

# Asia Region Funds Passport review

**Report by the Joint Committee 2023**

## **About this report**

This report highlights the key findings of a review of the Asia Region Funds Passport conducted by the Joint Committee in 2022.

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## **Disclaimer**

This report does not constitute legal advice. We encourage you to seek your own professional advice to find out how the applicable laws in relation to the ARFP apply to you, as it is your responsibility to determine your obligations.

## Section A Executive summary

### Key points

The ARFP is a multilateral initiative that provides a common framework (passport arrangements) for offering collective investment schemes that are authorised in one member economy across all other member economies without regulatory duplication.

In 2022, the Joint Committee conducted a review of the ARFP. Industry remains interested in the ARFP but has observed challenges to participation.

Non-member economies in the Asia-Pacific region are continuing to observe the operation of the ARFP.

### About the ARFP

The Asia Region Funds Passport (ARFP) was established under the Memorandum of Cooperation on the Establishment and Implementation of the Asia Region Funds Passport ([Memorandum of Cooperation](#)) in April 2016, and commenced in February 2019.

The current member economies of the ARFP are [Australia](#), [Japan](#), [New Zealand](#), the [Republic of Korea](#) and [Thailand](#). For an overview of the collective investment scheme (CIS) industry and the regulatory framework of each member economy, see [Appendix 2](#).

The member economies have implemented the passport arrangements in their respective jurisdictions. The first and only collective investment scheme under the passport arrangements (passport fund) was registered in New Zealand in January 2022. See [Appendix 1](#) for an overview of the ARFP and its development.

### About the review

The purpose of this report is to set out the key findings of the ARFP review undertaken by the Joint Committee as the governing body of the ARFP in 2022.

The Joint Committee undertook the review as part of its functions under the [Memorandum of Cooperation](#).

The Joint Committee is required to commence a review of the passport arrangements two years after the date on which the first two member economies implemented the passport arrangements, or at a time determined by the Joint Committee, and publish the report on the [ARFP website](#).

The review included:

- › a CIS industry survey
- › discussions with non-ARFP member economies of the Asia Pacific region.

### **Key findings from the CIS industry survey**

The industry survey was conducted in late 2022. The member economies invited CIS operators and distributors in their respective jurisdictions to participate in the survey. The survey asked about the level of interest in participating in the ARFP, what factors would increase such interest and challenges to participation.

The overall level of interest and readiness to participate in the ARFP remains low. The key challenges to industry participation in the ARFP include:

- › compliance with the regulatory requirements of host economies
- › engagement by financial services providers (e.g., agents and distributors) in host economies
- › operational issues and language barriers
- › a lack of understanding and information about the regulatory and competitive environment and the investors of host economies.

However, feedback indicated participation in the ARFP may be increased by:

- › harmonising and simplifying disclosure requirements
- › harmonising sales requirements
- › expanding the ARFP to include other economies in the Asia-Pacific region
- › tax neutrality
- › decreasing the minimum requirement for the assets under management test for passport funds
- › the including wholesale collective investment schemes in the ARFP.

### **Key findings from discussions with the non-member economies**

The Joint Committee also held discussions with Chinese Taipei, Hong Kong, Malaysia and Singapore (non-member economies) to understand their level of interest in joining the ARFP and associated reasons for the level of interest. The non-member economies indicated the following:

- › Non-member economies are not currently considering joining the ARFP but they are monitoring the ARFP's progress
- › Obstacles to their participation include issues around tax, disclosure, and engagement with distributors in host economies.

The key findings from the industry survey and discussions with non-member economies are detailed in Section C.

The Joint Committee thanks all CIS operators, distributors and non-member economies that participated in the review. Their insights are valuable and will assist in the further development of the ARFP.

The Joint Committee will consider the results of the review in future Joint Committee meetings.

## Section B Passport arrangements

### Key points

All member economies have put passport arrangements in place in their respective jurisdictions to give effect to the ARFP.

In January 2022, New Zealand registered the first passport fund in New Zealand.

### What are the passport arrangements?

The passport arrangements that member economies must put in place are set out under the [Memorandum of Cooperation](#). These arrangements comprise:

- › the obligations imposed on passport funds in a host economy (i.e. the Host Economy Laws and Regulations in Annex 1 to the [Memorandum of Cooperation](#))
- › the common regulatory arrangements for passport funds that member economies must apply in their jurisdictions (i.e. the Common Regulatory Arrangements in Annex 2 to the [Memorandum of Cooperation](#))
- › the rules that apply to passport funds (i.e. the Passport Rules in Annex 3 to the [Memorandum of Cooperation](#)).

### Australia

Australia implemented the ARFP in 2018 through the introduction of Ch 8A of the *Corporations Act 2001* (Corporations Act) and the [Corporations \(Passport\) Rules 2018](#) (Australian Passport Rules).

The Australian Passport Rules and Ch 8A of the Corporations Act align with the [Memorandum of Cooperation](#). The Australian Passport Rules incorporate Annex 3 (Passport Rules) of the [Memorandum of Cooperation](#).

