

List of non-complex products to be prescribed in the Schedule of the Securities and Futures (Capital Markets Products) Regulations

1. Prescribed classes of capital markets products are set out below, with changes arising from the November 2021 consultation marked out in red.
 - (a) stocks or shares, including preference shares, issued or proposed to be issued by a corporation or body unincorporate (other than a corporation or body unincorporate that is a collective investment scheme);
 - (b) units of shares that represent a unitholder's ownership in underlying shares, where —
 - (i) each underlying share is held on trust for the unitholder by a custodian; and
 - (ii) the unitholder is not obliged to pay any consideration for the purpose of converting any such unit into the underlying share, other than administrative fees for the conversion;
 - (c) rights, options or derivatives issued or proposed to be issued by a corporation or body unincorporate in respect of its own stocks or shares;
 - (d) units in a business trust;
 - (e) derivatives of units in a business trust;
 - (f) units in a collective investment scheme that satisfies all of the following conditions:
 - (i) the collective investment scheme is constituted as a trust;
 - (ii) the collective investment scheme invests primarily in real estate and real estate-related assets specified by the Authority in the Code on Collective Investment Schemes;
 - (iii) all or any of the units in the collective investment scheme are listed for quotation on a securities exchange;
 - (g) units in a collective investment scheme to which all of the matters mentioned in paragraph 2 apply;
 - (h) debentures other than —
 - (i) asset-backed securities;
 - (ii) structured notes;
 - (iii) debentures with interest rates that can be varied due to reasons apart from following a fixed, pre-determined time schedule or an exercise of discretion by the investor; or
 - (iv) debentures which are convertible to equity;
 - (i) contracts or arrangements under which one party agrees to exchange currency at an agreed rate of exchange with another party, and such currency exchange is effected immediately after any such contract or arrangement (as the case may be) is entered into;
 - (j) capital markets products consisting of 2 or more capital markets products (each belonging to a class of capital markets products mentioned in sub-paragraphs (a) to (i)) that are linked together in a stapled manner such that any one of the linked capital markets products is not transferable and cannot be otherwise dealt with independent of the remaining linked capital markets products.

2. For the purpose of paragraph 1(g), the matters are as follows:

(a) [Deleted]

(b) the CIS documents of the collective investment scheme require the manager of the scheme

—

- (i) to invest the property of the scheme only in one or more of the following:
 - (A) deposits as defined in section 4B(4) of the Banking Act 1970;
 - (B) gold certificates, gold savings accounts or physical gold;
 - (C) any capital markets products belonging to a class of capital markets products mentioned in paragraph 1(a) to (j);
 - (D) any product, instrument, contract or arrangement (other than the capital markets products belonging to the classes of capital markets products mentioned in paragraph 1(a) to (j)) if the investment in such product, instrument, contract or arrangement (as the case may be) is **for one or both of the following purposes only:** -
 - (DA) hedging or efficient portfolio management;
 - (DB) **replicating the performance of an acceptable index.**¹
 - (ii) to invest the property of the scheme as follows:
 - (A) except where sub-paragraph (B) applies, the manager must invest only in one or more products, instruments, contracts or arrangements mentioned in sub-paragraph (i);
 - (B) the manager may invest in some other product, instrument, contract or arrangement if —
 - (BA) there is any change in any written law, regulation, direction, rule or non-statutory instrument of the jurisdiction where the scheme is constituted, operating or investing; and
 - (BB) following such change, the manager is restricted or prohibited from investing in any of the products, instruments, contracts or arrangements mentioned in sub-paragraph (i),
- and, in the case of either sub-paragraph (i) or (ii), the manager invests the property of the scheme only in one or more of the products, instruments, contracts or arrangements mentioned in sub-paragraph (i).

¹ An acceptable index must (1) define the market or sector it aims to represent; (2) reflect market characteristics of the represented market or sector; (3) has constituents which are liquid; (4) be sufficiently diversified; and (5) be transparent in the index compilation methodology.