



Hong Kong Trust Industry Spotlight:

Enhancing its competitive edge

Presentation by KPMG

October 2017



Hong Kong Trust Industry Spotlight

Four years since the inaugural report

Basis of our report:

- Quantitative survey - 48 respondents
- 30 interviews with senior industry practitioners, government officials and regulators

Highlights of the report:

- The compliance conundrum
- Improving the talent pool
- Streamlining of the regulatory framework
- Clarity on tax



State of the Hong Kong trust industry



- DIS
- Offsetting mechanism
- eMPF
- Investment restrictions
- Enhanced governance structure



- ETF
- Mutual Recognition of Funds
- OFC
- Employee share plan



- China
- Family offices
- VISTA / STAR-type trusts
- Private trust companies
- Competition



- High net worth families
- Charitable commission

Impact of the HKTO amendments

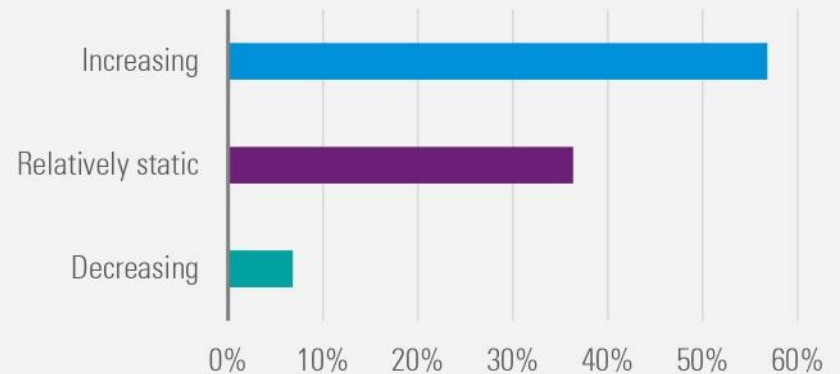
Many industry participants agree that those statutory enactments have modernised Hong Kong's trust regime and put the city back on the map as a key trust jurisdiction.

► The impact of 2013 HKTO amendments on the growth of trust-related business



Source: Joint KPMG and HKTA survey

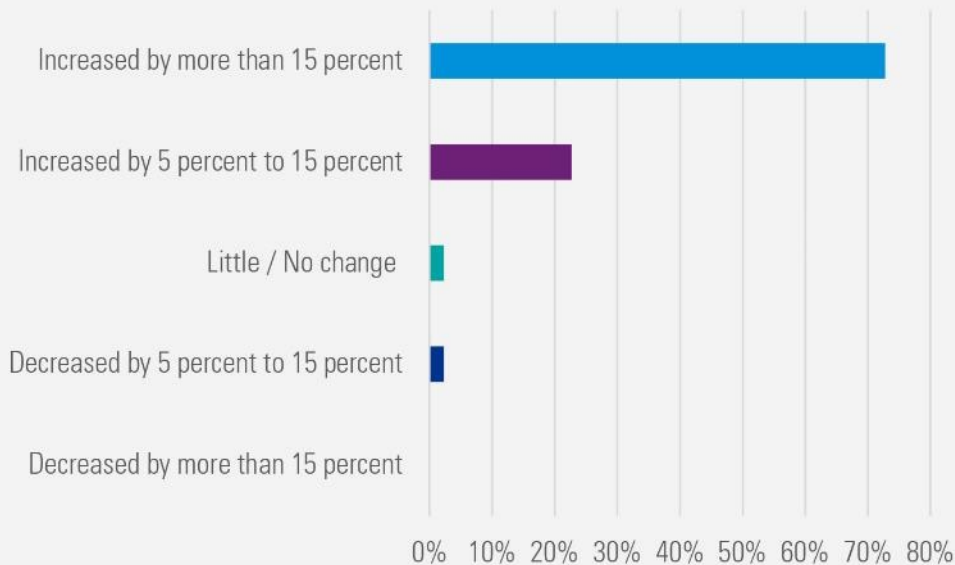
► Proportion of assets held by Hong Kong-domiciled trusts



Source: Joint KPMG and HKTA survey

The Compliance Conundrum

▶▶ Time and effort spent on compliance and regulatory matters over the past 12 months



Source: Joint KPMG and HKTA survey

Rising compliance costs is not a Hong Kong-specific issue, but a global trend that is likely to continue.

Many industry players are turning to technology to meet compliance obligations.

