

Dear Hon CHAN Kam-lam,

Many thanks for the below letter inviting Standard Chartered (“SCB”) to provide our views to the Bills Committee on Inland Revenue and Stamp Duty Legislation (Alternative Bond Schemes) (Amendment) Bill 2012 (“the Bill”).

We understand that the Legislative Council has formed a Bills Committee to study the Bill and the objects of the Bill are to amend the Inland Revenue Ordinance (Cap. 112) and the Stamp Duty Ordinance (Cap. 117) to provide a comparable taxation framework for some common types of Islamic bonds, vis-à-vis conventional bonds, under the tax laws of Hong Kong.

Firstly we would like to commend the Legislative Council, the Bills Committee, Hong Kong Monetary Authority (HKMA) and other regulatory bodies in Hong Kong who are involved in this Consultation process for initiating the amendments to Hong Kong’s tax and regulatory framework to allow some common types of Islamic bonds to be treated at par with the conventional bonds. Hong Kong has one of the most developed financial services sector and we believe that with the proposed amendments, Hong Kong will be able to play a vital role in the development of the Islamic bond (Sukuk) market and will pave the way for Hong Kong based issuers to tap an additional Islamic liquidity pool in the South East Asian markets and the Middle East markets.

We also believe that the proposed Bill will further support the Hong Kong Government’s policy initiative to develop Islamic finance in Hong Kong with a view to diversifying its financial platform and consolidating its status as an international financial centre (“IFC”).

SCB through its Islamic banking franchise “Saadiq”, has been at the forefront of Islamic banking providing products and services based on Shariah principles since 1993 and having raised in excess of USD 73bn for clients since inception including Sukuk issuances for sovereigns, supranationals, corporates and financial institutions. We have won over 110 industry awards in the last 8 years including the “Best International Islamic Bank” by the Euromoney Awards 2013.

SCB has been involved with Financial Services and the Treasury Bureau (“FSTB”) during the entire Consultation process on the proposed Bill and have provided our detailed responses on the queries relating to various Islamic bond structures and how the Islamic bonds, although structured in a Sharia compliant manner, are at par with the commercial parameters of a typical conventional bond issuance. We believe the scope of the Consultation Paper which included the common types of Islamic bonds including Ijarah, Musharakah, Mudarabah, Murabahah, agency arrangement (Wakalah) and floating rate Commodity Murabahah covers majority of the outstanding Sukuk structures in the market hence allowing Hong Kong based issuers flexibility in terms of selecting the appropriate Islamic bond structure based on the type of their underlying businesses.

We are glad that our recommendations were considered and included during the Consultation process and we look forward to the finalization of the Bill and its introduction in the Legislative Council.

Kind regards,  
Sabir

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**Sabir Ahmed**  
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Standard Chartered Bank