

## LEGISLATIVE COUNCIL BRIEF

Stamp Duty Ordinance  
(Chapter 117)

### Stamp Duty (Amendment) Bill 2014

#### INTRODUCTION

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At the meeting of the Executive Council on 25 November 2014, the Council **ADVISED** and the Chief Executive **ORDERED** that the Stamp Duty (Amendment) Bill 2014 (“the Bill”), at Annex A, should be introduced into the Legislative Council (“LegCo”) to implement the stamp duty waiver for the transfer of shares or units of all exchange traded funds (“ETFs”).

#### JUSTIFICATIONS

##### ETFs

2. The ETF sector is one of the key components of the asset management industry worldwide. It has been growing rapidly. In Hong Kong, ETFs are open-ended collective investment schemes the shares or units of which are listed or traded on the Stock Exchange of Hong Kong (“SEHK”). ETFs seek to achieve a stated investment objective by investing in a portfolio of assets. For example, index-tracking ETFs seek to track, replicate or correspond to the performance of an underlying index on, for instance, a group of stock markets in a region, or an underlying benchmark such as gold and silver fixing prices. A major benefit of ETFs is that they allow investors to diversify their investments by giving investors an exposure to an asset class or market segment, such as assets represented by their underlying index or benchmark, without actually owning the constituents that comprise the asset class or market segment.

##### Current Stamp Duty Arrangement

3. A supportive tax environment is an important factor that an ETF issuer would take into account in its decision to domicile or list an ETF in a

particular place. With further integration of the financial markets in Asia, we have since 2010 extended the stamp duty remission to ETFs with their registers of holders maintained in Hong Kong that track indices comprising not more than 40% in Hong Kong stocks as an initiative to encourage the listing of ETFs tracking regional indices in Hong Kong. The Financial Services and the Treasury Bureau, with the assistance of the Inland Revenue Department, has been relying on section 52 of the Stamp Duty Ordinance (“SDO”)<sup>1</sup> to grant stamp duty remission to these qualified ETFs on a case-by-case basis.

4. The number of ETFs listed in Hong Kong has increased substantially from 69 at end-2010 to 121 as of 30 September 2014, and the average daily turnover has increased from \$2.4 billion in 2010 to \$3.7 billion in 2013.

## **Challenges**

5. For ETFs with their registers of holders maintained in Hong Kong that track indices comprising more than 40% in Hong Kong stocks, the buyer and the seller each needs to pay a stamp duty at 0.1% of the value of the transaction.<sup>2</sup> In comparison, other jurisdictions including Australia, Japan, Korea, Mainland China, Singapore and the United States do not impose stamp duty on the transactions of ETF shares or units. From April 2014, the United Kingdom (“UK”) has also removed the stamp duty on ETFs that are domiciled in the UK. Hong Kong is thus facing increasing competition from major financial markets in the region. The additional transaction cost of ETF shares or units owing to stamp duty adversely affects Hong Kong’s competitiveness as an international financial centre. In fact, according to the statistics of the World Federation of Exchange, Hong Kong’s share in total ETF turnover among 14 exchanges in the Asia-Pacific region<sup>3</sup> has dropped from around 30% in 2010 to around 17% in 2013. This indicates that despite the increase in the number and turnover of ETFs on the SEHK over the past few years, Hong Kong’s position as a regional ETF hub faces serious challenges by other markets.

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<sup>1</sup> Section 52 of the SDO provides that the Chief Executive may remit, wholly or in part, the stamp duty payable or refund, wholly or in part, the stamp duty paid in respect of any instrument chargeable with stamp duty.

<sup>2</sup> As of 30 September 2014, there were 26 ETFs out of a total number of 121 ETFs listed in Hong Kong the transfers of which are subject to stamp duty.

<sup>3</sup> The 14 exchanges include Australian Securities Exchange, Bombay Stock Exchange, Bursa Malaysia, the SEHK, Indonesia Stock Exchange, Japan Exchange Group – Osaka Exchange, Japan Exchange Group – Tokyo Stock Exchange, Korea Exchange, National Stock Exchange of India, Shanghai Stock Exchange, Shenzhen Stock Exchange, Singapore Exchange, Taiwan Stock Exchange and the Stock Exchange of Thailand.

6. The stamp duty on ETFs would also put ETFs tracking Hong Kong stocks on the SEHK with registers of holders maintained in Hong Kong at a competitive disadvantage. For example, trading of shares or units of an ETF which tracks Hong Kong stocks and is listed on the New York Stock Exchange with no register of holders maintained in Hong Kong is free from stamp duty<sup>4</sup>. However, without any exemption or remission provided, trading of shares or units of an ETF which tracks Hong Kong stocks and is listed on the SEHK with a register of holders maintained in Hong Kong is subject to stamp duty. There is a need to further develop and support Hong Kong stock-based ETFs listed or traded on the SEHK to anchor liquidity in Hong Kong.

### **Benefits of the ETF stamp duty waiver**

7. Against this background, the Government has proposed in the 2014-15 Budget to waive the stamp duty for the transfer of all ETF shares or units, so that the transaction cost of ETFs with their registers of holders in Hong Kong and with more than 40% of Hong Kong stocks in their portfolios can be reduced as well to help promote the development, management and trading of ETFs in Hong Kong. This will be conducive to fostering Hong Kong's position as an asset management centre and the development of our financial services sector as a whole, and attract new businesses for market practitioners and a greater range of products for investors.

8. Extension of the stamp duty waiver to all ETFs will also level the playing field for ETFs, irrespective of their portfolios, as ETFs that track indices comprising not more than 40% of Hong Kong stocks are not subject to stamp duty.

### **Proposed ETF stamp duty waiver**

9. Under section 19(1) of the SDO, a person who effects any sale or purchase of ETF shares or units is required to make and execute a contract note and cause the note to be stamped under head 2(1) or (2) in the First Schedule to the SDO. A transfer of ETF shares or units is also chargeable with stamp duty under head 2(3) or (4) in the First Schedule to the SDO. In order to implement the stamp duty waiver for such transactions and transfers of ETF shares or units, we propose to exclude them from the application of section 19(1) and head 2(3) and (4) in the First Schedule. The details of these ETF transactions and transfers will be set out in a new Schedule 8.

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<sup>4</sup> Stamp duty is generally payable on the transfers of Hong Kong stocks. Under the SDO, "Hong Kong stock" is defined to mean "stock the transfer of which is required to be registered in Hong Kong".

10. ETFs are currently not defined under any statutes. Having regard to the nature and operation of ETFs in Hong Kong and other markets, we propose to define an ETF as “an open-ended collective investment scheme the shares or units of which are listed or traded on a recognized stock market”<sup>5</sup>. In order to allow flexibility in adjusting the scope of exempted transactions in the light of future market developments, we propose to amend section 63 of the SDO to empower the Financial Secretary to amend the new Schedule 8 to the SDO by regulations.

