subject to an annual audit of their compliance with the Passport rules by a regulated auditor.
40. A number of submissions disagreed with the proposal, expressing the view that an annual compliance audit would be overly burdensome for Passport Fund Operators. Some observed that there is no equivalent requirement under the UCITS directive.
41. There were mixed responses on the scope of the compliance audit. Some thought that the audit should cover all rules to which the Passport Fund is subject to, while others thought it should only cover the Passport rules.
42. There were also mixed views on whether trustees should be able to conduct the compliance audit. Some thought this would be appropriate and would be a good way to reduce the costs associated with the requirement. Others thought that trustees are inadequately qualified to undertake such a function.
43. Various audit firms and professional accounting bodies also commented on the standards that should be used for the compliance audit and the type of assurance that should be given.

Outcome:

The Working Group recognises the value in having a mechanism that provides periodic and independent review of a Passport Fund's compliance with the Passport rules. However, it considered that a review rather than an audit would be an appropriate minimum standard given the range of obligations in the Passport rules.

Section 15 of Annex 3 provides further details of the requirements of the review, the circumstances under which the review may be dispensed with, the assistance that must be given to the reviewer, and the production and provision of the compliance review report.

Delegation

44. The consultation paper proposed a number of restrictions on the ability of a Passport Fund Operator to delegate functions generally, and specifically investment management functions.

45. One of the restrictions on general delegation provided that the Operator has suitable processes in place to monitor and control the activities of the delegate.
46. The restrictions on the delegation of investment management functions were tighter and provided that the delegate is regulated by a regulator that has cooperation arrangements in place with the home regulator that are comparable to, and as effective as, those in place between the Passport Regulators. It was also proposed that investment management delegates meet the requirements relating to capital, experience, funds under management, and good standing.
47. Many submissions contended that, in so far as the restrictions on the delegation of investment management would prevent them from using investment managers in key global centres in Europe and North America, the rule would significantly reduce the functionality and potential take up of the Passport arrangements. Some also submitted that eligibility requirements need not be applied to delegates but rather reliance could be placed on the Operator to ensure delegates are suitably qualified.

Outcome:

The Working Group agreed to modify the delegation rule in response to the consultation submissions. The restrictions on the ability of a Passport Fund Operator to delegate functions generally will still apply (subsection 11(1) of Annex 3). Several modifications have been made to the restrictions on the delegation of investment management functions.

Passport Fund operators will be allowed to delegate investment management functions for up to 20% of the Passport Fund's assets under management to any entity which is regulated by an IOSCO Appendix A signatory, and where the delegate investment management function is for more than 20%, is subject to a regulatory regime that provides broadly similar outcomes.

A Passport Fund Operator will only be allowed to delegate investment management functions if the officers of the delegate also meet certain minimum experience requirements.

A Home Regulator's assessment as to whether the proposed jurisdiction is sufficiently similar would be given after consultation with other Passport Regulators to ensure consistency in the application of this provision.

To provide certainty, the Working Group considers for example that the regulation of licensed investment managers in France, Germany, Ireland Luxembourg, the United Kingdom and United States of America are broadly similar for the purposes of this provision.

Financial reporting

48. The basic proposal set out in the consultation paper was that financial statements can be prepared and audited in accordance with Home Economy standards if those standards are converged or substantially converged with the International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA). The consultation paper also set out requirements relating to the translation and provision of financial statements and audit reports to regulators and members.
49. Submissions generally supported the proposed arrangements.

Outcome:

No substantive changes have been made to the financial statements requirement. If an economy's accounting and auditing standards are converged or substantially converged with IFRS then those standards will be listed in the table in subsection 16(4) of Annex 3. If not, then the table will list IFRS and ISA for that economy.

If the regulation of auditors in an economy is considered substantially equivalent to the auditing regulation of Passport member economies, the regulation in that economy will be listed in the table in subsection 16(7) of Annex 3; if not the auditor will need to be regulated in another Passport economy.

Investment restrictions

50. There was broad support for the list of permitted asset classes in the consultation paper. Most comments focused on the portfolio allocation restrictions. Common themes included:

- that the single entity limit is too restrictive given the concentration in local markets;
- that Passport Funds should be allowed to invest in UCITS in the same manner as Regulated CIS; and
- that the derivative and securities lending arrangement requirements were too restrictive.

Outcome:

The investment requirements set out in the Passport rules broadly align with those proposed in the consultation paper (Part 6 of Annex 3).

