

**International Funds Net**  
Country updates

July 2022



## Europe

### Albania



#### Albanian Financial Supervisory Authority publishes new Project Regulation for public consultation

On 13 June, the Albanian Financial Supervisory Authority (“**AFSA**”) published for public consultation the “Project Regulation on the registration of Sale Agent of Collective Investment Undertakings with public offer licensed in an EU member state” (“**Project Regulation**”). The purpose of the Project Regulation is to determine the requirements for the registration of the subjects aiming to conduct the business activity of marketing and trading the shares of collective investment undertakings with public offers licensed in an EU member state and recognised by the AFSA.

Information kindly provided by our relationship firm in Albania, Karanovic & Partners.

### Belgium



#### Financial Services and Markets Authority publishes a Communication on stress test scenarios under the MMF Regulation

The Financial Services and Markets Authority (“**FSMA**”) issued a Communication on 12 July 2022 discussing the guidelines drawn up by ESMA (ESMA34-49-446) on stress test scenarios under the Money Market Funds Regulation (“**MMF Regulation**”) and the implementation of those guidelines by the FSMA. The Communication is addressed to money market funds and money market fund managers. The FSMA announced that it will integrate these ESMA guidelines into its supervisory framework as soon as they come into force.

#### Financial Services and Markets Authority launches an open consultation on the classification of crypto-assets

The FSMA launched an open consultation running until 31 July 2022 on its future Communication on the classification of crypto-assets as securities, investment instruments or financial instruments. With this Communication, the FSMA wishes to provide clarity about when crypto-assets may be considered to be securities, investment instruments or financial instruments, and whether they may fall within the scope of the prospectus legislation and/or the MiFID

conduct of business rules. The Communication should clarify the Belgian position while awaiting a harmonized European approach currently discussed based on the Proposal by the European Commission of 24 September 2020 for a Regulation of the European Parliament and of the Council on Markets in Crypto-assets, and amending Directive (EU) 2019/1937.

Information kindly provided by our relationship firm in Belgium, Janson.

### Croatia



#### Croatian Act on Open-Ended Investment Funds with a Public Offering amended to reflect Directive (EU) 2021/2261

At the beginning of July, Directive (EU) 2021/2261 of the European Parliament and of the Council of 15 December 2021 amending Directive 2009/65/EC as regards the use of key information documents by management companies of undertakings for collective investment in transferable securities (UCITS) was transposed in full into Croatian Act on Open-Ended Investment Funds with a Public Offering (Official Gazette No 76/2022) (the “**Act**”).

Under new changes to the Act, if the management company compiles, delivers, revises, or translates a document for an individual UCITS fund it manages, with key information in accordance with the requirements for a document with key information prescribed by Regulation (EU) No 1286/2014 on key information documents for packaged retail investment and insurance products (“**PRIIPs**”), it is not required to also prepare key information for investors of UCITS fund prescribed by the Act on Open-Ended Investment Funds with a Public Offering.

#### Croatian Act on Open-Ended Investment Funds with a Public Offering provides for harmonisation of Croatian currency with the euro

Act on Open-Ended Investment Funds with a Public Offering (the “**Act**”) carried out the harmonization of monetary amounts expressed in kuna in the previous version of the Act with the introduction of the euro as the official currency in the Republic of Croatia. Hence, monetary amounts stated in the Act are now expressed in euro and are in line with the amounts in euro prescribed by Directive 2009/65/EC, and the amounts of misdemeanour sanctions are converted into euro in accordance with the Act on the

## Adoption of the Euro as the Official Currency in the Republic of Croatia (the “**Act on the Adoption of the Euro**”).

The Council of the European Union recently adopted the final legal acts that enable Croatia to become a member of the euro area. The euro will be adopted on 1 January 2023 as the official currency in Croatia. The Council of the European Union set the fixed conversion rate between the euro and the Croatian kuna at 7.53450 kunas per 1 euro.

