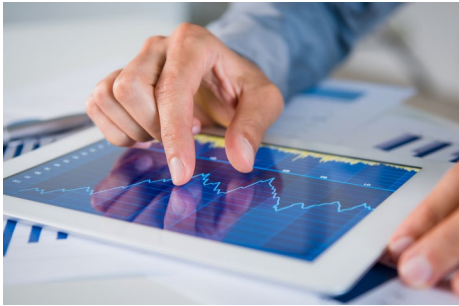


## Financial Services

**Industry News****ASSET  
MANAGEMENT****France-Hong Kong Mutual Recognition of Funds Arrangement**

On 10 July 2017, the Securities and Futures Commission and the Autorité des Marchés Financiers signed a Memorandum of Understanding on France-Hong Kong Mutual Recognition of Funds (MOU). The MOU allows eligible Hong Kong public funds and French UCITS funds to be distributed to retail investors in each other's market through a streamlined authorisation process. The eligible funds include general equity funds, bond funds and mixed funds. This arrangement opens up the opportunity for Hong Kong funds to be sold in one of the leading markets in the European Union and constitutes an important breakthrough for the French asset management industry seeking to develop activities internationally.

*Source: Securities and Futures Commission*

**Profits Tax Exemption to be Extended to Onshore Privately Offered Open-ended Fund Companies**

On 23 June 2017, the Inland Revenue (Amendment) (No. 4) Bill 2017 extending profits tax exemption to onshore privately offered open-ended fund companies (OFCs) was gazetted. To enjoy the exemption, the OFC shall be with central management and control in Hong Kong and non-closely held; besides, shall carry out qualifying transactions in permissible asset classes in Hong Kong by licensees authorised to conduct Type 9 regulated activities under the Securities and Futures Ordinance. Certain flexibilities, such a 10 percent de minimis limit for investing in non-permissible asset classes and a gear-up period to meet the non-closely held condition, will be allowed. The Bill will create a level playing field for all kinds of OFCs and enhance Hong Kong's competitiveness in respect of the domiciliation of privately offered funds in the form of an OFC.

*Source: Information Services Department*

**Securities and Futures Commission Clarifies Competence Requirements for Licensees Seeking to Enter Asset Management Business**

The Securities and Futures Commission (SFC) issued a circular to provide further guidance to existing licensed corporations and individuals seeking to be licensed for Type 9 (asset management) regulated activity.

The circular highlights the eligibility criteria of, and restrictions on permitted activities for, licensed persons seeking conditional exemptions from passing the required examination papers in order to meet the SFC's requirements.

## **Recognition of relevant industry experience**

When considering whether a responsible officer (RO) applicant meets the experience requirement for applying for a Type 9 licence, the SFC will take into account the person's accumulated career history in the financial industry. For example, if a Type 1 licensed person conducts asset management which is wholly incidental to his or her dealing activity, this experience will be deemed to be relevant by the SFC. Examples of relevant activities recognised include discretionary account management, research, private equity and proprietary trading.

## **Exemptions from passing local examinations**

An applicant intending to manage private investment funds may be exempted from passing local regulatory framework papers 1 and 6, if the applicant has over eight years of industry experience in recognised local or overseas markets; or is registered in the United Kingdom or the United States for investment management or advisory business.

An applicant intending to manage only discretionary accounts may be exempted from passing the local regulatory framework papers 1 and 6 if the applicant is an existing RO for Type 1 regulated activity and has five or more years of related experience in managing discretionary accounts over the past eight years. This exempted applicant will only be allowed to engage in discretionary account management. If the applicant also serves as Manager-in-Charge of the Overall Management Oversight function of a licensed corporation, the licence corporation will be subject to the same restriction.

For both scenarios, as a one-off requirement, the applicant must complete an additional five continuous professional training hours on local regulatory knowledge of Type 9 regulated activity within 12 months after approval, unless the applicant has already completed the same within six months preceding the application.

*Source: Securities and Futures Commission*

## **LENDING**



## **Coverage of Commercial Credit Database to Expand**

From 1 December 2017, the credit database of the Commercial Credit Reference Agency (CCRA) will be expanded to cover also the non-listed limited companies with an annual turnover of up to HK\$100 million (up from the current threshold of HK\$50 million). The CCRA is an organisation that collects information about the indebtedness and credit history of business enterprises and makes this information available to lending institutions regulated by the Hong Kong Monetary Authority.

The CCRA has to date collected over 176,000 credit records of 119,000 companies which operate as limited companies, sole proprietorships or partnerships. The expansion will enhance credit risk management of banks in small and medium enterprises (SME) lending, thereby facilitating SMEs to have reasonable access to bank credit with more favourable lending terms.

*Source: Hong Kong Monetary Authority*

## SECURITIES AND FUTURES



### **The Hong Kong Stock Exchange Proposed New Board for Companies from New Economy Sectors**

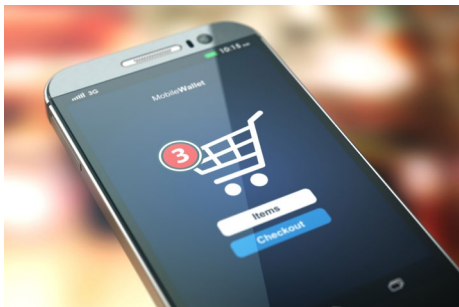
On 16 June 2017, the Hong Kong Stock Exchange (the Exchange) published its New Board Concept Paper setting out proposals for the establishment of a New Board, separate from the Main Board and the Growth Enterprise Market (GEM), to open Hong Kong's capital markets to a broader range of issuers. At the same time, the Exchange issued a separate but related Consultation Paper on the Review of the GEM and Changes to the GEM and Main Board Listing Rules which proposes to reposition the Main Board as a premier board for larger companies while GEM will continue to serve established small medium enterprises. Both the Main Board and GEM will be subject to higher entry criteria and additional changes to the GEM Rules are proposed to address concerns relating to the quality and performance of GEM listing applicants and listed companies.