## THE BILL

11. The main provisions of the Bill are as follows -

- (a) **Clause 3** adds a new sub-section (1DA) to section 19 to exclude the transactions specified in Part 2 of the new Schedule 8 from the ambit of section 19(1).
- (b) **Clause 4** amends section 63 to empower the Financial Secretary to amend the new Schedule 8 by regulations.
- (c) **Clause 5** amends the First Schedule by, among others, adding new notes to head 2(3) and (4) to exclude the transfers specified in Parts 3 and 4 of the new Schedule 8 from the ambit of head 2(3) and (4) respectively.
- (d) **Clause 6** adds a new Schedule 8 to the SDO. Part 2 of the Schedule sets out the transactions to which section 19(1) does not apply by the operation of the newly added section 19(1DA). Part 3 of the Schedule sets out the transfers on which stamp duty under head 2(3) in the First Schedule is not payable. Part 4 of the Schedule sets out the transfers on which stamp duty under head 2(4) in the First Schedule is not payable. These transactions and transfers are all ETF-related.

B

The existing provisions being amended are at **Annex B**.

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<sup>5</sup> Part 1 of the new Schedule 8 defines “open-ended collective investment scheme”, “collective investment scheme” and other relevant terms.

## LEGISLATIVE TIMETABLE

12. The legislative timetable will be –

Publication in the Gazette	5 December 2014
First Reading and commencement of Second Reading debate	17 December 2014
Resumption of Second Reading debate, committee stage and Third Reading	to be notified

## COMMENCEMENT

13. The Bill shall come into operation on the day on which the enacted Stamp Duty (Amendment) Ordinance 2014 is published in the Gazette.

## IMPLICATIONS OF THE PROPOSAL

14. The Bill is in conformity with the Basic Law, including the provisions concerning human rights. It will not affect the binding effect of the existing provisions of the SDO. It has no productivity, environmental, sustainability, family or civil service implications. On economic implications, the Bill will reduce the transaction cost of ETFs with their registers of holders in Hong Kong and with more than 40% of Hong Kong stocks in their portfolios. This will be conducive to fostering Hong Kong's position as an asset management centre and the development of our financial services sector as a whole.

15. Based on the information provided by the Hong Kong Exchanges and Clearing Limited for 2013-14, the Inland Revenue Department estimates that the stamp duty revenue will decrease by about \$100 million if the stamp duty is waived for the transfer of all ETF shares or units.<sup>6</sup>

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<sup>6</sup> The total stamp duty collected from the trading of ETFs on the SEHK (i.e. those with no stamp duty remission granted) amounted to \$0.1 billion in 2013-14, accounting for about 0.45% of total stamp duty collected on stock transactions. This amount is taken as the estimated revenue forgone assuming the same level of turnover.

## **PUBLIC CONSULTATION**

16. We briefed the LegCo Panel on Financial Affairs on the legislative proposal on 7 July 2014. Members generally supported the introduction of a Bill to implement the stamp duty waiver in respect of ETFs. They asked to include certain information in the LegCo Brief on the Bill, including the major obstacles in Hong Kong's legal and taxation regimes in attracting ETF issuances; the major factors ETF issuers will take into account in deciding to domicile or list an ETF in a particular place; the average time taken by the SFC for processing ETF applications; and major measures to promote the development of asset management business in Hong Kong. The relevant information is provided at **Annex C**.

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## **PUBLICITY**

17. We will issue a press release upon the gazettal of the Bill, and arrange a spokesperson to answer media enquiries.

## **ENQUIRIES**

18. Enquiries relating to this brief can be directed to Ms Ada Chan, Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) at 2810 2056.

**Financial Services Branch**  
**Financial Services and the Treasury Bureau**  
**3 December 2014**

# A BILL

## To

Amend the Stamp Duty Ordinance to give effect to the proposal in the Budget introduced by the Government for the 2014–2015 financial year to waive stamp duty payable on the transfer of shares or units of exchange traded funds.

Enacted by the Legislative Council.

### 1. Short title

This Ordinance may be cited as the Stamp Duty (Amendment) Ordinance 2014.

### 2. Stamp Duty Ordinance amended

The Stamp Duty Ordinance (Cap. 117) is amended as set out in sections 3 to 6.

### 3. Section 19 amended (contract notes, etc. in respect of sale and purchase of Hong Kong stock)

After section 19(1D)—

#### Add

“(1DA) Subsection (1) does not apply to a transaction specified in Part 2 of Schedule 8.”.

### 4. Section 63 amended (regulations)

Section 63(c), after “Schedules”—

#### Add

“, and Schedule 8”.

### 5. First Schedule amended

#### (1) First Schedule—

##### Repeal

“Sch. 7]”

##### Substitute

“Schs. 7 & 8]”.

#### (2) First Schedule, head 2(3), paragraph (A), after “stock”—

##### Add

“; but see Note 4 to this sub-head”.

#### (3) First Schedule, head 2(3), after Note 3—

##### Add

“Note 4

Stamp duty under this sub-head is not payable on a transfer specified in Part 3 of Schedule 8”.

#### (4) First Schedule, head 2(4), paragraph (A)—

##### Repeal

“Note”

##### Substitute

“Notes 1 and 2”.

#### (5) First Schedule, head 2(4)—

##### Renumber the Note as Note 1.

#### (6) First Schedule, head 2(4), after Note 1—

##### Add

“Note 2

Stamp duty under this sub-head is not payable on a transfer

specified in Part 4 of Schedule 8”.

6. **Schedule 8 added**

After Schedule 7—

**Add**

**“Schedule 8** [ss. 19 & 63 &  
1st Sch.]

**Transactions and Transfers Relating to Exchange  
Traded Funds**

**Part 1**

**Interpretation**

1. In this Schedule—

*collective investment scheme* (集體投資計劃) has the meaning given by section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571);

*constitutive documents* (組成文件), in relation to a collective investment scheme, means the principal documents governing the establishment of the scheme;

*exchange traded fund* (交易所買賣基金) means an open-ended collective investment scheme the shares or units of which are listed or traded on a recognized stock market;

*offering document* (要約文件), in relation to a collective investment scheme, means a document—

- (a) inviting participation in the scheme by prospective shareholders or prospective unit holders of the scheme; and
- (b) containing information relating to the establishment or administration of the scheme;

*open-ended collective investment scheme* (開放式集體投資計劃) means a collective investment scheme the shares or units of which may be repurchased or redeemed at the request of any of its shareholders or unit holders—

- (a) at a price calculated wholly or mainly by reference to the net asset value of the scheme; and
- (b) in accordance with the frequency for repurchase or redemption, requirements and procedures set out in the offering document or constitutive documents of the scheme;

*purchase* (購買), *sale* (售賣) and *sale or purchase* (售賣或購買) have the meaning given by section 19(16).

**Part 2**

**Transactions to which Section 19(1) does not  
Apply**

- 1. A sale or purchase of a share or unit of an exchange traded fund.
- 2. A transaction that is deemed under section 19(1E)(a) or (12) to be a sale and purchase of Hong Kong stock where the stock involved is a share or unit of an exchange traded fund.



### Part 3

#### Transfers on which Stamp Duty under Head 2(3) in First Schedule is not Payable

1. A transfer executed for a transaction by which the beneficial interest in a share or unit of an exchange traded fund passes otherwise than on sale and purchase.
2. An instrument that is deemed under section 30(3) to be a transfer operating as a voluntary disposition inter vivos under section 27(4) where the unit trust scheme involved is an exchange traded fund.