The regulations under Ch 8A establish the framework for:

- › registration of Australian collective investment schemes—namely, managed investment schemes and sub-funds of corporate collective investment vehicles (CCIVs)—as Australian passport funds
- › recognition of foreign passport funds
- › regulation of foreign passport funds, including disclosure, distribution, member complaints and other investor protections.

The key requirements for Australian passport funds include the following:

- › an Australian passport fund must be an eligible registered managed investment scheme or a sub-fund of a CCIV

- › the operator must be an eligible entity, including having officers with the relevant qualifications and meeting a financial resources test, organisational arrangements test, track record test and good standing test
- › once registered, an Australian passport fund must comply with the Australian Passport Rules.

Australia's financial services regulator, the Australian Securities and Investments Commission (ASIC), has published the following guidance on the registration of Australian passport funds and foreign passport funds in Australia:

- › [Regulatory Guide 131](#) *Funds management: Establishing and registering a fund*
- › [Regulatory Guide 138](#) *Foreign passport funds.*

See [Fund operators](#) on the ASIC website for more information about the regulation of Australian passport funds and foreign passport funds.

Australia is yet to receive an application to register an Australian passport fund or a notification from a foreign passport fund.

More information about the CIS industry and regulation in Australia can be found in [Appendix 2](#).

## Japan

Japan implemented the ARFP in December 2017 through the revision of the [Rules Concerning Foreign Securities Transactions](#), which is one of the Self-Regulatory Rules administered by the [Japan Securities Dealers Association](#).

The Financial Services Agency (FSA) adopts and maintains a notification system for collective investment schemes and participants in the ARFP. The purpose of the revision to the [Rules Concerning Foreign Securities Transaction](#) was to ensure, from the viewpoint of investor protection, the requirements of the ARFP imposed on management companies and funds are effectively examined.

Some examples of the revision of the [Rules Concerning Foreign Securities Transaction](#) are as follows:

- › compliance with the Passport Rules
- › designation of Representatives in Japan
- › prohibition of inappropriate transactions.

The FSA has also published guidance on the registration of Japanese passport funds and foreign passport funds in Japan.

Japan is yet to receive an application to register a Japanese passport fund or a notification from a foreign passport fund.

More information about the CIS industry and regulation in Japan can be found in [Appendix 2](#).

## New Zealand

New Zealand implemented the ARFP in 2019 by incorporating the passport rules and arrangements into New Zealand law through Subpart 6 of [Part 9](#) of the [Financial Markets Conduct Act 2013](#) (FMC Act), the [Financial Markets Conduct \(Asia Region Funds Passport\) Regulations 2019](#) (ARFP Regulations) and [Financial Markets Conduct \(Asia Region Funds Passport\) Amendment Regulations 2019](#) by amending the [Financial Markets Conduct Regulations 2014](#) (FMC Regulations) (together referred to as “New Zealand Passport Rules”).

The New Zealand Passport Rules align with the [Memorandum of Cooperation](#). The New Zealand Passport Rules incorporate Annex 3 (Passport Rules) of the [Memorandum of Cooperation](#).

The New Zealand Passport Rules establish the framework for:

- › registration of New Zealand collective investment schemes—namely, managed investment schemes—as New Zealand passport funds
- › recognition of foreign passport funds
- › regulation of foreign passport funds, including disclosure, distribution, member complaints and other investor protections.

The key requirements for New Zealand passport funds include the following:

- › a New Zealand passport fund must be an eligible registered managed investment scheme
- › the operator must be an eligible entity, including having officers with the relevant qualifications and meeting a financial resources test, organisational arrangements test, track record test and good standing test
- › once registered, a New Zealand passport fund must comply with the New Zealand Passport Rules.

New Zealand's financial services regulator, the Financial Markets Authority (FMA) has published [Guidance Note July 2019](#) (Guidance for foreign passport fund operators) for foreign passport fund operators wanting to offer interests in regulated collective investment schemes in New Zealand under the ARFP.

See the [Asia Region Funds Passport](#) section on the FMA website for more information about the regulation of New Zealand passport funds and foreign passport funds.

Smartshares NZ Dividend Fund offered by Smartshares Limited is the only scheme registered as a New Zealand passport fund. New Zealand is yet to receive notification from a foreign passport fund.

More information about the CIS industry and regulation in New Zealand can be found in [Appendix 2](#).

## Republic of Korea

The Republic of Korea implemented the ARFP in 2020 through the introduction of Article 182-2 of the [Financial Investment Services and Capital Markets Act](#) (FSCM Act) and revision of relevant regulations, including Article 211-2 of the Enforcement Decree of the FSCM Act.

The regulations for passport funds under the FSCM Act include:

- › registration of passport funds
- › redemption delay and audit rules
- › sale and registration of foreign passport funds.

The [Korea Financial Investment Association](#) (KOFIA) has also published a passport specific handbook that includes guidance for passport fund registration and operation.

## Thailand

Thailand implemented the ARFP in 2018 with the issuance of the Notification No. [Tor Jor. 4/2561](#), the Notification No. [Tor Thor. 8/2561](#), and the Notification No. [Sor Jor. 4/2561](#) as well as amending existing regulations to support the implementation of the ARFP.

