

## ASIA REGION FUNDS PASSPORT TO BE LAUNCH ON MAY 27

The government approved the revisions to the enforcement decree of the Financial Investment Services and Capital Markets Act on May 19 in preparation for the implementation of the Asia Region Funds Passport (ARFP)<sup>1</sup> on May 27.

### **KEY PROVISIONS**

The revisions establish the following provisions for the registration and operation of passport funds.

- ▶ **REGISTRATION FOR PASSPORT FUNDS:** Publicly offered local funds with (a) at least USD500 million in assets under management and USD1 million or more in capital, and (b) at least two board members with 5 years or more of management experience in the financial sector can apply to be registered as passport funds.

Registered passport funds will be operated through securities and short-term financial instruments, sales of derivatives and securities lending agreement.

- ▶ **REDEMPTION DELAY & AUDIT RULES:** (a) A redemption delay is allowed when the amount of redemption requests surpasses 10 percent of the fund's net asset value, (b) Small size funds (total assets of KRW30 billion or less) will be subject to an audit without exception
- ▶ **SALE & REGISTRATION OF FOREIGN PASSPORT FUNDS:** Foreign passport funds registered at another member economy will be available for sale in Korea through a streamlined process. Foreign passport funds sold in Korea will be subject to the same rules, regulations and investor protections as the publicly offered local funds.

### **SCHEDULE**

The revisions will become effective on May 27. The guidelines from the Korea Financial Investment Association and information about the registration process and relevant forms will be distributed to help facilitate the use of ARFP.

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<sup>1</sup> ARFP is a multilateral investment promotion initiative between the five member economies (Korea, Australia, New Zealand, Japan and Thailand) aimed at promoting cross-selling of publicly offered local funds in each other's economies through standardized and streamlined registration process.