

Legal Briefings

SFC in Hong Kong reprimands and fines Hong Kong manager for fund management failures in respect of a Cayman Islands incorporated fund

On 5 February 2024, the Securities and Futures Commission in Hong Kong (“**SFC**”) published a Statement of Disciplinary Action, which found that PICC Asset Management (Hong Kong) Company Limited (“**PICC**”), a corporation licensed to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“**SFO**”), was guilty of misconduct for failure to discharge its duties as the manager of a Cayman Islands incorporated fund (“**Fund**”) under the Fund Manager Code of Conduct and the Code of Conduct for Persons Licensed by or Registered with the SFC. PICC was publicly reprimanded and fined HK\$2.8 million by the SFC. In particular, the SFC found that PICC had failed to:

- (a) properly manage the Fund to ensure that the Fund’s investments were in line with its stated investment objective and investment restrictions;
- (b) implement adequate and effective internal controls to properly manage the risks of the Fund; and
- (c) adequately supervise the investment manager who managed the Fund on behalf of PICC.

The said Statement of Disciplinary Action can be accessed [here](#).

The above decision by the SFC is an important reminder that Hong Kong domiciled managers licensed to carry on regulated activities (including Type 9 (asset management) regulated activity) under the SFO must ensure that their actual operations when managing Cayman Islands incorporated funds must comply with the Fund Manager Code of Conduct and the Code of Conduct for Persons Licensed by or Registered with the SFC, failing which the SFC may take various disciplinary actions.

Cayman Islands law relating to Overseas Managers

There is no requirement for the investment manager of a Cayman Islands investment fund to be resident or domiciled in the Cayman Islands and there are no specific statutes that seek to regulate overseas managers of Cayman investment funds. However, depending on the nature and extent of the responsibilities stated in the investment management agreement between a Cayman Islands fund and its overseas manager, the latter could fall foul of certain Cayman Islands laws governing the management of the fund.

Our legal briefing on Fund Management can be found here: [Cayman Fund Management](#)

Further Assistance

This publication is not intended to be a substitute for specific legal advice or a legal opinion. If you require further advice relating to the matters discussed in this Briefing, please contact us. We would be delighted to assist.

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