Permitted assets

- While debt instruments with more than 397 days maturity of yield rest may not be treated as money market instruments which are a permitted asset, generally they will be transferable securities. As such they can be permitted subject to the 10% limit on securities that are not quoted on a regulated financial market (this includes exchange markets and trading screens available to the wholesale market that use a facility regulated as a financial market).
- All assets are now subject to a geographical test (the consultation paper proposed this test apply for transferable securities only) – Passport Funds can only hold assets that are issued and offered in a jurisdiction whose securities regulator is an ordinary or associate member of IOSCO (section 20 of Annex 3).

Portfolio allocation restrictions

- The Working Group is seeking feedback on options and consultation questions presented in Annex 3, section 30 (relating to acceptable risk of single entity holdings):

Option 1: As drafted in section 30.

Option 2: A Passport Fund would be restricted to exposures of no more than 10% of the adjusted value of the assets in a single entity rather than 5%, as provided in

subsection 30(1). This option is without a requirement for being assessed as having acceptable risk or an aggregate restriction of 40% of the adjusted value of the assets for arrangements in single entity holdings exceeding 5% of the adjusted value of the assets that have not been assessed as having acceptable risk.

Option 3: A Passport Fund can have exposures of no more than 5% of the adjusted value of assets to a single entity, as provided in subsection 30(1). However, the limit increases to 10% for an asset holding that meets the acceptable risk provision below.

Acceptable risk A holding of assets by a Passport Fund that relates to a single entity has been assessed by the Operator as having acceptable risk if the Operator, within the period of 1 month before the last acquisition of an asset in the holding:

- (a) assessed the creditworthiness of the issuers, guarantors or counterparties of the assets in accordance with written policies and procedures which include having regard to independent sources of information; and
- (b) assessed the risk for members of the Passport Fund of holding the proposed concentration of the assets given the creditworthiness of the issuers, guarantors or counterparties; and
- (c) concluded there was no disproportionate risk relative to the risks associated with the Passport Fund's investment strategy; and
- (d) documented the assessments and the reasons for the conclusion.

Derivatives and securities lending

- The proposal is that derivatives cannot be used to create short exposures unless they are subject to netting or hedging arrangements (subsection 25(3) of Annex 3). See consultation question 3 in Annex 3.
- Foreign exchange hedges in relation to application and redemption moneys may be taken into account as hedging arrangements when calculating global exposure (subsection 40(2) of Annex 3).
- Money market instruments may be used as collateral for securities lending arrangements but are subject to a 5% 'haircut' (section 28 of Annex 3).
- The 100% rather than 20% global exposure limit only applies to index funds using futures for index replication (paragraph 39(1) (a) of Annex 3)

Valuation

51. The consultation paper proposed that Passport Fund assets must be valued based on market price, or if that is not representative, fair value.
52. Only a few submissions commented on this rule, with some calling for greater harmonisation of local requirements.

Outcome:

No changes have been made to this requirement (see section 53 of Annex 3).

Redemptions

53. The consultation paper set out detailed requirements relating to the rights of members to redeem their interests in Passport Funds and when redemptions may be suspended.
54. Several submissions asked for clarification about whether deferred redemptions would be allowed under the rules. Others commented on the need for accommodation in local requirements to allow for compliance with the rules.
55. Some submitters did not support provision for redemption rights from ETFs when there was a suspension of trading for five consecutive days.

Outcome:

A change that has been made to allow for deferred redemptions (section 52 of Annex 3). Some of the requirements in the consultation paper relating to currency conversion have also been removed – Passport Operators need only offer redemptions in the currency in which a member acquired their interests subject to any reasonable costs based on a reasonable estimate of costs for the required foreign exchange (subsection 50(5) of Annex 3).

The provision for redemption rights for ETF interests where trading is suspended is to apply for new ETFs. In recognition of the additional burden which would be imposed on existing ETFs who may have to make changes to cover this requirement, the requirement will not apply to existing ETFs. The redemption requirements in this case will be subject to the same provisions for suspension of redemption as other Passport Funds.

Application of Host Economy rules

56. Chapter 3 of the consultation paper set out that Host Economy Laws and Regulations would be allowed generally in relation to the dealings of a Passport Fund and its Operator with investors. It then went on to provide further detail about the application of Host Economy Laws and Regulations to distribution, disclosure, marketing and complaints.
57. Many submissions requested further clarity about arrangements for distribution. These submissions were concerned about what Operators would and would not be allowed to do in a Host Economy without a local licence. Many requested that, at a minimum, they be allowed to discuss their products with locally licensed distributors.
58. A number of submissions also requested standardised disclosure and key investor information as the UCITS scheme does.