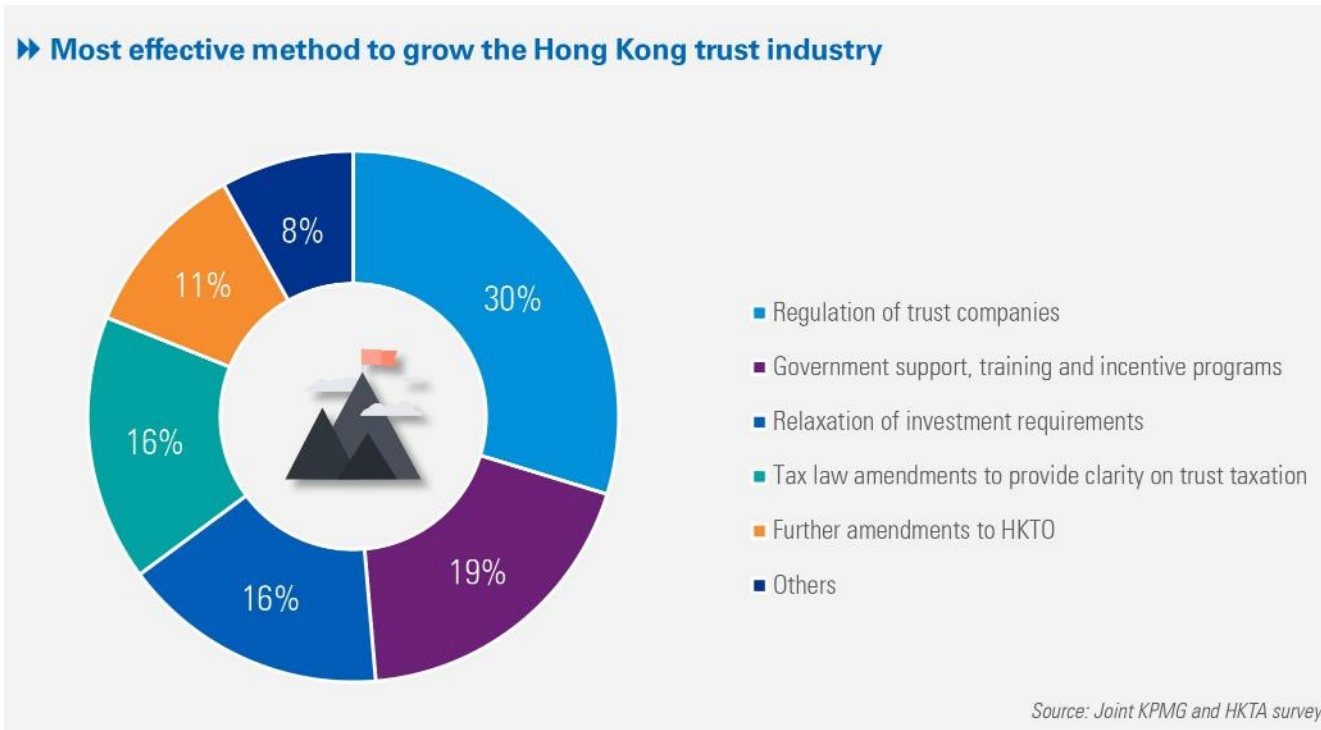
Improving the talent pool



- 1 HKTA Accreditation/Training Programme
- 2 Government's Three-year Pilot Programme to Enhance Talent for the Asset and Wealth Management Sector
- 3 Other options for students and professionals to undergo trust-related training
- 4 Technology solution

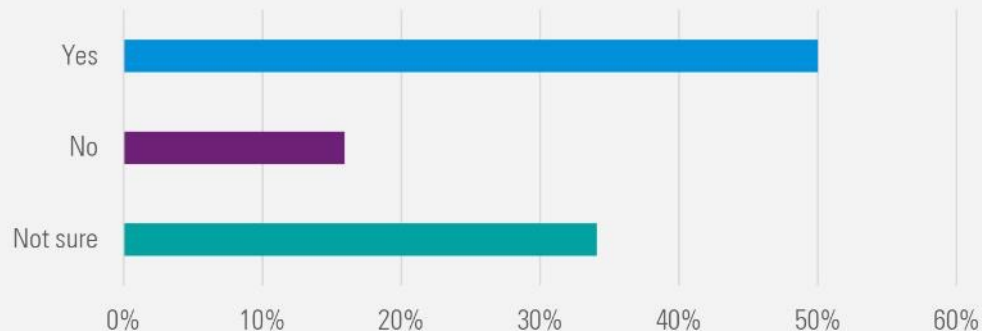
Streamlining of the regulatory framework

Streamlining of the regulatory framework would make it easier for Hong Kong to create a vision for the trust industry, which would in turn contribute to the long term development of the market and enhance its international competitiveness.



Clarity on tax

► Does tax legislation needs to be amended to provide more certainty to taxation of trusts in Hong Kong?