Under the Act on the Adoption of the Euro, the obligatory display of dual prices in euro and kuna will begin on 5 September 2022 and will last until 31 December 2023. The investment funds will be obliged to display dual prices of essential information given to consumers that use their services. The following prices and other financial statements of value are considered essential information under the Act on the Adoption of the Euro, when managing investment funds that are offered to the consumer as a small or qualified investor, in terms of the regulations governing the establishment and operation of investment funds:

- 1) monetary statement of value, i.e. the value of shares in funds whose value was expressed in kuna before the day of the adoption of the euro;
- 2) share value for the initial and closing balance and the initial and closing balance of the share, if applicable, in the extract on the balance and turnover of shares in the fund;
- 3) the share value and balance after the transaction, if applicable, in the share transaction confirmation;
- 4) aggregated amount of “ex-ante” information on costs and fees to the client as prescribed by Article 50 of Regulation (EU) no. 2017/565; and
- 5) on the main menu/screen of the digital channel/application through which the consumer trades with shares in funds, the value of the share in the fund, which was in kuna until the day of the adoption of the euro.

The investment funds and providers of financial services will be obliged, during the period of obligatory display of dual prices, to display dually (both in euro and kuna) the tariff of fees, i.e. the price list of its services and the above-mentioned fixed conversion rate in the business premises and on the website/application in a clear, legible and

easily visible manner.

Information kindly provided by our relationship firm in Croatia, Šavorić & Partners.

## Cyprus



### Cyprus Securities and Exchanges Commission issues Directive on product governance sustainability

On 22 July 2022, the Cyprus Securities and Exchanges Commission (“**CySEC**”) issued the Directives DI87-01(A), transposing correspondingly into national law the Commission Delegated Directive (EU) 2021/1269, which amended Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations.

The main aspects of the introduced new rules are as follows:

- Cypriot investment firms (“**CIFs**”) shall identify in sufficient detail the potential target market for each financial instrument, as well as the type(s) of client with whose needs, characteristics and objectives the financial instrument is compatible.
- CIFs that manufacture financial instruments distributed through other investment firms shall have to specify the needs and characteristics of the clients with whom the product is compatible based on theoretical knowledge and past experience with the financial instrument or similar financial instruments, financial markets and needs, the characteristics and objectives of potential end clients.
- The elements to be examined by the CIF to determine whether a financial instrument meets the identified needs, characteristics and objectives of the target market shall include:
  - i) the financial instrument’s risk / reward profile;
  - ii) its sustainability factors; and
  - iii) whether the financial instrument design is driven by features that benefit the client and not by a business model that relies on poor client outcomes to be profitable.

- CIFs shall have to ensure that the provision of information in relation to a financial instrument to distributors includes the information on:
  - the appropriate channels for the distribution of the financial instrument;
  - the procedure of the financial instrument's approval; and
  - the assessment of the target market,

and shall be in a satisfactory level that allows distributors to understand and properly recommend or sell the financial instrument.

- The sustainability factors of the financial instrument shall be presented in a transparent manner and provide distributors with the relevant information to duly consider any sustainability related objectives of the client or potential client.
- CIFs shall regularly review the financial instruments they manufacture, as well as the investment products offered or proposed or the services provided by them, considering any event that could materially affect the potential risk to the identified target market. In this respect, CIFs shall consider whether the financial instrument or investment product or service remains consistent with the needs, characteristics and objectives, including any sustainability related objectives, of the target market and if it is distributed to the target market or otherwise.
- The CIF shall receive from manufacturers information to obtain the necessary understanding and knowledge of the products it intends to propose or sell, in order to ensure that such products are distributed in accordance with the needs, characteristics and objectives of the identified target market.
- CIFs shall establish sufficient product governance arrangements, to ensure that the products and services intended to be offered or recommended, along with the intended distribution strategy, are consistent with the identified target

market.

