

# SFC's Revised FRR Form and New Reporting Requirements for Hedge Fund Managers



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May 15, 2025

## Regulatory Shifts for Hedge Fund Managers

For the recent years, there have been growing concerns for large hedge fund managers (together with its related affiliates within a group) who deploy significant capital concentrating in a single strategy may pose systemic and concentration risks. This includes exposure to a specific sector, industry or investment product.

The Securities and Futures Commission (SFC) has taken a proactive step by requiring Hong Kong hedge fund managers with Qualifying Hedge Funds (QHF) to disclose further information, including but not limited to asset class exposures, risk-related exposures, and investment strategies, etc.

On May 2, 2025, the SFC issued a circular, "Revised Financial Return Form". Below outlines the main changes to the form, their implications, and steps to ensure compliance.

## New Reporting Requirements for Hedge Fund Managers under SFC FRR

As part of its enhanced regulatory oversight, SFC has updated the Financial Resources Rules (FRR), introducing new reporting requirements for hedge fund managers.

A summary of the key changes:

### FRR Form – Form 12

A new Part C has been added to Form 12, requiring fund managers to include information related to the hedge funds under management as of June and December month-end.

- C(i) – Location of group headquarters in relation to hedge fund management (as of reporting period month-end).
- C(ii) – NAV and the predominant investment strategies of the top three hedge funds and managed accounts with the same strategy (as of reporting period month-end).
- C(iii) – The number of QHFs to be reported in Annex A (as of the end of six months prior to the reporting period).

### FRR Form – Annex A

Annex A is a separate form and is required to be submitted if one or more QHFs is/are reported.

The revised FRR Form and Annex A can be accessed [here](#).

## Understanding Qualifying Hedge Funds Under SFC Regulations

The following conditions must be met for a fund to be classified as a QHF:

- The **licensed corporation** is responsible for the **overall operation** of the fund.
- Where the **total NAV of all strategy assets globally** (including all fund share classes, managed accounts and other assets under the same strategy as the underlying fund, regardless of location) **is at least USD 500 million**.
- If the fund is **managed by other related companies** with the **licensed corporation in Hong Kong serving as the group hedge fund management headquarters**, and if it fulfills the criteria of (b) above, such fund must also be included in number of qualifying hedge funds reported in section C(iii).

## Compliance Dates

To ensure compliance with the new hedge fund reporting requirements, please take note of the following important dates:

- **Circular date:** 2 May 2025
- **Effective date:** any period ending on or after 23 June 2025
- **First applicable FRR month-end:** 30 June 2025
- **First QHFs details required:** 31 December 2024.

## Next Steps for Compliance with SFC Hedge Fund Reporting

To help prepare for the updated reporting requirements, follow these steps:

- **NAV data collection:** Ensure all hedge-portfolio within a single strategy (including funds, management accounts or other assets) are collected.
- **QHF criteria:** Verify if the hedge portfolio within a single strategy falls into the definition of QHF.
- **Data required in Annex A:** Confirm if all the data requested in Annex A form is readily available.
- **Staff training:** Arrange training related to the changes for the Responsible Officer, Manager-In-Charge or staff that is responsible for filing the FRR form.
- **Seek guidance:** If you have any questions about the regulatory updates, seeking guidance from a compliance advisory firm such as Waystone can help clarify the changes and ensure alignment with the latest requirements.

## How Waystone Can Help

Waystone offers a full suite of [Corporate Compliance Solutions](#) tailored to the needs of businesses expanding into or operating within Hong Kong. We are committed to enhancing your compliance framework, so you can focus on growing your business with confidence.

If you have any questions about the topics discussed or to learn more about our Corporate Compliance Solutions, please reach out to our [APAC Compliance Solutions](#) team or contact us below.

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