### Part 4

#### Transfers on which Stamp Duty under Head 2(4) in First Schedule is not Payable

1. A transfer executed for a transaction by which a share or unit of an exchange traded fund is transferred.
2. An instrument that is deemed under section 30(3), (4) or (5) to be a transfer falling within head 2(4) in the First Schedule where the unit trust scheme involved is an exchange traded fund.”.

### Explanatory Memorandum

The object of this Bill is to amend the Stamp Duty Ordinance (Cap. 117) (*Ordinance*) to give effect to one of the proposals in the Budget introduced by the Government for the 2014–2015 financial year. The proposal is to waive stamp duty payable on the transfer of shares or units of exchange traded funds.

2. Clause 1 sets out the short title.
3. Subsection (1) of section 19 of the Ordinance provides that a person who effects any sale or purchase of Hong Kong stock must execute a contract note and cause the note to be stamped under head 2(1) or (2) in the First Schedule to the Ordinance. Clause 3 adds a new subsection (1DA) to that section. It provides that subsection (1) of that section does not apply to the transactions specified in Part 2 of the new Schedule 8 (namely a sale or purchase of a share or unit of an exchange traded fund and a transaction that is deemed under section 19(1E)(a) or (12) of the Ordinance to be a sale and purchase of Hong Kong stock where the stock involved is a share or unit of an exchange traded fund).
4. Clause 4 amends section 63 of the Ordinance to enable the Financial Secretary to amend the new Schedule 8 by regulations.
5. Clause 5(3) adds a new Note 4 to head 2(3) in the First Schedule to the Ordinance. It provides that stamp duty under that head is not payable on the transfers specified in Part 3 of the new Schedule 8 (namely a transfer executed for a transaction by which the beneficial interest in a share or unit of an exchange traded fund passes otherwise than on sale and purchase and an instrument that is deemed under section 30(3) of the Ordinance to be a transfer operating as a voluntary disposition inter vivos under section 27(4) of the Ordinance where the unit trust scheme involved is an exchange traded fund).

6. Clause 5(6) adds a new Note 2 to head 2(4) in the First Schedule to the Ordinance. It provides that stamp duty under that head is not payable on the transfers specified in Part 4 of the new Schedule 8 (namely a transfer executed for a transaction by which a share or unit of an exchange traded fund is transferred and an instrument that is deemed under section 30(3), (4) or (5) of the Ordinance to be a transfer falling within that head where the unit trust scheme involved is an exchange traded fund).
7. Clause 6 adds a new Schedule 8 to the Ordinance. Part 1 of the Schedule defines *collective investment scheme*, *constitutive documents*, *exchange traded fund*, *offering document*, *open-ended collective investment scheme*, and *purchase, sale and sale or purchase*. Part 2 of the Schedule sets out the transactions to which section 19(1) of the Ordinance does not apply by operation of the newly added section 19(1DA) mentioned in paragraph 3. Part 3 of the Schedule sets out the transfers on which stamp duty under head 2(3) in the First Schedule to the Ordinance is not payable. Part 4 of the Schedule sets out the transfers on which stamp duty under head 2(4) in the First Schedule to the Ordinance is not payable.

Chapter:	117	Stamp Duty Ordinance	Gazette Number	Version Date
Section:	19	Contract notes, etc. in respect of sale and purchase of Hong Kong stock	L.N. 163 of 2013	03/03/2014

(1) Subject to this section, any person who effects any sale or purchase of Hong Kong stock as principal or agent shall- (Amended 77 of 1981 s. 5)

- (a) forthwith make and execute a contract note;
- (b) cause the note to be stamped under head 2(1) or (2) in the First Schedule or, in the case of a note to which section 45 or 47F applies, under section 13(2)- (Amended 43 of 1991 s. 5; 10 of 2013 s. 29)
  - (i) in the case of a sale or purchase effected in Hong Kong, not later than 2 days thereafter;
  - (ii) in any other case, not later than 30 days thereafter;
- (c) if he is the agent, transmit the stamped note to his principal; (Amended 43 of 1991 s. 5)
- (d) cause an endorsement to be made on the instrument of transfer of the stock, or cause a stamp certificate to be issued in respect of the instrument, to the effect that- (Amended 21 of 2003 s. 11)
  - (i) stamp duty has been paid on the contract note under head 2(1) or (2) in the First Schedule; or
  - (ii) in the case of a contract note to which section 45 or 47F applies, the contract note has been stamped under section 13(2). (Replaced 43 of 1991 s. 5. Amended 10 of 2013 s. 29)

(1A) Subsection (1) shall not apply to a sale or purchase of a unit under a unit trust scheme-

- (a) where the sale or purchase is effected by extinguishing such unit; or
- (b) where the sale or purchase of the unit is effected by the managers under the unit trust scheme and their power to effect such sale or purchase arises-
  - (i) from the transfer to them of that or some other unit within the immediately preceding 2 months; or
  - (ii) otherwise than from a previous transfer to them of that or some other unit. (Added 77 of 1981 s. 5)

(1B) It shall not be obligatory for an endorsement to be made under subsection (1)(d) where, at the time of the sale or purchase of Hong Kong stock-

- (a) the instrument of transfer of such stock is in the custody of a recognized clearing house in accordance with the rules of the clearing house; or
- (b) the Hong Kong stock is registered in the name of a recognized clearing house or its nominee. (Added 40 of 1992 s. 2)

(1C) Subsection (1) shall not apply to a sale or purchase of Hong Kong stock effected under a market contract. (Added 68 of 1992 s. 20)

(1D)(a) Subsection (1) shall not apply to any sale or purchase of Hong Kong stock specified as an exempted transaction in the Fourth Schedule.

- (b) Any transfer made for the purpose of effectuating any sale or purchase of Hong Kong stock specified as an exempted transaction in the Fourth Schedule shall not be chargeable with stamp duty under head 2(4) in the First Schedule. (Added 33 of 1998 s. 6)

(1E)(a) Subject to paragraph (c), in the case of a transaction whereby the beneficial interest in Hong Kong stock passes otherwise than on sale and purchase, where the transaction-

- (i) is not effectuated by way of a transfer chargeable with stamp duty under head 2(3) in the First Schedule, but is effectuated by any other means, whether by electronic means or by means of an entry in any recording or book-keeping system or otherwise; and
  - (ii) is effectuated whether under or through a recognized clearing house or any other person or organization,
- the transaction shall, for the purposes of this Ordinance, be deemed to be a sale and purchase of Hong Kong stock.

(b) For the purposes of this section and head 2(1) in the First Schedule, in a transaction which is deemed to be a sale and purchase of Hong Kong stock under paragraph (a)-

- (i) the person disposing of the stock in the transaction shall be deemed to be the person effecting the sale in the sale and purchase;
- (ii) the person acquiring the stock in the transaction shall be deemed to be the person effecting the purchase in the sale and purchase;

- (iii) where the person maintaining the record of the transaction is not the principal effecting the sale and purchase, the person shall, save in the case of a recognized clearing house, be deemed to be the agent effecting the sale and purchase; and
- (iv) the value of the stock in the transaction shall be deemed to be the amount or value of the consideration for the sale and purchase.