The Notifications establish the framework for inbound (foreign passport funds) and outbound funds (Thai passport funds) with reference to the [Memorandum of Cooperation](#). The summary of the key requirements are as follows:

### **Inbound funds (foreign passport funds)**

- › the CIS operator of a fund having the characteristics as specified in Annex 3 (Passport Rules) of the [Memorandum of Cooperation](#) can apply for sale of its fund in Thailand under the ARFP
- › the CIS operator must be under supervision of a home regulator that has jointly signed the [Memorandum of Cooperation](#) and must not be subject to the order of business suspension or revocation by its home regulator
- › the CIS operator must appoint a local representative to receive and deliver documents on behalf of the CIS operator and a local distributor(s) who will be responsible for selling and redeeming units of the passport fund, providing investment advice, and other services in accordance with the sales conduct set by the Securities and Exchange Commission, Thailand (SEC)
- › in case a local distributor would like personnel of the CIS operator to provide investment advice to Thai investors, the local distributor shall comply with the Notification No. [Tor Thor. 1/2561](#) regarding temporary registration of foreign personnel
- › the CIS operator must submit [Form 35 – ARFP CIS](#) (application form) accompanied by all supporting documents as specified in [Form 35 – ARFP CIS](#) which also include [Form 69 – CIS full](#) and [factsheet](#) in the template required by the SEC
- › once approved, the CIS operator of the passport fund must comply with the SEC's regulations including the on-going disclosure requirements. Please note that funds labelled as Green or ESG funds in the home economies that seek to offer in Thailand as Sustainable and

Responsible Investing funds (“SRI funds”) shall also comply with the SEC’s [disclosure requirements for SRI funds](#)..

### **Outbound funds (Thai passport funds)**

- › To establish a fund under the ARFP, the Thai CIS operator must submit an application for the SEC’s consideration under a normal track application (auto approval track is not allowed)
- › the SEC will issue an eligibility certificate for the Thai CIS operator whose fund is in compliance with Annex 3 (Passport Rules) of the [Memorandum of Cooperation](#) to submit to the host regulator of the host economy
- › the Thai CIS operator must invest and manage the Thai passport fund in accordance with the [Memorandum of Cooperation](#) and will be exempted from the SEC’s regulations on investment requirements, period of redemption payments, and limitations on exercise of voting rights.

The [ARFP webpage](#) on the SEC’s website contains more information about the SEC’s regulations on the ARFP and the relevant forms and documents.

Thailand has not received an application from a Thai fund to register as a passport fund or notification from a foreign fund to offer in Thailand under the ARFP.

More information about the CIS industry and regulations in Thailand can be found in [Appendix 2](#).

**Disclaimer: the English versions of Notifications are unofficial translations and the links provided above may not be to the latest codified Notifications. Please check the Notifications on the SEC’s website.**

## Section C Industry survey results and discussions with non-member economies

### Key points

As part of the review of the ARFP in 2022, each member economy conducted a survey of the CIS industry and the Joint Committee held discussions with non-member economies.

The industry survey results revealed:

- › a low level of interest from CIS operators and distributors in member economies in participating in the ARFP
- › the challenges to participation, while identifying factors that would improve participation.

Further discussions with non-member economies in the Asia-Pacific region highlight that they are aware of the ARFP, but have a low level of interest in becoming members.

### Industry survey

The member economies conducted a voluntary survey of their respective CIS industries in late 2022. Each member economy invited CIS operators and distributors to answer a series of questions about:

- › the nature of their business
- › their level of interest and readiness for participating in the ARFP
- › factors that would improve participation
- › factors that present a challenge to participation.

Respondents were asked to score their levels of interest and readiness from one (no interest or readiness) to five (high interest or readiness). They were then asked to provide reasons for their scores.

In their feedback on factors that would improve participation, CIS operators and distributors were asked to consider:

- › expanding the scope of eligible funds and assets
- › harmonising the disclosure requirements
- › harmonising the sales requirements
- › lowering application fees
- › broadening the ARFP to include wholesale funds
- › requiring only one disclosure document for the ARFP
- › lowering the operator eligibility threshold
- › expanding the ARFP to include other economies in the region.

In their feedback on challenges to participation, CIS operators were asked to indicate the relevance of factors such as:

- › compliance with the regulatory requirements of host economies
- › cooperation with host economy financial services providers (e.g. agents and distributors)
- › operational issues in relation to foreign exchange
- › availability and accessibility of information
- › language barriers.

### Common factors across the member economies

The CIS operators and distributors in each member economy indicated in their responses factors that affected their decision to participate in the ARFP: see Table 1.

**Table 1: Factors affecting participation in the ARFP**

Factors that would increase participation	Factors that present a challenge to participation
<ul style="list-style-type: none"> <li>› Harmonising and simplifying disclosure requirements</li> <li>› Harmonising sales requirements</li> <li>› Expanding the ARFP to include other jurisdictions in the Asia-Pacific region</li> <li>› Tax neutrality</li> </ul>	<ul style="list-style-type: none"> <li>› Compliance with the regulatory requirements of the host jurisdiction</li> <li>› Cooperation with host economy financial services providers (e.g. agents and distributors)</li> <li>› Operational issues in relation to foreign exchange</li> <li>› Language barriers</li> </ul>

## Industry survey results for each member economies

### Australia

Three CIS operators participated in the survey. All three respondents were responsible entities with a total of 458 collective investment schemes and AUD82 billion in funds under management.

