



Hong Kong remains an attractive trust centre, with industry AUM continuing to grow, finds joint KPMG and HKTA report

Mainland China seen as a key growth driver, led by the opening up of its financial services industry, ongoing development of the GBA and the rise of private wealth

New regimes boost Hong Kong's attractiveness as a fund domicile, while technology and ESG are also key growth opportunities

22 June 2021, Hong Kong – Amid a challenging environment, Hong Kong's trust industry has remained resilient, with assets under management increasing and almost two-thirds (61%) of survey respondents stating that the outlook for Hong Kong as a trust centre remains promising in the short to medium term, according to a joint report by KPMG and the Hong Kong Trustees' Association (HKTA).

The third edition of the report, titled [Hong Kong Trust Industry Spotlight: Taking centre stage](#), provides insights into the Hong Kong trust market's current landscape and outlook, and identifies a number of growth opportunities, based on an online survey of HKTA member institutions and in-depth interviews with more than 30 senior industry executives and regulatory officials.

The survey finds that Hong Kong as a trust centre continues to be an attractive proposition, with 44% of respondents saying that the proportion of asset value held by Hong Kong law trusts compared to offshore trusts has increased over the past three years.

Vivian Chui, Partner, Head of Securities and Asset Management, Hong Kong, KPMG China, says: "There have been numerous changes affecting the trust industry over the last few years, driven by developments such as the introduction of a licensing regime for trust or company service providers (TCSPs), initiatives to attract family offices to Hong Kong, and the launch of the Open-ended Fund Company and Limited Partnership Fund (LPF) regimes, as well as various regulatory reforms in the funds space which have helped promote Hong Kong's attractiveness as a fund domicile. In particular, we expect that the LPF regime will be an increasingly attractive option for mainland Chinese asset managers looking to raise offshore capital."

Survey respondents and interviewees are eyeing a number of significant growth opportunities for the trust industry. First and foremost, the mainland China market remains a key growth driver for the industry, according to 88% of survey respondents. In particular, interviewees highlight the continued opening up of mainland China's financial services industry, the ongoing development of the Greater Bay Area (GBA) and the rise of private wealth as key opportunities; 54% say they already have a strategic plan for the GBA, while another 23% plan to formulate a strategy in the next 12 months.

Jacqueline Shek, Chairperson, HKTA, says: "The pandemic has paradoxically created some growth opportunities for the trust industry, with trustees in the private wealth sector seeing high-net-worth clients giving more focus to their wealth and succession plans, whilst trustees in both the institutional and private sectors have witnessed the heightened interest in Environmental, Social and Governance (ESG) investment opportunities. Lockdown measures have also pushed trustees to embrace technological solutions to the extent that would have been beyond the imagination 3 years ago, and this ability to embrace technology and digitalisation is another key growth opportunity for the trust industry."

Many interviewees note that Covid-19 has acted as a catalyst for their organisations to foster innovation and investment in technology, with 71% of survey respondents agreeing that their organisation's technology/digital offering is able to meet customer expectations.

The implementation of the eMPF platform, the Securities and Futures Commission's proposed new licensing regime for depositaries of collective investment schemes, as well as the Hong Kong



Monetary Authority's proposed Code of Practice for Trust Business are also on the horizon, signalling a period of ongoing change in the near future.

Ka Shi Lau, Vice Chairperson, HKTA, says: "The future business model for trustees in the MPF space will transform in light of the launch of the eMPF platform. More investment is needed for the transition of all schemes to the eMPF platform including data management, data migration, and technology to interface with clients, other service providers and the eMPF platform. There is a lot of work ahead for the industry to help the eMPF Platform Company in the new system, and to guide clients through the transition."

ESG is also fast becoming an opportunity for the trust industry – with 61% of respondents saying that sustainability and ESG are increasingly important to clients. The growing awareness and importance of ESG presents a significant opportunity for the trust industry to play a more prominent role in exercising its fiduciary duty to enhance corporate governance and push clients to integrate ESG factors into their overall strategy.

Tax is also highlighted as a key area to facilitate growth in the trust industry. More than half (51%) of the survey respondents believe that the tax legislation needs to be amended to provide more certainty to the taxation of trusts in Hong Kong, with several interviewees calling for reforms and greater clarity on the taxation of trusts and trustees to encourage high-net-worth individuals and wealthy families to have their trusts managed in Hong Kong. Some interviewed indicated that the government could help the industry to consolidate from a trust and tax legislative point of view by providing a more competitive tax treatment for family offices and trusts in Hong Kong.

The report notes that recent regulatory developments in Hong Kong aimed at further raising the bar for the industry have been well received, with 60% of respondents viewing the introduction of the TCSP licensing regime as having had a positive impact. Similarly, 55% say that the HKTA's Certified Trust Practitioner Accreditation Program, launched in July 2018, has had a positive impact on their organisation's ability to find, hire and nurture the right talent and skills.

Arion Yiu, Partner, Financial Services, KPMG China, concludes: "The trust industry is set to transform in the coming years. While there is an increasing urgency to resolve the historical challenges that remain – such as a fragmented regulatory regime for trustees, increasing compliance costs, talent shortages, and the need for greater regulatory and tax clarity – if Hong Kong's trust industry can position itself around these trends and opportunities in the industry, then it will continue to thrive."

For more information, please view the full report [here](#).

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About KPMG China

KPMG member firms and its affiliates operating in Mainland China, Hong Kong and Macau are collectively referred to as "KPMG China". KPMG China is based in 28 offices across 25 cities with around 12,000 partners and staff in Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Hefei, Jinan, Nanjing, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Tianjin, Wuhan, Xiamen, Xi'an, Zhengzhou, Hong Kong SAR and Macau SAR. Working collaboratively across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.



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In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG 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 firm can trace its origins to 1945. This early commitment to this market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in KPMG's appointment for multi-disciplinary services (including audit, tax and advisory) by some of China's most prestigious companies.

About the Hong Kong Trustees' Association

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 about 200 corporate and individual members, and represents thousands of people working in the trust, pensions, private banking, asset servicing, legal, accounting and other professional services fields.

Mission:

- Represent the trust industry in promoting high standards of professionalism, corporate governance and regulatory compliance;
- Contribute towards advancing the status of Hong Kong trust professionals and that of the industry internationally;
- Represent the industry to the government, the media, local and international professional bodies and the public in promoting Hong Kong as an international trust and fiduciary services centre;
- Promote quality standards for the industry by the issuance of Best Practice Guides applicable to corporate trusts, pension schemes, private trusts and charitable trusts;
- Contribute towards enhancing the education and knowledge of practitioners in the trust industry through relevant trust accreditation and training programmes.

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