- (c) Paragraph (a) shall not apply to a transaction of the kind referred to in that paragraph where the transaction would, if it were effectuated by way of a transfer chargeable with stamp duty under head 2(3) in the First Schedule, be a transfer of the kind referred to in section 27(5). (Added 33 of 1998 s. 6)

(1F) For the purposes of subsection (1), where-

- (a) any sale or purchase of Hong Kong stock is effected by an exchange participant, whether as principal or agent;
- (b) the contract note required to be made under subsection (1) in respect of the sale or purchase is one to which an agreement under section 5A relates; and
- (c) the contract note is made by the exchange participant,

the contract note shall, whether or not it has been executed by the exchange participant, be regarded as having been so executed. (Added L.N. 90 of 1999 and 44 of 1999 s. 17. Amended 12 of 2000 s. 23)

(2) A contract note required to be made under subsection (1) shall state the following-

- (a) whether the person effecting the sale or purchase of the Hong Kong stock is acting as principal or agent and, if as agent, the name of his principal;
- (b) the date of the transaction and of the making of the contract note;
- (c) the quantity and description of such Hong Kong stock;
- (d) the price per unit of such Hong Kong stock and the amount of the consideration or, in the case of an exchange, particulars of the property for which such Hong Kong stock is exchanged; and
- (e) the date of settlement.

(3) No agent or other person shall have any legal claim to any charge for brokerage, commission or agency with reference to the sale or purchase of any Hong Kong stock if he fails to comply with the provisions of this section.

(4) The stamp duty paid in respect of a contract note may be added to any charge for brokerage or agency and shall be recoverable as part of such charge.

(5) Where a contract note relates to the sale or purchase of more than one description of Hong Kong stock, the note shall be deemed to be as many contract notes as there are descriptions of Hong Kong stock sold or purchased.

(6) If in the case of a sale or purchase of any Hong Kong stock effected by a person who is not resident in Hong Kong, the stamp duty specified in head 2(1) in the First Schedule is not paid, there shall be charged on the instrument of transfer, in addition to the stamp duty otherwise chargeable thereon, stamp duty equal to the amount of the stamp duty so payable in respect of such sale or purchase; and in respect of stamp duty charged on an instrument of transfer under this subsection, the transferee shall be the person liable for stamping such instrument and the time for stamping it shall be 30 days after execution thereof.

(7) Where any instrument of transfer is stamped under subsection (6), the Collector shall endorse the instrument, or issue a stamp certificate in respect of the instrument, to that effect in such manner as he may think fit. (Amended 21 of 2003 s. 11)

(8) An instrument of transfer of any Hong Kong stock shall not be duly stamped unless-

- (a) it is endorsed under subsection (1)(d) or (7) in respect of both sale and purchase; (Amended 40 of 1992 s. 2)
- (b) it is endorsed by the Collector in such manner as he may think fit to the effect that-
  - (i) stamp duty has been paid in respect thereof under head 2(3) in the First Schedule; or
  - (ii) no stamp duty is chargeable thereon under subsection (6) or head 2(1) or 2(3) in the First Schedule; or (Amended 43 of 1991 s. 5; 40 of 1992 s. 2)
- (c) the Hong Kong stock is transferred to a recognized clearing house, or its nominee, in accordance with the rules of the clearing house. (Added 40 of 1992 s. 2)

(9) An endorsement under subsection (1) in respect of stamp duty paid-

- (a) under head 2(1) in the First Schedule may be made by the Collector or any person authorized by the Collector in that behalf;
- (b) under head 2(2) in the First Schedule shall be made by the Collector,

in such manner as the Collector may think fit.

(9A) An endorsement under subsection (1)(d)(ii) shall be made by the Collector in such manner as he thinks fit.

(Added 43 of 1991 s. 5)

(10) Any person who makes an endorsement for the purposes of subsection (1)(d) which is false in a material particular commits an offence.

(10A) In relation to a sale or purchase of a unit under a unit trust scheme other than a sale or purchase referred to in subsection (1A), the obligations imposed by this section (other than subsection (1)(c)) and head 2(1) in the First Schedule on any person other than the managers under the unit trust scheme shall be carried out by the managers in addition to any obligation so imposed on them, and for that purpose subsection (2)(a) shall not apply. (Added 77 of 1981 s. 5)

(11) Subject to subsections (12), (12A) and (13), nothing in this section shall apply to-

- (a) a stock borrowing; or
- (b) a stock return. (Replaced 67 of 1989 s. 3)

(12) Where, in respect of a stock borrowing-

- (a) the borrower ceases to be required to make a stock return in accordance with the stock borrowing and lending agreement to which the stock borrowing relates, in respect of the borrowed stock or part thereof or its reasonable equivalent (other than that which is the subject of the stock return referred to in paragraph (c)), pursuant to the stock borrowing and lending agreement or to any other agreement reached with the lender of the borrowed stock (whether by settlement or otherwise); (Replaced L.N. 90 of 1999 and 44 of 1999 s. 17)
- (b) the borrowed stock or part thereof or its reasonable equivalent was used for a purpose other than a specified purpose; or (Amended L.N. 90 of 1999 and 44 of 1999 s. 17)
- (c) the borrower fails to comply with any demand made by the lender of the borrowed stock under the stock borrowing and lending agreement to which the stock borrowing relates to make a stock return in respect of the borrowed stock or part thereof or its reasonable equivalent,

such stock borrowing shall, for the purposes of this Ordinance, be deemed to be a sale and a purchase of-

- (i) where paragraph (a) applies, the borrowed stock or part thereof, or the reasonable equivalent, which is the subject of the stock return the borrower ceases to be required to make as described in that paragraph;
- (ii) where paragraph (b) applies, the borrowed stock or part thereof which, or the borrowed stock or part thereof the reasonable equivalent of which, was used for a purpose other than a specified purpose as described in that paragraph; or
- (iii) where paragraph (c) applies, the borrowed stock or part thereof, or the reasonable equivalent, which is the subject of the stock return referred to in that paragraph. (Amended L.N. 90 of 1999 and 44 of 1999 s. 17)

(12AA) This Ordinance, except subsection (1)(d), shall apply to the sale and purchase referred to in subsection (12) as if that sale and purchase were effected in Hong Kong-

- (a) by the borrower who obtained the relevant borrowed stock;
- (b) on the specified day; and
- (c) for a consideration calculated at the previous closing price of Hong Kong stock of the same description as the stock which is the subject of the sale and purchase or, if there is more than one description of the stock, at their respective previous closing prices as quoted on the relevant recognized stock market. (Added L.N. 90 of 1999 and 44 of 1999 s. 17. Amended 5 of 2002 s. 407)

(12A) Subsection (11) shall not apply to any stock borrowing or stock return, unless-

- (a) an executed copy of the stock borrowing and lending agreement under which the stock borrowing and stock return are provided for, or a copy of the stock borrowing and lending agreement which is shown to the satisfaction of the Collector as a true copy thereof;
- (b) such fee as may be specified by the Financial Secretary for the purposes of this subsection by notice in the Gazette; and
- (c) such other documents, and such particulars and information as the Collector may require,

are provided by the borrower to the Collector at any time after the stock borrowing and lending agreement is executed but before the expiry of 30 days after the stock borrowing is effected. (Replaced L.N. 90 of 1999 and 44 of 1999 s. 17)

(13) A borrower who has effected any stock borrowings under a stock borrowing and lending agreement, an executed copy of which has been provided to the Collector in accordance with subsection (12A), shall- (Amended 33 of 1998 s. 6)

- (a) keep a book in such form;