There was a mixed response to the level of interest and readiness to participate in the ARFP. The overall poor response rate indicates a lack of enthusiasm for the initiative. In addition to the [common factors across the member economies](#), respondents in Australia identified challenges such as tax arrangements (in Australia), distribution (in host countries) and that the ARFP covered only a small number of countries.

The peak industry body of the Australian financial services sector, the Financial Services Council (FSC), wrote to ASIC in response to the industry survey with the following general observations:

- › Australia's funds management industry is still keen for a successful ARFP
- › with the right regulatory settings in Australia, the ARFP's potential is high
- › without changes to the regulatory settings in Australia, the current situation of zero Australian passport funds will likely continue.

The FSC also highlighted issues previously raised by its members about the ARFP: see Table 2.

**Table 2: Additional issues about the ARFP**

Issue	Details
Complicated and uncompetitive tax settings (in Australia)	The perception overseas is that Australian funds are subject to high rates of withholding tax, but exemptions and the application of special rates means low levels of withholding tax are collected.
Lack of track record of appropriate Australian fund vehicles	In 2022, Australia introduced CCIVs as a new form of investment vehicle. Ratings agencies and distributors are not willing to recommend products that do not have a track record (many distributors require an investment performance record of three years). This means the earliest a CCIV could be recommended by a ratings agency or distributor is 2025.
Restricted eligibility of funds and assets	The ARFP's restrictions on the financial arrangements of passport funds, including the restrictions on illiquid assets and derivatives, create a disincentive.
Lack of clarity around the tax settings for investors	There are significant costs involved when preparing tax advice for distributors and investors.
Lack of harmonised disclosure requirements	The need for multiple disclosure documents creates inefficiencies, costs and a disincentive to use the ARFP.

## Japan

The FSA received responses from nine CIS operators and four distributors. The FSA received responses from enterprises in Japan that have conducted overseas business to a certain extent and/or have considered participating in ARFP.

According to the survey responses, there was a certain level of interest among domestic CIS operators and distributors. On the other hand, preparation levels were low for both CIS operators and distributors. This suggests that the ARFP, while somewhat attractive, is not very practical to implement. The CIS operators indicated "increasing the number of participating jurisdictions" and "ensuring tax neutrality" as the main challenges of the ARFP. The distributors pointed out "harmonization of disclosure and sales requirements" as the main obstacles.

Details of the responses from the CIS operators are as follows:

- › 33% of respondents had low interest, and 67% were neutral or higher. However, no respondent had made even a little progress with preparations, and they did not expect to participate in the ARFP for at least five years. Among the respondents with low interest, some respondents already had subsidiaries in ARFP member jurisdictions
- › the majority of respondents mentioned the limited number of participating jurisdictions and tax harmonization as challenges. In relation to tax, they requested clarification of taxation related to import and export scenarios. They also sought detailed tax-related information (e.g. in a format that compares the tax treatment of passport funds across the member economies).
- › CIS operators reported administrative challenges in finding a distributor or agent in the host jurisdictions as well as language barriers. They pointed out that efforts are required to translate relevant documents. Even if all documents can be published in only English under the ARFP,

promoting a product in a non-English speaking member economy may involve translating the promotional material into the language of that economy.

Details of the responses from the distributors are as follows:

- › due to the limited number of firms that can sell foreign-based investment trusts in Japan, only four firms responded. However, the distributors' feedback was more positive than the CIS operators' responses in relation to the possibility of participation.
- › the respondents insisted that they required simplification of procedures and improvement of benefits to participate in the ARFP. In terms of the framework, the main response was for the disclosure and sales requirements to be eased, such as omitting the Authorisation of Eligible Documents
- › in terms of operational challenges, the respondents raised language barriers, the difficulty of finding and creating relationships with local vendors, and meeting investors' demands in separate economies.

## **New Zealand**

The FMA invited 68 retail fund managers to contribute to a review of the ARFP by completing a survey. The sector had a total of NZD183 billion assets under management ('AUM').

At the time of publishing the survey, 24 fund managers were considered large enough to potentially meet the initial ARFP qualification requirements. The participation rate of those 24 fund managers was 83%. This participation rate was relatively high, however, the current level of interest in the ARFP remained low.

Despite the low level of interest in participating in the ARFP, there appeared to be a longer-term interest, especially if certain changes and clarifications were made (e.g. reducing or removing the minimum AUM requirement).

In addition to the common factors identified by other member economies the survey indicated that limiting the disclosure document requirements and adding wholesale funds to the ARFP scheme could increase the interest of participants and encourage a higher application rate.

Based on the survey responses, the top three concerns that present a challenge in participation are the same as mentioned above in the [common factors across the member economies](#). They seem to be related to limited local knowledge and availability and accessibility of information on the ARFP. Also, a number of respondents commented that in New Zealand and Australia, ARFP competes with the trans-Tasman mutual recognition scheme for offers of financial products with reduced disclosure requirements.