This Directive applies apart from CIFs to UCITS management companies in accordance with section 109(6) of the Open-ended Undertakings for Collective Investments in Transferable Securities (UCITS) and Related Issues Law 78(I)/2012 as amended, and AIFMs in accordance with section 6(8) of the Alternative Investment Managers Law 56(I)/2013 as amended, in relation to the MiFID services offered. Directive DI 87-01(A) shall come into force on 22 November 2022.

### **Cyprus Securities and Exchanges Commission issues Directive on sustainability risks for Undertakings for Collective Investment in Transferable Securities**

On 22 July 2022, CySEC also issued Directive DI78-2012-3(C), transposing correspondingly into national law the Commission Delegated Directive (EU) 2021/1270, which amended Directive 2010/43/EU as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities ("**UCITS**").

The main aspects of the introduced new rules are as follows:

- Management companies shall take into account sustainability risks when complying with the requirements prescribed under the Directive in the course of their business.
- Variable capital investment companies ("**VCICs**") that have not appointed management companies shall integrate sustainability risks in the management of UCITs, factoring in the nature, scale, and complexity of the VCICs.
- Management companies shall maintain the necessary resources and expertise required for the effective integration of sustainability risks.
- Management companies shall integrate sustainability risks in respect of certain activities which include inter alia, the oversight of the approval of investment strategies for each UCITS managed by a management company, and the approval and review on a periodic basis of the adequacy of the internal procedures for the undertaking of investment decisions

for each managed UCITS, so as to ensure that such decisions are consistent with the approved investment strategies.

- When management companies identify the types of conflicts of interests that may harm the interests of a UCITS, those management companies shall include the types of conflicts of interest that may arise as a result of the integration of sustainability risks in their processes, systems and internal controls.
- Where management companies, or, where applicable, VCICs, consider principal adverse impacts of investment decisions on sustainability factors as described in the Regulation (EU) 2019/2088, those management companies or VCICs shall take into account such principal adverse impacts, when complying with due diligence requirements set out in the Directive such as the requirements on the selection and ongoing monitoring of investments and risk management implementation.
- Management companies shall maintain an appropriate and documented risk management policy, which shall be commensurate to the nature, scale, and complexity of the management companies and the UCITS, and shall include such procedures as are necessary to enable the management company to assess for each UCITS it manages the exposure of that UCITS to risks including sustainability risks.

Directive DI78-2012-3(C) shall come into force on 1 August 2022.

Information kindly provided by our relationship firm in Cyprus, Elias Neocleous & Co LLC.

## Italy



### **Consob publishes consultation paper to transpose CBDF Directive into Italy**

Consob launched a public consultation on the proposed amendments to Consob Regulation no. 11971 of May 14, 1999, for the purposes of adapting the Italian regulatory framework to CBDF Directive.

The main areas of intervention are the following:

- The local facilities regime – the proposed amendments concern the facilities and the overall organisational structure that must be set up and made available to investors in Italy in the event of marketing in Italy of units/shares of UCITS;
- The termination of marketing regime – it is envisaged a new procedure would apply in cases where an asset manager would intend to terminate the marketing in Italy of units/shares of UCITS, which is based on a notice between the Home Country Authority and the Host Country Authority; and
- The marketing communications regime – it is clarified that Consob does not have any more regulatory powers to regulate the criteria to be followed for advertisements on UCITS, given that the discipline provided for by the CBDF Regulation as well as the Guidelines on marketing communications under the Regulation on cross-border distribution of funds (Esma 34-45-1244) are directly applicable in Italy. As a consequence, starting from February 2, 2022, the dissemination of UCITS marketing communications in Italy will have to comply with the mentioned ESMA Guidelines.

### **The Bank of Italy together with Consob published a warning on costs charged to UCITS**

The Italian Watchdog Authorities recently published a document detailing the outcome of a survey aimed at verifying the compliance by the Italian asset management industry of the general principle under which undue costs must not be charged to UCITS and the relevant investors.

The outcomes of the survey are in line with the findings in the final report as of 31 May 2022 published by ESMA (ESMA 34-45-1673).