- (b) enter in such book, in respect of such stock borrowings and any stock returns made in respect of such stock borrowings, such particulars; and
- (c) furnish to the Collector a return-
  - (i) in such form;
  - (ii) containing such particulars in respect of such book; and
  - (iii) at such times,

as the Collector may require. (Added 67 of 1989 s. 3)

(14) A borrower who, with intent to defraud the Government of any stamp duty, causes or allows-

- (a) an entry to be made in a book kept under subsection (13)(a); or
- (b) any particular to be furnished in a return made to the Collector under subsection (13)(c),

which he knows or has reasonable grounds for believing to be false or misleading in a material respect commits an offence. (Replaced 70 of 1994 s. 4)

(15) A borrower who fails to comply with the requirements of subsection (13) shall incur a penalty at level 2 which shall be recoverable by the Collector as a civil debt due to the Government. (Replaced 70 of 1994 s. 4. Amended L.N. 338 of 1995; 12 of 1999 s. 3)

(16) In this section-

"allotment" (分配), in relation to units under a unit trust scheme, means the issue of such units;

"borrowed stock" (被借用證券), in relation to a stock borrowing, means any Hong Kong stock obtained by a borrower under such stock borrowing; (Replaced 70 of 1994 s. 4)

"borrower" (借用人), means a person who is eligible to obtain Hong Kong stock under a stock borrowing and lending agreement; (Added 70 of 1994 s. 4. Amended 33 of 1998 s. 6)

"lender" (借出人) means a person who is eligible to lend Hong Kong stock under a stock borrowing and lending agreement; (Added 70 of 1994 s. 4. Amended 33 of 1998 s. 6)

"market contract" (市場合約) means a market contract within the meaning of section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap 571); (Added 68 of 1992 s. 20. Amended 62 of 1995 s. 12; 5 of 2002 s. 407)

"previous closing price" (先前收市價格), in relation to Hong Kong stock, means the previous closing price of such Hong Kong stock as determined in accordance with the rules and practices of the recognized exchange company that operates the relevant stock market; (Amended 5 of 2002 s. 407)

"reasonable equivalent" (合理對等項目), in relation to any stock obtained pursuant to the provisions referred to in paragraph (a)(i)(A) or (b)(i)(A) of the definition of "stock borrowing and lending agreement", means any stock or monies which, in the opinion of the Collector, can, as a result of the occurrence of a relevant event, be reasonably and fairly be regarded as the equivalent of the stock so obtained; (Added L.N. 90 of 1999 and 44 of 1999 s. 17)

"recognized clearing house" (認可結算所) means a recognized clearing house within the meaning of section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap 571); (Replaced 68 of 1992 s. 20. Amended 62 of 1995 s. 12; 5 of 2002 s. 407)

"relevant event" (有關事件), in relation to any stock obtained pursuant to the provisions referred to in paragraph (a)(i)(A) or (b)(i)(A) of the definition of "stock borrowing and lending agreement", means-

- (a) the exercise of any of the powers conferred by section 53(1)(a) to (d) of the relevant Ordinance; (Replaced 28 of 2012 ss. 912 & 920)
- (ab) the exercise of any of the powers conferred by section 170(2)(a) to (e) and 174(1) of the Companies Ordinance (Cap 622); or (Added 28 of 2012 ss. 912 & 920)
- (b) any other event,

which, in the opinion of the Collector, makes any requirement to return stock of the same quantity and description as the stock so obtained either impracticable or inappropriate; (Added L.N. 90 of 1999 and 44 of 1999 s. 17)

"rules" (規章), in relation to a recognized clearing house and a recognized exchange company, has the same meaning as it has in relation to those bodies in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap 571); (Replaced 5 of 2002 s. 407)

"sale or purchase" (售賣或購買) includes any disposal or acquisition (other than an allotment) for valuable consideration, and exchange, and any transaction in respect of which an instrument is deemed by virtue of

section 30(3), (4) or (5) to be a transfer by way of sale, and any reference to "sale" (售賣) or "purchase" (購買) shall be construed accordingly;

"specified day" (指明日期), in relation to a stock borrowing, means-

- (a) where subsection (12)(a) applies, the day on which the borrower ceases to be required to make a stock return as described in that subsection;
- (b) where subsection (12)(b) applies, the day on which the borrowed stock referred to in that subsection was obtained under the stock borrowing and lending agreement to which the stock borrowing relates; or
- (c) where subsection (12)(c) applies, the day on which the borrower fails to comply with any demand as described in that subsection; (Replaced L.N. 90 of 1999 and 44 of 1999 s. 17)

"specified payment" (指明付款), in relation to any stock, means a payment of an amount equivalent to the amount of any dividend, interest and other distribution payable in respect of the stock or its reasonable equivalent or both by the issuer of the stock or its reasonable equivalent or by any other person to the holder of the stock or its reasonable equivalent during the period after the stock is obtained pursuant to the provisions referred to in paragraph (a)(i)(A) or (b)(i)(A) of the definition of "stock borrowing and lending agreement" and before a return or delivery is required to be made in accordance with the provisions referred to in paragraph (a)(i)(B) or (b)(i)(B) of that definition; (Added L.N. 90 of 1999 and 44 of 1999 s. 17)

"specified purpose" (指明用途), in relation to the borrowing of stock by any person, means-

- (a) the settling of a sale of Hong Kong stock wherever effected, whether by the person himself or another person;
- (b) the settling of a future sale of Hong Kong stock, whether agreed or not when such borrowing is effected and whether by the person himself or another person;
- (c) the replacement, in whole or in part, of Hong Kong stock obtained by the person under another stock borrowing;
- (d) the on-lending of the stock borrowed to another person who effects a stock borrowing in respect of such stock on-lent; or
- (e) such other purpose as the Collector may, in writing, allow either generally or in any particular case; (Added 70 of 1994 s. 4. Amended 33 of 1998 s. 6)

"stock borrowing" (證券借用) means the obtaining by a borrower from a lender, under a stock borrowing and lending agreement, of Hong Kong stock the sale and purchase of which in Hong Kong are subject to the rules and practices of the recognized exchange company that operates the relevant stock market, whether the Hong Kong stock is so obtained- (Amended L.N. 90 of 1999 and 44 of 1999 s. 17; 5 of 2002 s. 407)

- (a) directly from the lender; or
- (b) indirectly under or through a recognized clearing house and in accordance with the rules of that recognized clearing house which constitute the stock borrowing and lending agreement; (Replaced 70 of 1994 s. 4. Amended 33 of 1998 s. 6)

"stock borrowing and lending agreement" (證券借用及借出協議) means-

- (a) an agreement which-
  - (i) contains-
    - (A) provisions providing for the obtaining of any stock by a person from any other person;
    - (B) provisions requiring-
      - (I) the return of stock of the same quantity and description as the stock obtained pursuant to the provisions referred to in sub-subparagraph (A); or
      - (II) the delivery of the reasonable equivalent of the stock so obtained; and
  - (C) provisions which-
    - (I) require a specified payment to be made by the person by whom the stock is obtained pursuant to the provisions referred to in sub-subparagraph (A) to the person from whom the stock is obtained pursuant to the provisions; or
    - (II) provide for an arrangement which, in the opinion of the Collector, can be regarded as a fair and proper alternative to the requirement to make the specified payment; and
- (ii) does not, in the opinion of the Collector, have the effect of reducing the risk of loss or opportunity for gain, in respect of the stock, of the person from whom the stock is obtained pursuant to the provisions referred to in subparagraph (i)(A); or