## **Republic of Korea**

Survey responses were received from 60 investment management firms and 44 distributors, including 13 banks and 31 securities firms. Approximately half of the respondents expressed no particular interest in the ARFP, and only seven CIS operators and six distributors responded positively to the ARFP.

The level of readiness to participate in the ARFP was low for both CIS operators and distributors:

- › approximately 65 percent of the firms anticipated three years of preparation, and 25 percent five years

- › the level of interest positively correlated with the firms' size and experience in launching or marketing products abroad
- › private fund operators and real estate fund operators showed less interest.

Harmonisation of sales requirements among the member economies was most frequently cited by both CIS operators and distributors as a factor that would drive participation in the ARFP. For CIS operators, the most significant challenge in implementing the ARFP was working with local business operators, including agents and distributors. For distributors, it was difficulty with developing products that meet their needs and the needs of investors.

In the survey, CIS operators and distributors indicated a number of issues concerning the ARFP as shown in Table 3: Major Issues Concerning ARFP.

**Table 3: Major Issues Concerning ARFP**

Issue	Details
Inadequate information on other member economies' systems	Compliance with ARFP regulations is challenging due to a dearth of information on the legal, regulatory and disclosure requirements, reporting obligations, taxation, and marketing procedures of other member economies' systems.
Uncertainty surrounding market demand and product competitiveness	Domestic operators lack information about foreign distributors (and retail investors). In addition, the growth of the domestic retail fund market is led primarily by ETFs. This makes it difficult for domestic distributors to predict market demand for foreign ARFP products and to figure out ways to improve the competitiveness of their funds.
Difficulty in building reliable partnerships with foreign operators and distributors	Effective partnership with foreign operators and distributors is essential to ensure timely response to compliance and communication issues. However, building such partnerships—finding and verifying CIS operators and distributors in member economies—takes considerable time and effort.

## Thailand

A total of 14 Thai market participants took part in the survey. This consisted of 3 CIS operators that were managing 202 mutual funds in total with assets under management of THB128.4 billion (approximately USD3.7 billion) as of March 2023. Apart from CIS operators, 11 mutual fund distributors also responded to the survey.

The responses were ranked on a scale of 'low', 'average', and 'high'. In term of the level of interest in participating in the ARFP, the respondents still have relatively low to average levels of interest, while the level of readiness was slightly lower, especially among the distributors. These responses could be due to the low to average levels of awareness or understanding about the ARFP expressed by most respondents.

In addition to the [common factors across the member economies](#), respondents who were CIS operators raised that knowing product preferences of investors in the host economies was another challenge. For distributors, the additional challenges identified were identifying and offering a passport fund that meets the needs of Thai investors, and the inadequacy and inaccessibility of information on the ARFP website..

Separately, the respondents considered that broadening the scope of the ARFP to include wholesale funds could increase participation in the ARFP.

In response to the industry survey, the respondents also raised opinions or comments regarding the ARFP as summarised in Table 4.

**Table 4: Additional issues identified by Thai respondents**

Issue	Details
Unclear operations and additional costs	For some business operators, especially companies who have limited experience in cross-border offerings of CISs, the additional operations and costs required are still unclear.
Operational issues regarding informing investors	Business operators viewed that there could be operational issues regarding informing investors of fund data, net asset value (NAV), or changes in the investment portfolios since the CIS operator will have to obtain the information from foreign business operators in a timely manner.
Inadequate Thai-language information on the ARFP website	Thai business operators require Thai-language contents or information to communicate with Thai investors. In addition, the Thai translation and a summary of the <a href="#">Memorandum of Cooperation</a> as well as a summary of the key differences among member economies' regulations should be provided to assist Thai business operators who are not fluent in English.
Availability of local advisors	The availability of local advisors for passport funds is essential to pave the way for the ARFP and to ease the onboarding process.

## Discussions with non-member economies

The Joint Committee consulted Chinese Taipei, Hong Kong, Malaysia and Singapore (non-member economies) about their level of interest in participating in the ARFP.

None of the non-members economies were currently interested in participating in the ARFP. Issues were raised around the tax treatment of passport funds and disclosure requirements in member economies as critical challenges to participation.

Two economies identified the differences in tax treatment between member economies as the primary concern.

Two non-member economies identified that harmonisation of the disclosure requirements would be an important step forward. They noted that standardised disclosure requirements and language could reduce costs of participation.

The non-member economies also made the following observations:

- › the ARFP should ensure investor protection and the pursuit of the mutual interests of the participants
- › the Impact of the ARFP on domestic industries needs to be assessed
- › it is difficult to find reliable (and maintain good relations with) local distributors in the host economies
- › costs in relation to approvals and compliance in the home economy may be burdensome

- › reduced threshold requirements for a passport fund's assets under management may lead to a greater diversity of CIS operators and passport funds
- › more information about the investors in the member economies may be helpful.

# Appendix 1 Overview of the ARFP

The ARFP is an initiative to establish a regional market for collective investment schemes by facilitating cross-border offerings. It is designed to reduce regulatory duplication for CIS operators by establishing standardised requirements across the member economies. The ARFP benefits investors by providing a broader and more diverse range of collective investment schemes, and by maintaining investor protection.

