

# Broadening investor choice in Hong Kong's private markets

## Hong Kong's current funds landscape:

Hong Kong's funds landscape is governed and regulated by a number of evolving frameworks and guidelines designed to maintain market integrity, protect investors and promote growth within the financial sector. In general, funds that are marketed to the public must be authorised by the Securities and Futures Commission (SFC) as Collective Investment Schemes (CIS). The Code on Unit Trusts and Mutual Funds (UT Code) outlines the guidelines for the authorisation of CIS including money market funds, exchange-traded funds (ETFs), hedge funds, etc.

The Main Board Listing Rules provide two pathways for listing funds on the main board of the Stock Exchange of Hong Kong (SEHK):

1. **Chapter 20** outlines the requirements for the listing of any CIS which has been authorised by the SFC. Once listed, the funds remain subject to the restrictions outlined in the UT Code and applicable Listing Rules.
2. **Chapter 21** funds do not need to be authorised by the SFC and therefore do not need to comply with the UT Code. However, these funds can only be offered to Professional Investors (PIs) and cannot be offered or marketed to the public in Hong Kong.

## Broadening investor access to private markets:

The global interest in broadening investor access to private asset investments has been on the rise over the past few years, driven by investors' evolving demands for diversification opportunities and higher yields beyond traditional markets. Historically, private market assets were exclusively available to institutional investors for a number of reasons, most notably due to the more complex asset class and illiquid product structures, investment time horizon and the high capital requirements associated with these investments. However, with retail investors increasingly looking to tap into private market investment opportunities, regulators and asset managers are working together to balance accessibility with investor protection.

This trend is already playing out in various jurisdictions with industry stakeholders driving innovation in investment platforms and product structures to lower entry barriers and make private markets more accessible to retail investors. In Hong Kong, the funds industry has also been advocating to broaden retail access to private markets, which so far is mainly available to individual PIs, who have a portfolio\* of at least HK\$8 million.



\*The term "portfolio" is defined in the Securities and Futures (Professional Investor) Rules to mean a portfolio comprising of securities, money held by a custodian or a certificate of deposit issued by an authorised financial institution or a bank which is regulated under the law of a place outside Hong Kong.

## SFC Circular on Listed Closed-Ended Alternative Asset Funds:

On 17 February 2025, the SFC released its “[Circular on listed closed-ended alternative asset funds](#)”, clarifying its regulatory requirements to facilitate the listing of closed-ended alternative asset funds on the SEHK.

- Listed Alternative Funds should be authorised by SFC under 8.11 (closed-ended funds) and, if applicable, 8.7 (hedge funds) of the UT Code and listed on SEHK in accordance with Chapter 20 of the Listing Rules
- The fund investments can include private equity, private credit, infrastructure equity and infrastructure debt

### SFC considerations for authorising Listed Alternative Funds:

Overarching considerations	<ul style="list-style-type: none"><li>• Performance of funds, dividend policy, underlying investments, and existing listings in other jurisdictions</li><li>• Should be able to generate regular income streams</li></ul>
Fund size	<ul style="list-style-type: none"><li>• Expected market capitalisation of HK\$780 million (approximately US\$100 million) at the time of listing</li></ul>
Management company	<ul style="list-style-type: none"><li>• Meet Chapter 5 requirements of the UT Code</li><li>• Competence, experience and good track record of regulatory compliance in managing public-listed vehicles</li></ul>
Listing agent	<ul style="list-style-type: none"><li>• Appointment under Chapter 20 of Listing Rules</li></ul>
Listing and dealing	<ul style="list-style-type: none"><li>• Open market in units or shares of the fund, with at least 25% held by the public</li></ul>
Investments	<ul style="list-style-type: none"><li>• Investment in well-diversified portfolio of alternative assets</li><li>• Borrowing not exceeding 30% of the fund's net asset value (NAV)</li><li>• Specific expectations outlined for fund-of-funds structures</li></ul>
Investor information	<ul style="list-style-type: none"><li>• Publication of NAV on a quarterly basis</li><li>• Extensive investor education prior to fund launch</li><li>• Offering documents must clearly articulate investment objectives, valuation policies, and associated risks</li></ul>
Distribution	<ul style="list-style-type: none"><li>• Disclosure of distribution or dividend policy in offering documents</li><li>• For distribution by intermediaries, assessment of client knowledge and provision of adequate training is required</li></ul>

The SFC may impose additional conditions tailored to the fund's specific characteristics. Prior consultation with the SFC is required before applying for authorisation of an alternative fund for listing.

**For more information or enquiries, please reach out to your PwC point of contact.**

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

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2025 PricewaterhouseCoopers Limited. All rights reserved. PwC refers to the Hong Kong member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.