While Hong Kong has been the number one market globally for initial public offering (IPO) funds raised in five of the past eight years, there remain gaps in the Hong Kong market, prompting a number of Mainland and other high growth companies from New Economy sectors to choose to list on venues other than the Exchange. The New Board would be divided into two segments to enable the calibration of shareholder protection standards based on the level of perceived risk in each segment: New Board PREMIUM and New Board PRO.

The Exchange proposes changes to its rules for the GEM, which seek to address recent market and regulatory concerns regarding the quality and performance of applicants to, and listed issuers on, GEM. These include concerns about price volatility of GEM securities post-IPO, whether there is an open market for all GEM listings and the possible exploitation of GEM as a means of achieving a Main Board listing without a commensurate due diligence process at the relevant time. The proposed changes to the Main Board Listing Rules also ensure that there is a clear distinction between the Main Board and GEM.

*Source: Hong Kong Exchanges and Clearing Limited*

## PAYMENT



### **Stored Value Facilities (SVF) Schemes (Q1 2017)**

According to the quarterly statistics issued by the Hong Kong Monetary Authority, the total number of SVF accounts in use was 42 million by the end of Q1/2017. The figure represents a 3.8 percent increase from the previous quarter. The total number of SVF transactions was 1.4 billion for Q1/2017, representing a 3.7 percent decrease from the previous quarter. The total value of SVF transactions was HK\$30 billion for Q1/2017, down one percent from the previous quarter. The modest decline in the number and value of SVF transactions was believed to be mainly due to seasonal factors. Of the total transaction value, HK\$17.9 billion was related to point-of-sale spending payment, HK\$11.6 billion in online spending payment and HK\$0.5 billion in peer-to-peer funds transfer. The total float and SVF deposit was HK\$6.9 billion for Q1/2017, two per cent higher than the previous quarter.

	Q4 2016	Q1 2017	Quarterly Change
Total number of SVF accounts in use ('000)	40,491	42,036	3.8%
Number of transactions ('000):			
Spending Payment	1,408,321	1,356,190	-3.7%
• Point of sale	1,366,980	1,323,933	-3.1%
• Online	41,341	32,257	-22.0%
P2P Funds Transfer	250	483	93.7%
Value of transactions (HK\$ Mn):			
Spending Payment	29,724	29,433	-1.0%
• Point of sale	18,074	17,875	-1.1%
• Online	11,650	11,558	-0.8%
P2P Funds Transfer	537	532	-1.1%
SVF float and deposit (HK\$ Mn)	6,784	6,917	2.0%

Source: Hong Kong Monetary Authority

## CONTACT US

If you would like to know more about how InvestHK's Financial Services team can help you to set up or expand your business in Hong Kong, please get in touch. Our services are free, confidential and tailored to your needs.

### Priscilla Law

Head of Financial Services

T: (852) 3107 1085

E: [plaw@investhk.gov.hk](mailto:plaw@investhk.gov.hk)

### Willy Lam

Brunei Darussalam, India, Indonesia, Japan, Korea, Malaysia, Thailand, the Philippines

T: (852) 3107 1087

E: [willylam@investhk.gov.hk](mailto:willylam@investhk.gov.hk)

### Mazy Chau

Africa, Europe (Belgium, Bulgaria, Croatia, Cyprus, Denmark, Estonia, Finland, France, Greece, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Portugal, Romania, Spain, Sweden, Turkey, United Kingdom), Middle East, Russia

T: (852) 3107 1086

E: [mchau@investhk.gov.hk](mailto:mchau@investhk.gov.hk)

### Karen Mak

Asia (except Brunei Darussalam, India, Indonesia, Japan, Korea, Malaysia, Thailand, the Philippines), Mainland China, Taiwan

T: (852) 3107 1064

E: [kwkmak@investhk.gov.hk](mailto:kwkmak@investhk.gov.hk)

### Helen Tsui

Americas, Australia, Europe (Austria, Czech Republic, Germany, Hungary, Poland, Slovakia, Slovenia and Switzerland), New Zealand

T: (852) 3107 1058

E: [htsui@investhk.gov.hk](mailto:htsui@investhk.gov.hk)

## investhk.gov.hk

### About InvestHK

InvestHK is the department of the Hong Kong Administrative Region (HKSAR) Government responsible for Foreign Direct Investment, supporting overseas and Mainland business to set up and expand in Hong Kong. We partner with clients on a long-term basis and are available at any stage of their business development process.

The information contained in this publication is for general reference only. While every effort has been made to keep information current and accurate, InvestHK will not be liable for any errors in, omissions from, or misstatements or misrepresentations (whether express or implied) concerning any such information, and does not have or accept any liability, obligation and responsibility whatsoever for any loss, destruction or damage (including without limitation consequential loss, destruction or damage) however arising from or in respect of any use or misuse of or reliance on the information. You are responsible for making your own assessment of all information contained in this publication and shall verify such information by making reference, for example to quoted sources and obtaining independent advice before acting upon it. There is no implied endorsement of any material or recommendation of a company or service provider over another.