The ARFP is an Australian initiative, first recommended by the Australian Financial Centre Forum in its report released in November 2009 (known as the Johnson report). Table 5 highlights the milestones in the subsequent development of the ARFP.

**Table 5: Timeline of the development of the ARFP**

Year	Developments
2010	<ul style="list-style-type: none"> <li>› October: An Asia-Pacific Economic Cooperation (APEC) policy dialogue was held in Kuala Lumpur, Malaysia, to engage with relevant stakeholders and targeted APEC economies to discuss the concept of the ARFP.</li> </ul>
2012	<ul style="list-style-type: none"> <li>› December: Australia, New Zealand, the Republic of Korea and Singapore formed the ARFP working group.</li> </ul>
2013	<ul style="list-style-type: none"> <li>› May: The ARFP working group held its inaugural meeting in Perth, Australia, to discuss technical issues around the implementation of the ARFP.</li> <li>› June: The ARFP working group held a meeting in Taipei City, Taipei.</li> <li>› December: The ARFP working group held a meeting in Sydney, Australia, to discuss a consultation paper on the ARFP.</li> </ul>
2015	<ul style="list-style-type: none"> <li>› February: Australia, New Zealand, the Republic of Korea, the Philippines and Thailand consulted on the proposed arrangements of the ARFP.</li> <li>› August: The ARFP working group held a meeting in Hanoi, Vietnam, to finalise the <a href="#">Statement of Understanding on the Establishment of the ARFP</a> (Statement of Understanding) and develop the <a href="#">Memorandum of Cooperation</a>.</li> <li>› September: Australia, Japan, New Zealand, the Republic of Korea, Thailand and the Philippines signed the Statement of Understanding.</li> <li>› November: The ARFP working group held a meeting in Kuala Lumpur, Malaysia, to refine the Memorandum of Cooperation.</li> </ul>
2016	<ul style="list-style-type: none"> <li>› February: The ARFP working group held a meeting to finalise the Memorandum of Cooperation.</li> <li>› April: Australia, Japan, New Zealand and the Republic of Korea signed the Memorandum of Cooperation.</li> <li>› June: Thailand signed the Memorandum of Cooperation.</li> </ul>
2018	<ul style="list-style-type: none"> <li>› The member economies ran a pilot program, which included a number of funds in Australia testing the process of registering as a passport fund.</li> </ul>
2019	<ul style="list-style-type: none"> <li>› February: The ARFP went live (in Australia, Japan and Thailand).</li> <li>› July: The ARFP took effect in New Zealand.</li> </ul>
2020	<ul style="list-style-type: none"> <li>› May: The ARFP took effect in the Republic of Korea.</li> </ul>
2022	<ul style="list-style-type: none"> <li>› January: New Zealand registered the first passport fund.</li> </ul>

## Appendix 2 Overview of member economies

This appendix provides an overview of the CIS industry and regulation in each member economy.

### Australia

#### Overview of the CIS industry

##### Key statistics as at 30 June 2023

- › 426 managed investment scheme operators (responsible entities) and 11 CCIV operators (corporate directors)
- › 3,606 registered managed investment schemes and three registered wholesale CCIVs
- › 1,909 wholesale trustees
- › Approximately AUD2.87 trillion in assets held in managed investment schemes.

Source of data: derived from ASIC's Industry Funds Metrics data and ASIC's Financial Services Licensing system.

#### Overview of regulation

In Australia, there are two types of collective investment schemes that are eligible to participate in the ARFP—managed investment schemes and CCIVs.

#### *Managed investment schemes*

Registered managed investment schemes are operated by responsible entities and cover a wide variety of arrangements and underlying assets. Some examples of managed investment schemes include:

- › financial asset schemes, such as cash management trusts, Australian equity (share) schemes, international equities and exchange traded funds
- › property schemes
- › mortgage schemes
- › commodities schemes.

Managed investment schemes offered to retail clients that have more than 20 members or promoted by a person in the business of promoting schemes must be registered with ASIC and are subject to additional regulation under Chapters 5C of the Corporations Act. Schemes only offered to wholesale clients do not require registration (i.e. they are 'unregistered schemes').

Only retail managed investment schemes may be registered as an Australian passport fund.

## Corporate collective investment vehicles

A CCIV is a type of company operated by a corporate director, which:

- › may be a retail or a wholesale CCIV
- › must be registered
- › must have at least one sub-fund, which must also be registered
- › has a corporate director that is a public company with an Australian financial services licence authorising it to operate the business and conduct the affairs of a CCIV.

Like managed investment schemes, CCIVs may cover a wide range of underlying assets. Some examples include:

- › financial assets
- › property
- › mortgages
- › commodities.

Only sub-funds of a retail CCIV may be registered as a passport fund.

See [Managed investment schemes](#) and [Corporate collective investment vehicles](#) on the ASIC website for further information.

## Japan

### Overview of CIS industry

#### Key statistics as at 31 March 2023

- › 419 CIS operators
- › 14,423 collective investment schemes
- › Approximately JPY 290 trillion in assets held in collective investment schemes (with approximately 62% public and the rest private).

