Room 1302, 13/F Winsome House
73 Wyndham Street, Central, Hong Kong
+852 2526 0211
info@aima.org

aima.org

11 March 2025

Securities and Futures Commission

Sent via email

Dear Sir or Madam,

AIMA: Consolidated Feedback on SFC Hedge Fund Data Reporting Proposal

The Alternative Investment Management Association ("AIMA")[1] appreciates the opportunity to provide early feedback on the forthcoming changes to the updated FRR form. We have carefully collated feedback from our members – both from our initial discussions of the proposal (prior to receiving the draft form) and from detailed reviews of the form.

Our consultation was restricted to a select group of members, and the following consolidated feedback reflects the anonymized views of those who participated. Please note that these comments do not represent a single unified position but rather a range of insightful industry perspectives.

Below is a summary of the key themes and recommendations that we wish to share for your consideration.

1. Operational Burden & Survey Frequency

• **Increased Workload**: Many respondents are concerned that additional reporting requirements – especially semi-annual fund-level reporting – will further strain resources. Given that Hong Kong asset managers are already subject to multiple annual surveys (e.g. the Joint Product Survey, the Asset and Wealth Management Activities Survey, and the previous IOSCO survey), this added frequency could have significant operational implications.

• **Frequency Concerns**: Several members questioned the necessity of semi-annual reporting, noting that previous IOSCO surveys were conducted less frequently (e.g. biennially).

---

[1] AIMA is the world's largest membership association for alternative investments managers. Its membership has more firms, managing more assets than any other industry body and, through our 10 offices located around the world, we serve over 2,000 members in 60 different countries. AIMA's mission, which includes that of its private credit affiliate, the Alternative Credit Council (ACC) is to ensure that our industry of hedge funds, private market funds and digital asset funds is always best positioned for success. Success in our industry is defined by its contribution to capital formation, economic growth, and positive outcomes for investors, while being able to operate efficiently within appropriate and proportionate regulatory frameworks. AIMA's many peer groups, events, educational sessions, and publications, available exclusively to members, enable firms to actively refine their business practices, policies, and processes to secure their place in that success. For further information, please visit AIMA's website, www.aima.org.

• **Voluntary vs. De Facto Mandatory**: Although current surveys are technically "voluntary," the rigorous follow-up process (via targeted emails, telephone calls, and direct reminders from case officers) renders them effectively mandatory. There is concern that adopting a similar process for the FRR form may further exacerbate the operational burden on firms.

2. Redundancy and Duplication

• **Overlap with Existing Reporting**: Respondents observed that the new FRR requirements could duplicate information already provided in other regulatory surveys, potentially leading to inefficiencies and inconsistencies.

• **Regulatory Creep**: There is concern that the scope of data requested may expand over time through inputs from various SFC departments, further increasing the reporting burden.

3. NAV Threshold and Data Scope

• **USD 500 Million Benchmark**: There was support among some members for using a USD 500 million threshold to limit detailed fund-level reporting to larger funds, thereby excluding smaller managers. However, several members raised important questions about how this NAV threshold should be calculated. For example, questions were asked regarding how the threshold would be applied to managed accounts and whether there would be separate filing requirements for master and feeder funds. Additionally, members seek clarification on whether the NAV threshold applies only to the portion of the portfolio managed in Hong Kong or to the overall size of the fund.

• **Clarity on Data Fields**: Although the alignment with IOSCO standards is welcomed, further clarity and guidance on key definitions (e.g. risk metrics, asset classifications) is needed to ensure consistent reporting across firms.

4. Systems Integration & Implementation Guidance

• **Integration Challenges**: Many expressed concerns about the difficulties of integrating the new requirements with existing reporting systems. Upgrading current systems or implementing new solutions may incur significant costs and adjustments.

• **Phased Implementation**: A gradual rollout – with a pilot period and extended submission deadlines for complex data elements – was recommended to help firms adjust more smoothly.

5. Specific Comments on Data Fields and Form Sections

Please refer to the Annex accompanying this letter for detailed comments on certain data fields and form sections.

6. Overall Recommendations

• **Enhanced Guidance**: We recommend that the SFC issue detailed guidelines and illustrative examples to clarify reporting expectations and ensure consistent data collection.

• **Review of Frequency and Thresholds**: Re-evaluating both the semi-annual reporting frequency and the USD 500 million threshold, as well as instituting an ongoing review mechanism, may help balance regulatory objectives with the practical realities of data collection.