The Bank of Italy and Consob have identified some general principles and best practises that should be always taken into consideration by asset managers when they define and quantify costs associated with UCITS distributed in the Italian market.

The Italian Watchdog Authorities, considering the importance of the issue of costs borne by investment funds, in the perspective of

granting the fair treatment of investors, warn asset managers regarding the need to align the internal processes with the enacted guidelines and, if needed, take appropriate corrective actions.

Information kindly provided by our Eversheds Sutherland Italy office.

## Liechtenstein



### Liechtenstein government announces time limitation lifted on temporary permissions regime for UK investors

Following Brexit, Liechtenstein had enacted a temporary permissions regime for investment firms and asset managers domiciled in the UK that are active in Liechtenstein on a cross-border basis (Art. 35c Banking Ordinance). This temporary regime was due to expire on 31 December 2022. In early July, the Liechtenstein government has announced that this time limitation shall be lifted and the accordant notification regime shall cease to apply only upon the entry into force of an equivalence decision pursuant to Article 47 (1) of Regulation (EU) No. 600/2014.

Information kindly provided by our relationship firm in Liechtenstein, Gasser Partners.

## Malta



### European Banking Authority Remuneration Guidelines become applicable in Malta

On the 22nd of November 2021, the European Banking Authority ("**EBA**") issued guidelines on sound remuneration policies under IFD on the requirements of investment firms. The guidelines specify the applicable remuneration provisions for Class 2 investment firms as defined in the IFD, taking into account the proportionality principle. The majority of the guidelines apply to all staff, ensuring that investment firms have in place sound and gender-neutral remuneration policies. Other parts of the guidelines focus on the specific provisions applicable to the remuneration policies for identified staff, whose alignment of remuneration incentives with the investment firm's risk profile and the assets they manage is crucial.

These guidelines became applicable in Malta as of the 30th of April 2022. Investment Firms are required to review their position and fill in the Malta Financial Services Authority ("**MFSA**") online form and submit electronically by no later than the 7th of

August 2022. Along with the online form, investment firms are required to upload specific documentation on the LH Portal. Following such response, the MFSA will revert to the investment firm individually.

Information kindly provided by our relationship firm in Malta, Mamo TCV Advocates.

## Montenegro



### Capital Market Commission issues decision regarding qualified participation in an investment fund management company

On 9 June, the Capital Market Commission issued a Decision on the Adoption of Forms for Obtaining Consent for the Acquisition or Increase of Qualified Participation in the Management Company ("**Decision**"). The Decision establishes forms and questionnaires for natural and legal persons requesting consent for the acquisition or increase of qualified participation in an investment fund management company. With its entry into force, the previous decision (Decision, the Rules on Detailed Conditions for Issuing Consent for Qualified Participation in the Management Company) ceased to be valid.

Information kindly provided by our relationship firm in Montenegro, Karanovic & Partners.

## North Macedonia



### Securities Commission of the Republic of North Macedonia adopts Rulebook on reporting requirements

The Securities Commission of the Republic of North Macedonia ("**Commission**"), at a session held on 22 June, adopted a Rulebook on the Mandatory Content, Form and Deadlines for Submitting Reports on Operations by Investment Funds, Companies for Management of Open-End and Closed-End Funds and the Depository Bank ("**Rulebook**"). The Rulebook also regulates the manner of submitting requests for granting consents and approvals of certain acts in accordance with the Law on Investment Funds. All reports stipulated by this Rulebook are submitted through the electronic reporting system of the Commission to which companies and depository banks have access.

## Commission adopts Rulebook on determining Net Value of investment funds

At a session held on 22 June 2022, the Commission adopted a Rulebook on Determining the Net Value of the Property of Open-End and Closed-End Investment Funds and for Calculating the Price per Share or Stock in the Investment Fund ("**Net Value Rulebook**").