Source of data: derived from the Investment Trusts Association, Japan, statistical data on Japan's funds.

### Overview of regulation

#### Definition of collective investment schemes (funds)

In Japan, in accordance with the Financial Instruments and Exchange Act (FIEA), interests in collective investment schemes (funds) are considered to be securities and are subject to regulation.

This includes the right to receive dividends of profits or distribution of assets arising from businesses that use cash, securities, bills of exchange, promissory notes or race horses (Invested Business) contributed by equity owners (equity partners) that does not fall under any one of the following:

- › other securities
- › the right of an equity partner when all equity partners are involved in a Invested Business
- › the right with a condition that dividends of profits or distribution of assets to an equity partner shall not exceed the amount of his or her capital contribution
- › the right based on a contract in which a corporation or some other organization promises to engage in contents business jointly with other corporations or organizations

### ***Definition of a person engaging in a collective investment scheme (funds)***

Among persons who manage such interests in a collective investment scheme (funds), foreign corporations or individual foreign residents must register with or notify each Local Finance Bureau that has jurisdiction over the location of their offices if they have offices in Japan or with the Kanto Local Finance Bureau if there is no office maintained in Japan, if they engage in:

- › public or private offerings
- › investment management of assets contributed by investors (restricted to investment management mainly in the form of rights on securities or derivative contracts based on the analysis of the value of financial instruments, the value of options or changes in financial indices).

### ***Registration and notification***

In principle, if there is an equity partner who is not the investor but has the capacity to make investment decisions, the registrations are required to be filed with each Local Finance Bureau that has jurisdiction over the location of their offices when the persons have offices in Japan, or with the Kanto Local Finance Bureau when no office is maintained in Japan.

### ***Regulations for registered Financial Instruments Business Operators***

FIEA provides the regulations for Financial Instruments Business Operators such as Refusal Requirement of registration, and Conduct Controls.

See "[Guidelines on Registration and Notification Requirements](#)" on the [FSA website](#) for further information.

## **New Zealand**

### **Overview of CIS industry**

#### **Key statistics as at Dec 31<sup>st</sup> 2023**

- › 102 managed investment scheme managers
- › 1,310 registered managed investment schemes

- › 4 Supervisors and 37 custodians
- › Approximately NZD179 billion in funds under management.

Source of data: Financial Markets Authority

## Overview of regulation

In New Zealand, only registered managed investment schemes are eligible to participate in the ARFP.

### Managed investment schemes

Registered managed investment schemes are operated by a licensed manager and must have a licensed supervisor. Supervisors are independent commercial entities and monitor schemes in accordance with the scheme's trust deed and statutory requirements.

The definition of a managed investment scheme in New Zealand's legislation is broad and includes a wide variety of collective investment schemes. These schemes can be structured in different ways and may invest in a wide range of investments. Some examples of managed investment schemes include:

- › **open-ended**—open-ended unitised trusts, and other schemes that invest in relatively liquid assets (including KiwiSaver, superannuation, workplace savings schemes)
- › **closed-ended**—forestry partnerships, and property syndicates that invest in a single asset class, and generally known as 'other MIS'.

Managed investment schemes that make 'regulated offers' must be registered in accordance with the terms of the FMC Act. A regulated offer is an offer of financial products to one or more investors where at least one of those investors requires disclosure under the FMC Act. The making of a regulated offer triggers the primary disclosure, governance and financial reporting requirements of the FMC Act. Schemes offered only to wholesale clients do not require registration (i.e. they are 'unregistered schemes').

See [Managed investment scheme manager](#) on the FMA website for further information.

## Republic of Korea

### Overview of CIS industry

#### Key statistics as at 30 June 2023

- › 457 registered CIS operators, including 81 operators for retail funds
- › Approximately KRW307 trillion AUM in the retail fund market, and KRW881 trillion AUM in the total fund market
- › 5,015 retail funds and 10,255 private funds.

Source of data: derived from Korea Financial Investment Association's industry funds metrics.

## Overview of regulation

In the Republic of Korea, the two major pillars of regulation of the funds industry are the Financial Investment Services and Capital Markets Act (FSCM Act) and the Financial Consumer Protection Act.

### *Principles of foreign retail fund regulation*

After registering as a foreign CIS, the relevant business entity must comply with fund-specific and public disclosure requirements.

The fund-specific requirements are:

- › offer quarterly investor reports
- › report monthly sales
- › disclose daily base prices.

The public disclosure requirements are:

- › prepare and publicly disclose the investment prospectus and short-form investment prospectus
- › file a post-issuance report on the results of issuance
- › submit a corrective registration statement when relevant.

### *Relevant regulation for foreign retail fund promotion*

Foreign funds for retail investors must follow general requirements under the Financial Consumer Protection Act, as well as fund-specific requirements of FSCM Act.

Six major principles of preventive consumer protections are:

- › the principle of sustainability
- › the principle of appropriateness
- › the obligation to explain
- › prohibition of unfair business activities
- › prohibition of unfair solicitation
- › obligations relating to advertisements.