• **Streamlining Requirements:** Simplifying the data requirements to avoid redundancy with existing surveys would help reduce the overall reporting burden.

•**Infrastructure Improvement and Automation:** Recognising that the current process largely relies on legacy manual systems – primarily Excel-based submissions via the WINGS portal – we recommend that the SFC modernise its data submission and processing infrastructure. By enabling modern, integrated digital reporting solutions that enable straight-through processing (e.g., online platforms or API-enabled, XML/JSON-based submissions, or other secure automated methods), the SFC can minimise manual data entry, reduce errors, and improve efficiency. Additionally, it is crucial that robust cybersecurity measures be implemented to secure sensitive data, ensuring encryption, secure storage, and continuous monitoring to prevent unauthorised access.

We trust that these consolidated insights, representing a broad cross-section of industry views, will assist in refining the draft FRR form. Please let us know if you require further details or clarifications on any of these points.

Thank you for considering our perspectives. AIMA would be pleased to engage in further discussions with the SFC

Yours faithfully,

Kher Sheng Lee
Managing Director
Co-Head of APAC
Deputy Global Head of Government Affairs

ANNEX

(The following specific comments are reproduced verbatim from member feedback with minimal editing)

Section C(ii) NAV – Is the term "net asset value (NAV)" the same as "aggregate net value of assets under management (AUM)" as mentioned in Section B? If so, we would suggest the terms to be consistent across all the sections within the form. If not, please clarify the difference.

Section C(ii) Note 13 – Is it the intention of the SFC that the NAV of managed accounts adopting a similar strategy to the respective hedge fund should be disclosed, even if these managed accounts are not referenced in other sections of the FRR form or in the previous IOSCO survey?

Section C – Forms 10-12 of the FRR are to be submitted on a quarterly basis for those with a Type 1 license who file the FRR monthly, while the additional Section C is required semi-annually. This creates a gap between the responses in Section C and the data in the other sections of Form 12. Or are we expected to leave Section C blank during the Q1 and Q3 FRR filings? Please also note that we have left Forms 10-12 of the FRR blank in the months that are not at the quarter end.

Section C – Could the SFC please confirm that the data to be included in Section C should be for the same reporting months of June and December? I.e. Section C of Form 12 in the FRR filing for June 2025 should use the data as of June 2025, rather than data from December 2024? Regardless, there is a note in Section (iii) stating, “Please be reminded that the number of qualifying hedge fund reported in cell [C123] should be based on information and data available as of the end of six months prior to the reporting month under financial return Form 1 - item (3) (e.g. December of previous year for financial returns as of June).” This would result in a difference in the periods from which data is pulled from between section B and C on Form 12.

Q19: Can they explain whether we should be taking into account ADTV and impact on market prices for a “stressed market scenario”? For example, would we assume full volume participation using a shorter period ADTV? E.g. 100% of 20BD ADTV.

Q22:

1. Do they really mean to have column (a) be “Normal market scenario” and (b) be “Fund redemption frequency”? Normally a “normal market scenario” would be paired with “stressed market scenario”; or “fund redemption frequency” would be paired with “notice period”. Frankly I think (b) is more appropriate – and I don’t see how the response to (a) would be any different from the response to (b). I also don’t understand their instruction for “Normal market scenario” – if anything, expected redemption flow in our industry should probably be 0% in “normal circumstances”.

2. Assuming we stick with those two columns, the SFC should provide clarity in the notes about how managers should take into account the following:

a. Notice periods and redemption frequency – for example, our terms are quarterly redemption with 45 days’ notice, so would we put “100%” in C721? Or would it be “100%” in C723 because quarterly redemption means it’s usually around 91/92 days between redemption days? And an investor could submit a redemption request well before a deadline, even 1 year or more in advance. Should we be assuming they put in the request on the deadline date?

b. Investor level gates – for example, we have 25% investor level gates per quarter so would we need to layer that on top of the notice periods and redemption frequency? If yes, would we assume they submit a full redemption request so that all 4 gates run in a row? Because investors could request to submit just a certain amount in one quarter, then the gates would reset.

c. Lock-up periods – would these also be layered on top of (a)?

Q23: The SFC should provide clarity in the notes as to whether they mean fund level gates (which I think is what they usually mean when they ask about gates) or investor level gates. Most funds that have investor level gates apply them to all share classes so the answer to (ii) would be 100% at all times. But investor level gates operate automatically and don't indicate any stress, concern or illiquidity for the fund.