News

Hong Kong's trust sector sees growth in last three years, further reforms needed to enhance competitiveness, finds joint KPMG and HKTA report

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Hong Kong's trust sector has seen growth in the last three years, however further reforms are required in order to enhance its competitive edge as a trust jurisdiction, finds a joint report by KPMG and the Hong Kong Trustees' Association (HKTA).

The report, titled *Hong Kong Trust Industry Spotlight: Enhancing its competitive edge,* includes responses from an independent industry survey covering trust companies, financial institutions, insurance companies and professional servicing entities in Hong Kong. It also features 30 interviews with senior industry practitioners, government officials and regulators.

More than half (57 percent) of respondents indicated that their proportion of assets held by Hong Kong-domiciled trusts had increased in the past three years. A majority (61 percent) of respondents believed that the 2013 amendment to the Hong Kong Trustee Ordinance (HKTO) has made a significant or some contribution to the growth of their trust-related business.

Vivian Chui, Head of Securities and Asset Management, Hong Kong, KPMG China, says: "The statutory enactments in 2013 helped modernise Hong Kong's trust regime and put it back on the map as a key trust jurisdiction. It was a positive first step and more reforms will be needed to enhance Hong Kong's competitiveness as a trust jurisdiction."

To build on Hong Kong's strong foundation and leverage its position as a key location for financial services, the government, regulators and the industry will need to enhance collaborative efforts, the report notes.

"Greater coordination among stakeholders is required to position Hong Kong as the destination of choice for trust services amidst stiff competition from Singapore as well as traditional jurisdictions such as BVI, Cayman Islands and the Channel Islands," adds Chui.

In terms of the most effective method to expand the sector, regulation of trust companies was identified by 30 percent of respondents as their top pick.

"Many trust companies are not regulated if they are not involved with either the MPF schemes or Securities and Futures Commission of Hong Kong (SFC) authorised retail funds.The industry generally welcomes the introduction of a unified licencing regime. Such a model could potentially streamline disclosures and avoid supervisory overlap." Michael Shue, Chairman, HKTA, says.

In terms of challenges, the industry faces increased compliance costs, the survey finds. This is mainly due to the expansion of compliance teams; many respondents predicted this is likely to escalate as a result of stricter Anti-Money Laundering (AML) regulations and the Organisation for Economic Co-operation and Development's (OECD) Common Reporting Standard (CRS).

Another concern is a shortage of trust specialists, as a result of a lack of formal training or qualifications for trust professionals in Hong Kong. While there are accreditation and training programmes available, these should be tailored to attract university graduates or individuals who are in the financial services and trust industry, the report highlights.

Despite the challenges, emerging opportunities for the Hong Kong trust industry lie in upcoming initiatives such as the expansion of the Mutual Recognition of Funds (MRF) scheme, Exchange-Traded Fund (ETF) Connect and the proposed AML licencing regime for trust or company service providers (TCSPs).

Shue concludes: "If Hong Kong is able to take advantage of its inherent geographical strengths, mature physical and informational infrastructure, it will help shape its position as a premier trust jurisdiction in the long term."

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About The Hong Kong Trustees' Association (HKTA)

The Hong Kong Trustees' Association Limited was established in 1991 by members of the trust and fiduciary services sectors to represent the trust industry in Hong Kong, particularly in the areas of legislation and education. It is a not-for-profit company limited by guarantee and incorporated in Hong Kong. The Trustees' Association currently has more than 110 corporate members, and represents thousands of people working in the trust, pension, private banking, asset servicing, legal, accounting, and other professional services fields.

About KPMG China

KPMG China operates in 16 cities across China, with around 10,000 partners and staff in Beijing, Beijing Zhongguancun, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Xiamen, Hong Kong SAR and Macau SAR. With a single management structure across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 152 countries and regions, and have 189,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG China was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong office can trace its origins to 1945. This early commitment to the China market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in the Chinese member firm's appointment by some of China's most prestigious companies.

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