## Thailand

### Overview of the CIS industry

#### Key statistics as at 30 June 2023

- › 22 operating mutual fund management companies

- › 1,947 registered mutual funds with net asset value of THB 4.6 billion in total
- › Approximately 146 funds are in relatil funds while accredited investor funds and ultra-accredited investor funds accounted for 92 and 6 funds, respectively
- › Largest proportion in the Thai mutual fund market held by fixed income funds at 55.0%, followed by equity funds at 33.0%, mixed funds at 9.0%, and alternative investment funds at 3.0%.

Source of data: derived data from the Securities and Exchange Commission, Thailand.

### **Overview of regulation**

In Thailand, mutual funds in contractual form are the only type of collective investment schemes eligible to participate in the ARFP.

In managing a mutual fund, a CIS operator must manage and invest according to the approved mutual fund project and is responsible for the operation of the mutual fund. The investment policy of a mutual fund could cover a wide range of underlying assets. Some examples include:

- › deposits or deposit equivalent instruments
- › debt instruments
- › equities
- › commodities
- › derivatives
- › units of other CIS.

However, a CIS operator that manages a Thai passport fund is exempt from complying with the SEC's investment requirements and is required to manage the passport fund according to Annex 3 (Passport Rules) of the [Memorandum of Cooperation](#).

For the sales of investment units, a mutual fund is required to have at least 35 unitholders after the completion of the initial public offering, otherwise the approval for the establishment of such mutual fund will be terminated. Only retail funds are eligible to be registered as Thai passport funds.

Please see the [Mutual Fund webpage](#) on the SEC's website for further information about the SEC's regulation on mutual funds.

# Key terms and related information

## Key terms

<b>APEC</b>	Asia-Pacific Economic Cooperation
<b>ARFP</b>	Asia Region Funds Passport
<b>ASIC</b>	Australian Securities and Investments Commission
<b>Australian Passport Rules</b>	<a href="#">Corporations (Passport) Rules 2018</a>
<b>CIS</b>	A collective investment scheme
<b>CCIV</b>	<p>A corporate collective investment vehicle—a company that is registered as a corporate collective investment vehicle under the Corporations Act</p> <p>Note: This is a definition contained in s9 of the Corporations Act.</p>
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Australia), including regulations made for the purpose of that Act
<b>corporate director</b>	<p>The company named in ASIC's record of the CCIV's registration as the corporate director or temporary corporate director of the CCIV</p> <p>Note: This is a definition contained in s1224(3) of the Corporations Act.</p>
<b>FMA</b>	Financial Markets Authority (New Zealand)
<b>FMC Act</b>	<a href="#">Financial Markets Conduct Act 2013</a> (New Zealand)
<b>FSA</b>	Financial Services Agency (Japan)
<b>FSC</b>	Financial Services Council (Australia)
<b>FSCM Act</b>	Financial Investment Services and Capital Markets Act (Republic of Korea)
<b>member economies</b>	Australia, Japan, New Zealand, the Republic of Korea and Thailand
<b>Memorandum of Cooperation</b>	<a href="#">Memorandum of Cooperation on the Establishment and Implementation of the Asia Region Funds Passport</a>
<b>New Zealand Passport Rules</b>	<a href="#">Financial Markets Conduct (Asia Region Funds Passport) Regulations 2019</a> and <a href="#">Financial Markets Conduct (Asia Region Funds Passport) Amendment Regulations 2019</a>
<b>passport fund</b>	A collective investment scheme registered in a member economy under the passport arrangements
<b>Passport Rules</b>	Annex 3 of the Memorandum of Cooperation
<b>responsible entity</b>	A responsible entity of a registered managed investment scheme as defined in s9 of the Corporations Act

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<b>SEC</b>	Securities and Exchange Commission, Thailand
<b>Statement of Understanding</b>	<a href="#">Statement of Understanding on the Establishment of the ARFP</a>

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## Related information

### ARFP resources

[ARFP website](#)

[Memorandum of Cooperation on the Establishment and Implementation of the Asia Region Funds Passport](#)

[Statement of Understanding on the Establishment of the ARFP](#)

### Australia resources

[Regulatory Guide 131](#) *Funds management: Establishing and registering a fund*

[Regulatory Guide 138](#) *Foreign passport funds*

[ASIC website](#)

### Japan resources

[Rules Concerning Foreign Securities Transactions](#)

[Total Net Assets-Structure of Investment Trusts](#)

[To Those who Operate Fund Related Businesses in Japan \(Guidelines on Registration and Notification Requirements\) : FSA](#)

[Japan Securities Dealers Association](#)

[The Investment Trusts Association, Japan](#)

### FSA website

### New Zealand resources

[Asia Region Funds Passport](#)

[Financial Markets Conduct Act 2013](#)

[Financial Markets Conduct Regulations 2014](#)

[Financial Markets Conduct \(Asia Region Funds Passport\) Regulations 2019](#)

[Financial Markets Conduct \(Asia Region Funds Passport\) Amendment Regulations 2019](#)

[Guidance Note July 2019](#)

[FMA website](#)

**Republic of Korea resources**

[Hanbook on passport funds published by the Korea Financial Investment Association](#) (KOFIA)

[FSC website](#)

[FSS website](#)

**Thailand resources**

[ARFP webpage](#)

[Mutual Fund webpage](#)