- (b) the rules of a recognized clearing house which-
  - (i) contain the following provisions approved by the Collector-
    - (A) provisions providing for the obtaining of any stock by a participant of the clearing system of the recognized clearing house from any other participant of such clearing system;
    - (B) provisions requiring-
      - (I) the return of stock of the same quantity and description as the stock obtained pursuant to the provisions referred to in sub-subparagraph (A); or
      - (II) the delivery of the reasonable equivalent of the stock so obtained; and
    - (C) provisions which-
      - (I) require a specified payment to be made by the participant by whom the stock is obtained pursuant to the provisions referred to in sub-subparagraph (A) to the participant from whom the stock is obtained pursuant to the provisions; or
      - (II) provide for an arrangement which, in the opinion of the Collector, can be regarded as a fair and proper alternative to the requirement to make the specified payment;
  - (ii) do not, in the opinion of the Collector, have the effect of reducing the risk of loss or opportunity for gain, in respect of the stock, of the person from whom the stock is obtained pursuant to the provisions referred to in subparagraph (i)(A); and
  - (iii) are subscribed to by participants of the clearing system of the recognized clearing house as a precondition for their obtaining of any stock within the meaning of subparagraph (i)(A); (Replaced L.N. 90 of 1999 and 44 of 1999 s. 17)

"stock return" (證券交還), in relation to a stock borrowing, means a transaction by which a borrower, in accordance with the stock borrowing and lending agreement to which the stock borrowing relates-

- (a) returns any stock which is of the same description as the borrowed stock (other than that which is the subject of a sale and purchase referred to in subsection (12)); or
- (b) delivers any reasonable equivalent of the borrowed stock (other than that which is the subject of a sale and purchase referred to in subsection (12)),

whether or not the return or delivery is made- (Amended L.N. 90 of 1999 and 44 of 1999 s. 17)

- (i) directly to the lender; or
- (ii) indirectly under or through a recognized clearing house and in accordance with the rules of that recognized clearing house which constitute the stock borrowing and lending agreement; (Replaced 70 of 1994 s. 4. Amended 33 of 1998 s. 6)

"transaction" (交易), in relation to a stock return, includes the return by a borrower to a lender of a lesser quantity of stock than that obtained by him on the day that the borrowed stock was so obtained. (Added 70 of 1994 s. 4)

(Amended 70 of 1994 s. 4)

Chapter:	117	Stamp Duty Ordinance	Gazette Number	Version Date
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Section:	63	Regulations	E.R. 2 of 2014	10/04/2014
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The Financial Secretary may by regulations- (Amended 12 of 1999 s. 3; 5 of 2000 s. 4)

- (a) specify the transactions or dealings in respect of Hong Kong stock that constitute jobbing business for the purposes of this Ordinance;
- (b) prescribe the procedure for stamping contract notes made and executed in respect of any jobbing business;
- (c) amend the Second and the Fourth Schedules. (Amended 33 of 1998 s. 10)

Chapter:	117	Stamp Duty Ordinance	Gazette Number	Version Date
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Schedule:	1		10 of 2013; 14 of 2014	19/07/2013
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[sections 2, 4, 5, 5A, 13, 18D, 19, 19A, 20, 29, 29A, 29AB, 29AC, 29AD, 29AE, 29AH, 29AI, 29AJ,



29AK, 29AL, 29AM, 29AN, 29AO, 29AP, 29AQ,  
 29AR, 29AS, 29BA, 29BB, 29BC, 29BD, 29BE,  
 29BF, 29BG, 29BH, 29BI, 29BJ, 29BK, 29C, 29CA,  
 29CB, 29CC, 29D, 29DA, 29DB, 29DC, 29DE, 29DF,  
 29DG, 29DH, 29G, 29H, 30, 44, 45, 47B, 47F, 47G,  
 63A, 70 & 71 & 2nd Schedule & Schedule 7]

(Replaced 14 of 2011 s. 15. Amended 10 of 2013 s. 34; 2 of 2014 s. 20; 14 of 2014 s. 28)

Nature of Instrument	(A) Stamp Duty (B) Time for stamping (C) Persons liable
<p><b>HEAD 1: IMMOVABLE PROPERTY IN HONG KONG</b></p> <p>Agreement for Lease,          See LEASE and section 16 (Amended 14 of 2014 s. 28)</p> <p>(1) CONVEYANCE ON SALE CHARGEABLE WITH AD VALOREM STAMP DUTY (Amended 14 of 2014 s. 28)</p> <p><u>SCALE 1—</u></p> <p>(a) if the amount or value of the consideration does not exceed \$2000000 and the instrument is certified in accordance with section 29 at \$2000000</p> <p>(b) if the amount or value of the consideration exceeds \$2000000 but does not exceed \$2176470 and the instrument is certified in accordance with section 29 at \$2176470</p> <p>(c) if the amount or value of the consideration exceeds \$2176470 but does not exceed \$3000000 and the instrument is certified in accordance with section 29 at \$3000000</p> <p>(d) if the amount or value of the consideration exceeds \$3000000 but does not exceed \$3290330 and the instrument is certified in accordance with section 29 at \$3290330</p> <p>(e) if the amount or value of the consideration exceeds \$3290330 but does not exceed \$4000000 and the instrument is certified in accordance with section 29 at \$4000000</p>	<p>(A)(a) 1.5% of the amount or value of the consideration</p> <p>(b) \$30000 plus 20% of the amount by which the amount or value of the consideration exceeds \$2000000</p> <p>(c) 3% of the amount or value of the consideration</p> <p>(d) \$90000 plus 20% of the amount by which the amount or value of the consideration exceeds \$3000000</p> <p>(e) 4.5% of the amount or value of the consideration</p>

(f) if the amount or value of the consideration exceeds \$4000000 but does not exceed \$4428580 and the instrument is certified in accordance with section 29 at \$4428580	(f) \$180000 plus 20% of the amount by which the amount or value of the consideration exceeds \$4000000
(g) if the amount or value of the consideration exceeds \$4428580 but does not exceed \$6000000 and the instrument is certified in accordance with section 29 at \$6000000	(g) 6% of the amount or value of the consideration
(h) if the amount or value of the consideration exceeds \$6000000 but does not exceed \$6720000 and the instrument is certified in accordance with section 29 at \$6720000	(h) \$360000 plus 20% of the amount by which the amount or value of the consideration exceeds \$6000000
(i) if the amount or value of the consideration exceeds \$6720000 but does not exceed \$20000000 and the instrument is certified in accordance with section 29 at \$20000000	(i) 7.5% of the amount or value of the consideration
(j) if the amount or value of the consideration exceeds \$20000000 but does not exceed \$21739130 and the instrument is certified in accordance with section 29 at \$21739130	(j) \$1500000 plus 20% of the amount by which the amount or value of the consideration exceeds \$20000000
(k) in any other case	(k) 8.5% of the amount or value of the consideration
(Added 14 of 2014 s. 28)	(B) 30 days after the execution; but see Note 2 to this sub-head
	(C) All parties, and all other persons executing; but see Notes 2 and 7 to this sub-head