The Net Value Rulebook regulates:

- 1) The determination of the net value of the property of the investment fund and the method of forming the price of the shares in the open-end investment fund i.e. the stocks in the closed-end investment fund;
- 2) The methods for calculating the net value of the assets and liabilities of the investment fund;
- 3) The method of calculation of the management fee and the fee for the depository bank;
- 4) The frequency of determining the net value of the property of the investment fund; and
- 5) The method and deadlines for reporting the net value of the property of the investment fund and the price of the share in the open-end investment fund i.e. the stocks in the closed-end investment fund.

Information kindly provided by our relationship firm in North Macedonia, Karanovic & Partners.

## Norway



### Regulation 2017/1991 amending EuVECA and EuSEF enters into force in Norway on 1 August 2022

EU regulations 345/2013 on European venture capital funds ("**EuVECA**") and 346/2013 on European social entrepreneurship funds ("**EuSEF**") entered into force in Norway on 1 August 2021.

Although regulation 2017/1991 amending EuVECA and EuSEF applied in EU at that time, application in Norway was postponed. However, Regulation 2017/1991 will enter into force in Norway on 1 August 2022.

The framework on cross-border distribution of funds (the CBDF Framework) has not entered into force in Norway yet. This depends on resolutions in the parliament of Iceland and

Liechtenstein (regarding the EEA Agreement), and is presently unclear.

Information kindly provided by our relationship firm in Norway, Haavind.

## Slovenia



### Council of the Securities Market Agency amends Investment Funds and Management Companies Act legislation

On 14 July 2022 the Council of the Securities Market Agency, the Slovenian regulatory body in charge of financial markets, adopted two amendments to secondary legislation prepared on the basis of the Investment Funds and Management Companies Act. Namely an amendment to the Decision on business operations of management companies and to the Decision on the risk management of investment funds. The amendments to these Decisions will come into force on 1 August 2022.

A significant part of the introduced amendments relates to the alignment with the provisions of Commission Delegated Directive (EU) 2021/1270 of 21 April 2021 amending Directive 2010/43/EU as regards sustainability risks and sustainability factors to be taken into account for UCITS. Sustainability risks and sustainability factors will now have to be included in the risk assessment on various levels

Considering that, pursuant to Investment Funds and Management Companies Act, both the prospectus and the key investor information document must include a description and assessment of the risks associated with the investment, the sustainability risks will have to be included in the assessment provided in these documents from 1 August onward, which will affect the scope of communication with potential investors.

Information kindly provided by our relationship firm in Slovenia, Rojs, Peljhan, Prelesnik & partners.

## Sweden



### Cross-border Distribution Directive transposed into Swedish law

On 16 March 2022 the Swedish Parliament approved the Swedish Government's proposal for legislative amendments to effectuate the implementation of Directive (EU) 2019/1160 with regard to cross-border distribution of collective investment undertakings into

Swedish law, with effect from 1 April 2022.

The key amendments are set out below:

- UCITS, management companies, and AIFMs marketing an AIF to retail investors in Sweden shall make available facilities to e.g. process subscription and redemption orders and make other payments to unit-holders.
- Swedish UCITS and AIFMs must provide certain additional information when conducting cross-border activities within the EEA.
- When foreign UCITS and EEA-based AIFMs cease marketing units in the company or in an alternative investment fund in Sweden, they must inter alia make a blanket offer to Swedish unit-holders to redeem their units free of charge.
- AIFMs will be able to test the appetite of potential EEA-based professional investors for an AIF that is not yet established/registered for marketing in the EEA Member State where the potential investors are domiciled.

Information kindly provided by our Eversheds Sutherland Sweden office.

## Americas

### Brazil



#### **Brazilian Securities Commission issues new regulation on distribution of foreign securities to professional investors in Brazil**

On July 13 2022, the Brazilian Securities Commission (“**CVM**”) issued a new regulation (Resolution 160) which, inter alia, creates a safe harbour that allows for the distribution of foreign securities (such as shares of foreign investment funds) traded in organized markets abroad to Professional Investors (as defined by CVM) in Brazil, as long as the Brazilian Professional Investors acquire the foreign securities through their accounts held abroad and the related settlement takes place outside Brazil. This regulation will be effective as of January 2, 2023, and foreign investment funds will then be able to conduct marketing efforts in Brazil with no restrictions on pre-existing relationship or number of investors, as long as they are directed to Professional

Investors.