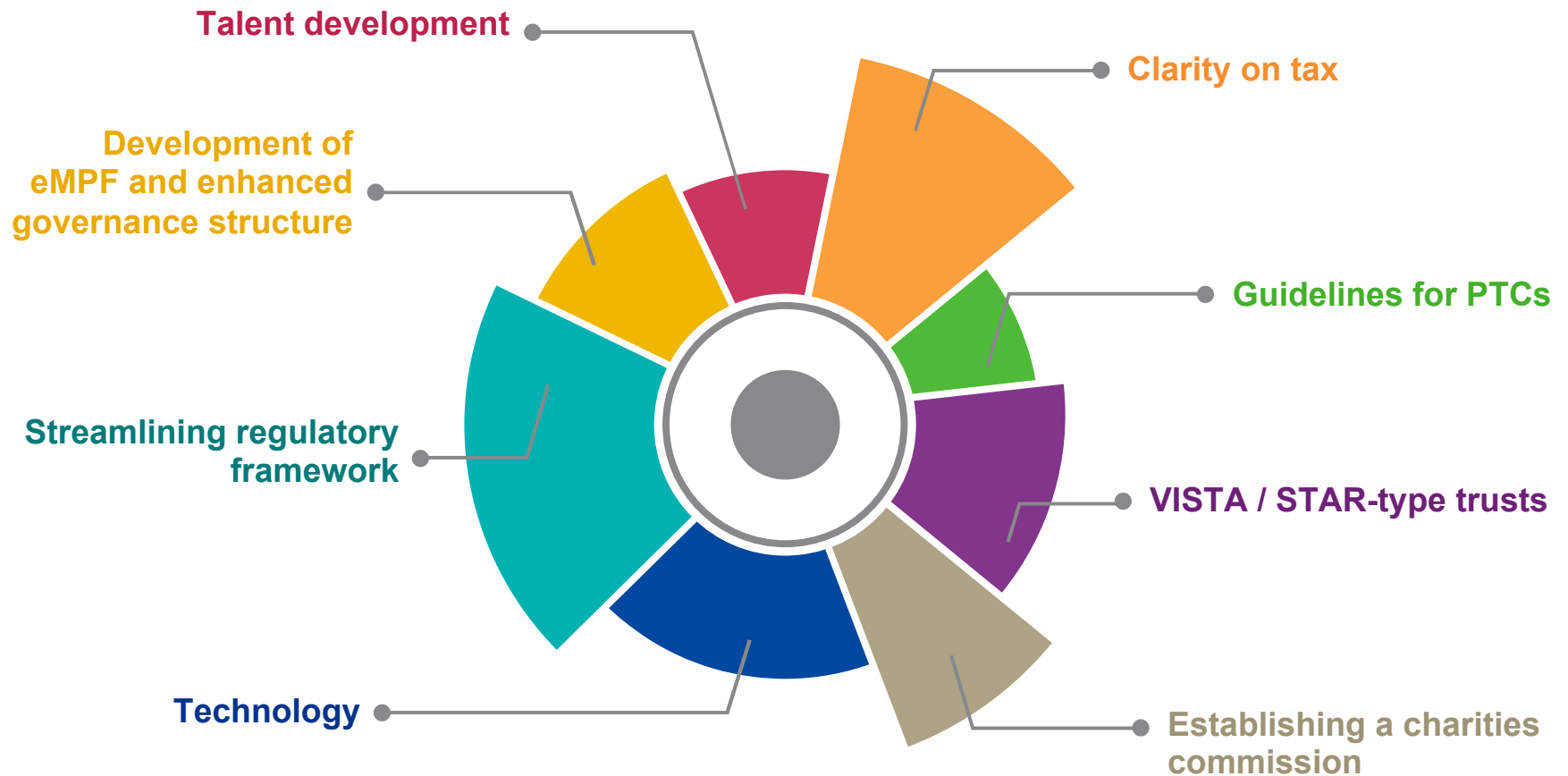


Source: Joint KPMG and HKTA survey

A trust has no separate legal personality and is not deemed a person under section 2 of the IRO.

The general scholarly consensus is that trust profits falling within section 14 of the IRO are chargeable to profits tax in the hands of the trustee.

Looking ahead





Thank
you



kpmg.com/cn/socialmedia

Intellectual property restriction

This document has been prepared specifically for the HKTA 2017 Conference. It contains confidential or proprietary KPMG information, the disclosure of which would provide a competitive advantage to others. It is not to be used or duplicated for any purpose other than to evaluate KPMG and is not to be disclosed or referred to, in whole or in part, without our prior written consent. The restriction pertains to all data throughout the entire document.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2017 KPMG, a Hong Kong partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. Printed in Hong Kong.

The KPMG name, logo are registered trademarks or trademarks of KPMG International.