SCALE 2— (Added 14 of 2014 s. 28)

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(a) where the amount or value of the consideration does not exceed \$2000000 and the instrument is certified in accordance with section 29 at \$2000000</p> <p>(b) where the amount or value of the consideration exceeds \$2000000 but does not exceed \$2351760 and the instrument is certified in accordance with section 29 at \$2351760</p> <p>(c) where the amount or value of the consideration exceeds \$2351760 but does not exceed \$3000000 and the instrument is certified in accordance with section 29 at \$3000000</p> <p>(d) where the amount or value of the consideration exceeds \$3000000 but does not exceed \$3290320 and the instrument is certified in accordance with section 29 at \$3290320</p> <p>(e) where the amount or value of the consideration exceeds \$3290320 but does not exceed \$4000000 and the instrument is certified in accordance with section 29 at \$4000000</p> | <p>(A)(a) \$100<br/>(Replaced L.N. 32 of 2007 and 13 of 2007 s. 3)</p> <p>(b) \$100 plus 10% of the amount by which the amount or value of the consideration exceeds \$2000000<br/>(Replaced L.N. 32 of 2007 and 13 of 2007 s. 3)</p> <p>(c) 1.5% of the amount or value of the consideration<br/>(Replaced L.N. 32 of 2007 and 13 of 2007 s. 3)</p> <p>(d) \$45000 plus 10% of the amount by which the amount or value of the consideration exceeds \$3000000<br/>(Replaced L.N. 90 of 1999 and 44 of 1999 s. 22. Amended L.N. 32 of 2007 and 13 of 2007 s. 3)</p> <p>(e) 2.25% of the amount or value of the consideration<br/>(Replaced L.N. 90 of 1999 and 44 of 1999 s. 22. Amended L.N. 32 of</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

	2007 and 13 of 2007 s. 3)
(f) where the amount or value of the consideration exceeds \$4000000 but does not exceed \$4428570 and the instrument is certified in accordance with section 29 at \$4428570	(f) \$90000 plus 10% of the amount by which the amount or value of the consideration exceeds \$4000000 (Replaced L.N. 90 of 1999 and 44 of 1999 s. 22. Amended L.N. 32 of 2007 and 13 of 2007 s. 3)
(g) where the amount or value of the consideration exceeds \$4428570 but does not exceed \$6000000 and the instrument is certified in accordance with section 29 at \$6000000	(g) 3% of the amount or value of the consideration (Replaced L.N. 90 of 1999 and 44 of 1999 s. 22. Amended L.N. 32 of 2007 and 13 of 2007 s. 3)
(h) where the amount or value of the consideration exceeds \$6000000 but does not exceed \$6720000 and the instrument is certified in accordance with section 29 at \$6720000	(h) \$180000 plus 10% of the amount by which the amount or value of the consideration exceeds \$6000000 (Added L.N. 90 of 1999 and 44 of 1999 s. 22. Amended L.N. 32 of 2007 and 13 of 2007 s. 3)
(i) where the amount or value of the consideration exceeds \$6720000 but does not exceed \$20000000 and the instrument is certified in accordance with section 29 at \$20000000	(i) 3.75% of the amount or value of the consideration (Replaced L.N. 18 of

(j) where the amount or value of the consideration exceeds \$20000000 but does not exceed \$21739120 and the instrument is certified in accordance with section 29 at \$21739120

(k) in any other case

2010 and 16 of 2010 s. 4)

(j) \$750000 plus 10% of the amount by which the amount or value of the consideration exceeds \$20000000 (Added L.N. 18 of 2010 and 16 of 2010 s. 4)

(k) 4.25% of the amount or value of the consideration (Added L.N. 18 of 2010 and 16 of 2010 s. 4)

(B) 30 days after the execution; but see Note 2 to this sub-head

(C) persons executing; but see Notes 2 and 7 to this sub-head (Replaced 36 of 1994 s. 3. Amended 14 of 2014 s. 28)

And see sections 2, 4, 22, 23, 24, 25, 27, 28, 29, 39, 43, 44 and 45 (Amended 14 of 2014 s. 28)

Note 1A

This sub-head applies to a conveyance on sale according to section 29AI (Added 14 of 2014 s. 28)

Note 1B

Scale 2 of this sub-head applies in relation to the stamp duty chargeable on a conveyance on sale by which a leasehold interest in land is transferred to, or vested in, a person by another person (*transferor*) if it is shown to the satisfaction of the Collector that the leasehold interest was acquired by the transferor under an instrument that was stamped or chargeable with stamp duty under sub-head (2) (Added 14 of 2014 s. 28)

Note 1C

Scale 2 of this sub-head applies in relation to the stamp duty chargeable on a lease or an agreement for a lease if

the lease or agreement is chargeable with stamp duty as a conveyance on sale under section 27(1) by virtue of section 27(4) (Added 14 of 2014 s. 28)

Note 1

Scale 2 of this sub-head applies in relation to the stamp duty chargeable by reference to it by virtue of sub-head (2)(a), in a case where part of the consideration for a lease consists of rent, as if paragraphs (a), (b), (c), (d), (e), (f), (g), (h), (i) and (j) in Scale 2 and the words “in any other case” in paragraph (k) in Scale 2 were omitted (Replaced 14 of 2014 s. 28)

Note 2

In the case of a vesting order consequential upon an order for sale or partition or a foreclosure order, the time for stamping shall be before the order is signed by the Registrar and the persons liable shall be the persons obtaining the order

Note 3

In the case of a foreclosure order, the stamp duty chargeable thereon shall not exceed the stamp duty which would be chargeable thereon by reference to the value of the property to which the order relates

Note 4

A foreclosure order shall not be duly stamped unless the Collector has stamped it under section 13(3)(b)

Note 5

In the case of a conveyance on sale of immovable property executed after a chargeable agreement for sale has been made in respect of that property, this sub-head is subject to section 29D (Added 8 of 1992 s. 6. Amended 14 of 2014 s. 28)

Note 6

(Repealed 33 of 1998 s. 11)

Note 7

This sub-head is subject to sections 29DE, 29DF, 29DG and 29DH (Added 14 of 2014 s. 28)

Exchange, Instruments effecting—see sections 25(7), 29AO and 29AP (Replaced 14 of 2014 s. 28)

#### (1AA) CONVEYANCE ON SALE CHARGEABLE WITH SPECIAL STAMP DUTY

Part 1—for residential property acquired on or after 20 November 2010 but before 27 October 2012 (Added 2 of 2014 s. 20)

- (a) if the residential property is disposed of within a period of 6 months beginning on the day on which it was acquired
- (b) if the residential property is disposed of within a period of 12 months beginning on the day on which it was acquired, but after the expiry of a period of 6 months beginning on that day

- (A)(a) 15% of the amount or value of the consideration
- (b) 10% of the amount or value of the consideration

- (c) if the residential property is disposed of within a period of 24 months beginning on the day on which it was acquired, but after the expiry of a period of 12 months beginning on that day

- (c) 5% of the amount or value of the consideration

- (B) The same time as that which applies to a conveyance on sale specified under sub-head (1)

- (C) The same parties as those who are liable in respect of a conveyance on sale specified under sub-head (1)