Outcome:

Section 2 of Annex 1 provides details in relation to where Host Economy Laws and Regulations may apply. This includes disclosure, distribution, marketing, and complaints. Section 3 also provides that Host Economies may place other requirements on Passport Funds within the areas for Host Economy Laws and Regulations, provided the additional obligations are not unduly burdensome in comparison to the standard applied to Regulated CIS in its economy that are not Passport Funds.

With respect to standardised disclosure and key investor information, the Working Group is open to considering this as a potential future development.

Regulatory processes

Application process

59. The consultation paper detailed the process for Regulated CIS to become registered by their Home Regulator as a Passport Fund and then apply to host economies for entry.
60. Some submissions expressed concern about the need to go through a Host Economy approval process rather than a notification process (of the sort that applies under the UCITS scheme). These submitters argued that the process was duplicative and emphasised that the criteria for entry into a Host Economy must be very clear. Other submissions emphasised the need for the process to be 'digital'.

Outcome:

The Working Group acknowledges concern about the Host Economy entry process but believes it is necessary in order to facilitate the establishment of the Passport given the diversity of the rules and regulation within the different economies. The application arrangements have been codified in Part 2 of Annex 2 to provide greater clarity and certainty for Participants.

Other matters

61. Only a limited number of submissions were received on the remainder of Chapter 4 of the consultation paper.

Outcome:

These arrangements have not changed substantially but further detail is provided in Annex 2.

ATTACHMENT A – Approach taken by Working Group economies to engage with the public during the April-July 2014 consultation period

Australia

A1. The Australian Securities and Investment Commission and the Treasury held three public consultation meetings with industry representatives and stakeholders in April (Sydney), May (Melbourne) and June (Sydney). In addition, the consultation paper was sent to a number of consumer advocate groups and external dispute resolution services.

Korea

A2. The Financial Services Commission, jointly with Financial Supervisory Services and Korea Financial Investment Association, held three consultation meetings with industry representatives and stakeholders in June. In addition, the Korea Financial Investment Association held a public dialogue on the Passport in June 2014.

New Zealand

A3. The Ministry of Business, Innovation & Employment conducted two industry workshops in June 2014. The meetings were attended by 40 fund managers.

Singapore

A4. During the period of consultation, the Monetary Authority of Singapore separately engaged key stakeholder groups, including industry associations, in relation to the consultation paper.

The Philippines

A5. On June 25, 2014, the Philippine Securities and Exchange Commission conducted a public dialogue on the Arrangements for Asia Region Funds Passport. Representatives from the local funds industry and other government entities, namely, the Philippine Investment Funds Association, Inc., Fund Managers Association of the Philippines, Trust Officers Association of the Philippines, Bankers Association of the Philippines, Investment Houses Association of the Philippines, Capital Market Development Council, Philippine Stock Exchange, the custodian banks (Citibank, HSBC, Deutsche Bank), House of Representatives - Committee on Economic Affairs in view of House Bill No. 4036 entitled “Collective Investment Schemes Law”, the Department of Finance and Bangko Sentral ng Pilipinas participated in the dialogue.

Thailand

A6. The Securities and Exchange Commission of Thailand conducted a public consultation meeting in May with the Association of Investment Management Companies, industry representatives and stakeholders from both asset management companies and fund supervisors.

ATTACHMENT B – Indicative timeframe for establishing and implementing the Asia Region Funds Passport

B1. The Working Group has scheduled more time into the Passport implementation timeframe to encourage further participants. The Working Group's progress will be guided by the timeframe provided below. This timing is indicative only and may be subject to change.

APPROXIMATE TIMING	MILESTONE
April 2015	Public consultations on Passport MOU annexes conclude. Working Group continues to engage with other economies to encourage their participation
May 2015	Working Group considers public submissions
August 2015	Working Group finalise MOU and annexes
September 2015	Willing and ready economies will become party to the Passport MOU
+ 12 months from economies becoming party to the passport MOU	Economies which are party to the MOU (Passport member economies) will endeavour to implement changes to legislation and regulation where necessary to give effect to the Passport arrangements within 12 months after becoming party to the MOU When at least two economies give effect to the Passport arrangements, eligible Collective Investment Schemes in these economies can access the Passport arrangements