Information kindly provided by our relationship firm in Brazil, Tozzini Freire.

### Chile



#### **Chilean Risk Rating Commission issues an updated application form with new criteria regarding share class identification codes**

On late June 2022, the Chilean Risk Rating Commission (“**CCR**”) which approves foreign funds for Chilean pension funds to invest in, issued an updated application form.

The updated application form changes the requirements regarding share class identification codes that must be provided for all new approvals and the annual update process.

The previous version required that all share classes in a fund be disclosed, and at least its Bloomberg or Reuters identification codes be provided. The updated application form limits the relevant share classes to those that are marketed to Chilean pension funds.

Information kindly provided by our relationship firm in Chile, Guerrero Olivos.

### USA



#### **Securities and Exchange Commission proposes enhanced investment company and investment adviser ESG disclosures**

On May 25, 2022, the Securities and Exchange Commission (“**SEC**”) proposed significant rule and form amendments under the Investment Company Act of 1940, as amended (1940 Act) and the Investment Advisers Act of 1940, as amended (Advisers Act). The proposed amendments may be summarised as follows:

- 1) To require any fund engaging in ESG investing to provide additional information about how the fund implements ESG factors in the fund’s principal investment strategies. The requirements for a particular fund will depend upon which of the newly introduced classifications it falls under:
  - i) *Roman Integration Funds* – funds that consider one or more ESG factors along with other, non-ESG factors in their investment decisions, but those ESG factors

are generally no more significant than other factors in the investment selection process, such that ESG factors may not trump any other factor in deciding to include or exclude any particular investment in a portfolio;

- ii) *ESG-Focused Funds* – funds that apply inclusionary or exclusionary screens, funds that focus on ESG-related engagement with the issuers in which they invest and funds that seek to achieve a particular impact; and
  - iii) *Impact Funds* – a subset of ESG-Focused Funds that seeks to achieve a specific ESG impact or impacts.
- 2) Amendments to Form ADV, Part 2A (Brochure) in recognition of the rising significance that investors place on ESG factors when making investment decisions, and the growing number of advisers that offer ESG-related strategies.
  - 3) Amending Form N-CEN to place more detailed reporting requirements on a registered fund that states that it incorporates ESG factors.
  - 4) Amending Form ADV, Part 1A. The Part 1A amendments would expand the SEC’s collection of information from advisers to separately managed accounts and private funds. It would also require advisers, and their related persons, to make certain disclosures regarding industry affiliations with ESG providers.
  - 5) The proposal also includes a section emphasising funds’ and advisers’ compliance policies and procedures when they incorporate ESG factors.

If the rules and amendments are adopted, the SEC proposes that they take effect 60 days after publication in the Federal Register and that the compliance date fall one year after the effective date.

Information kindly provided by our Eversheds Sutherland US office.

## Asia Pacific

### India



### Securities and Exchange Board of India reduces the time taken for listing of units of privately placed Infrastructure Investment Trust

On 24 June 2022, the Securities and Exchange Board of India (“SEBI”) provided a circular reduced the time taken for allotment and listing of units of a privately placed Infrastructure Investment Trust (“InvIT”), after the closure of issue, to six working days as against the present requirement of thirty working days. Working days shall mean all trading days of stock exchanges, excluding Sundays, and bank holidays. The circular is applicable to listing of units of any privately placed InvIT which opens on or after 01 August 2022.

### Guidelines for Large Value Fund for Accredited Investors under SEBI (Alternative Investment Funds) Regulations, 2012 and Requirement of Compliance Officer for Managers of all AIFs

On 24 June 2022 SEBI, in a circular issued to all alternative investment funds (“AIFs”), provided additional guidance to all filings for Large Value Fund for Accredited Investors (“LVF”), requiring such funds to submit an undertaking by the CEO or Manager to the AIF and the compliance officer of manager of the AIF in a prescribed format. The existing LVFs which have already filed with SEBI are required to submit the said declaration by 31 July 2022. The circular further provides for conditions to be complied by the LVFs for availing extension of tenure beyond two years of initially identified term.

The circular also addresses all AIFs, to ensure designation of an employee or director as a compliance officer, responsible for monitoring compliance with the provisions of the SEBI Act, AIF Regulations and circulars issued thereunder.

### International Financial Services Centres Authority introduces framework for Angel Funds under the new International Financial Services Centres Authority (Fund Management) Regulations, 2022

International Financial Services Centres Authority (“IFSCA”) under the recently issued IFSCA (Fund Management) Regulations, 2022, has issued a fresh circular for angel funds, specifically attuned to the requirements of early-stage investing. The key features of the circular are:

- 1) ability to launch angel funds through green channel (i.e., the schemes can open for

subscription by investors immediately upon filing the placement memorandum);

- 2) eligible investors include accredited investors or investors willing to commit at least USD 40,000 over 5 years;
- 3) angel funds permitted to invest in start-ups as well as other regulated schemes in IFSC, India and other jurisdictions subject to consent requirements; and
- 4) while investment by angel funds in start-up is capped at USD 1,500,000, they are permitted to invest in subsequent rounds subject to certain conditions.

Information kindly provided by our relationship firm in India, Khaitan & Co.

## Taiwan



### Securities Investment Trust and Consulting Association announces Guidelines for Operational Procedures and Information Disclosure

On 30 June 2022, the Securities Investment Trust and Consulting Association announced the Practical Guidelines for Operational Procedures of ESG Investment and Risk Management and ESG Information Disclosure ("**ESG Guidelines**"), summarised below:

- 1) Scope of Application – The ESG Guidelines apply to the securities investment trust enterprises ("**SITE**") and securities investment consulting enterprises engaging in discretionary investment management accounts ("**SICE**") (Article 2).
- 2) Guidelines – The ESG Guidelines are provided as guidelines for SITE/SICE to establish relevant internal rules and mechanisms which the SITE/SICE shall review on a regular basis and ensure that the company fully executes the same (Article 3).
- 3) Governance – The board of directors and senior management shall ensure that the SITE/SICE takes into account the identified ESG investment and risk management factors in the formulation of the investment policy, risk appetite, strategy and business plan, and continuously supervises the management and disclosure of ESG-related investments and risks. The implementation of the ESG-related investment and risk management shall be reported to the board of directors

on a quarterly basis, and an immediate corresponding measure shall be taken in response to any major abnormalities or special circumstances found in accordance with internal rules which shall be submitted to the board of directors (Article 4).

- 4) Investment Management – The SITE/SICE shall incorporate ESG factors into the investment management operation process, and take reasonable steps to assess the impact of ESG-related risks on investment assets in accordance with the correlation between the investment policy and the ESG factors, and conduct regular investment reviews (Article 5).
  - 5) Risk Management – including (i) establishing ESG risk benchmarks and evaluation methods; (ii) establishing management and on-going supervision mechanism for ESG-related risk exposures; and (iii) establishing a reinforced control and management mechanism for investment objects with higher ESG related risks (Article 6).
  - 6) Information Disclosure – The SITE/SICE shall at least produce a sustainability report once a year or disclose regular evaluation report on the company's website (Article 7).
  - 7) Grace Period – The SITE and SICE are required to adjust their practice accordingly in 6 months and 1 year respectively after the implementation of the ESG Guidelines (Article 8).
- Information kindly provided by our relationship firm in Taiwan, Lexcel Partners.

## Your contacts

Please note that this update on recent legal developments is not designed to provide legal advice and it is advisable to consult with local legal counsel before any actual undertakings.

For more information on these updates or about FundsNet, our specialist solution for global AIFs and UCITS distribution activities, please contact:



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