Part 2—for residential property acquired on or after 27 October 2012

- (a) if the residential property is disposed of within a period of 6 months beginning on the day on which it was acquired

- (A)(a) 20% of the amount or value of the consideration

- (b) if the residential property is disposed of within a period of 12 months beginning on the day on which it was acquired, but after the expiry of a period of 6 months beginning on that day

- (b) 15% of the amount or value of the consideration

- (c) if the residential property is disposed of within a period of 36 months beginning on the day on which it was acquired, but after the expiry of a period of 12 months beginning on that day

- (c) 10% of the amount or value of the consideration

(Added 2 of 2014 s. 20)

- (B) The same time as that which applies to a conveyance on sale specified under sub-head (1)

- (C) The same parties as those who are liable in respect of a conveyance on sale specified under sub-head (1)

Note 1

This sub-head is subject to sections 29D and 29DA

Note 2

- (a) If only part of the residential property is disposed of

within a period specified in the first column of this sub-head, the special stamp duty chargeable under this sub-head is the percentage (specified opposite to that period) of the amount or value of the consideration for that part as indicated by the parties to the conveyance on sale concerned to the Collector (*part consideration*)

- (b) If different parts of the residential property are disposed of within different periods specified in the first column of this sub-head, the special stamp duty chargeable in respect of any of those parts under this sub-head is the percentage (specified opposite to the period applicable to that part) of the amount or value of the consideration for that part as indicated by the parties to the conveyance on sale concerned to the Collector (*part consideration*), and the special stamp duty chargeable in respect of the property under this sub-head is the total of the special stamp duty chargeable in respect of those parts
- (c) If the Collector is of the opinion that the part consideration does not represent the value of the part concerned, the Collector may substitute that value for the part consideration for the purpose of the calculation of special stamp duty chargeable under this sub-head

(Added 14 of 2011 s. 15)

(1AAB) CONVEYANCE ON SALE CHARGEABLE WITH BUYER'S STAMP DUTY

- (A) 15% of the amount or value of the consideration
- (B) The same time as that which applies to a conveyance on sale specified under sub-head (1)
- (C) The transferee

Note

This sub-head is subject to sections 29D, 29DB and 29DC

(Added 2 of 2014 s. 20)

(1A) AGREEMENT FOR SALE CHARGEABLE WITH AD VALOREM STAMP DUTY (Amended 14 of 2014 s. 28)

SCALE 1—

- (a) if the amount or value of the consideration does not exceed \$2000000 and the instrument is certified in accordance with section 29G at \$2000000

- (A)(a) 1.5% of the amount or value of the consideration



(b)	if the amount or value of the consideration exceeds \$2000000 but does not exceed \$2176470 and the instrument is certified in accordance with section 29G at \$2176470	(b)	\$30000 plus 20% of the amount by which the amount or value of the consideration exceeds \$2000000
(c)	if the amount or value of the consideration exceeds \$2176470 but does not exceed \$3000000 and the instrument is certified in accordance with section 29G at \$3000000	(c)	3% of the amount or value of the consideration
(d)	if the amount or value of the consideration exceeds \$3000000 but does not exceed \$3290330 and the instrument is certified in accordance with section 29G at \$3290330	(d)	\$90000 plus 20% of the amount by which the amount or value of the consideration exceeds \$3000000
(e)	if the amount or value of the consideration exceeds \$3290330 but does not exceed \$4000000 and the instrument is certified in accordance with section 29G at \$4000000	(e)	4.5% of the amount or value of the consideration
(f)	if the amount or value of the consideration exceeds \$4000000 but does not exceed \$4428580 and the instrument is certified in accordance with section 29G at \$4428580	(f)	\$180000 plus 20% of the amount by which the amount or value of the consideration exceeds \$4000000
(g)	if the amount or value of the consideration exceeds \$4428580 but does not exceed \$6000000 and the instrument is certified in accordance with section 29G at \$6000000	(g)	6% of the amount or value of the consideration
(h)	if the amount or value of the consideration exceeds \$6000000 but does not exceed \$6720000 and the instrument is certified in accordance with section 29G at \$6720000	(h)	\$360000 plus 20% of the amount by which the amount or value of the consideration exceeds \$6000000
(i)	if the amount or value of the consideration	(i)	7.5% of the

exceeds \$6720000 but does not exceed \$20000000 and the instrument is certified in accordance with section 29G at \$20000000	amount or value of the consideration
(j) if the amount or value of the consideration exceeds \$20000000 but does not exceed \$21739130 and the instrument is certified in accordance with section 29G at \$21739130	(j) \$1500000 plus 20% of the amount by which the amount or value of the consideration exceeds \$20000000
(k) in any other case (Added 14 of 2014 s. 28)	(k) 8.5% of the amount or value of the consideration
	(B) 30 days after the relevant date (within the meaning of section 29B(3)); but see Notes 2 and 3 to this sub-head
	(C) All parties except a party who on the relevant date (within the meaning of section 29B(3)) does not know that the agreement affects that party, and all other persons executing; but see Note 7 to this sub-head
<u>SCALE 2</u> — (Added 14 of 2014 s. 28)	
(a) where the amount or value of the consideration does not exceed \$2000000 and the instrument is certified in accordance with section 29G at \$2000000	(A)(a) \$100 (Replaced L.N. 32 of 2007 and 13 of 2007 s. 3)
(b) where the amount or value of the consideration exceeds \$2000000 but does not exceed \$2351760 and the instrument is certified in accordance with section 29G at \$2351760	(b) \$100 plus 10% of the amount by which the amount or value of the

	consideration exceeds \$2000000 (Replaced L.N. 32 of 2007 and 13 of 2007 s. 3)
(c) where the amount or value of the consideration exceeds \$2351760 but does not exceed \$3000000 and the instrument is certified in accordance with section 29G at \$3000000	(c) 1.5% of the amount or value of the consideration (Replaced L.N. 32 of 2007 and 13 of 2007 s. 3)
(d) where the amount or value of the consideration exceeds \$3000000 but does not exceed \$3290320 and the instrument is certified in accordance with section 29G at \$3290320	(d) \$45000 plus 10% of the amount by which the amount or value of the consideration exceeds \$3000000 (Replaced L.N. 90 of 1999 and 44 of 1999 s. 22. Amended L.N. 32 of 2007 and 13 of 2007 s. 3)
(e) where the amount or value of the consideration exceeds \$3290320 but does not exceed \$4000000 and the instrument is certified in accordance with section 29G at \$4000000	(e) 2.25% of the amount or value of the consideration (Replaced L.N. 90 of 1999 and 44 of 1999 s. 22. Amended L.N. 32 of 2007 and 13 of 2007 s. 3)
(f) where the amount or value of the consideration exceeds \$4000000 but does not exceed \$4428570 and the instrument is certified in accordance with section 29G at \$4428570	(f) \$90000 plus 10% of the amount by which the amount or value of the consideration exceeds \$4000000

	(Replaced L.N. 90 of 1999 and 44 of 1999 s. 22. Amended L.N. 32 of 2007 and 13 of 2007 s. 3)
(g) where the amount or value of the consideration exceeds \$4428570 but does not exceed \$6000000 and the instrument is certified in accordance with section 29G at \$6000000	(g) 3% of the amount or value of the consideration (Replaced L.N. 90 of 1999 and 44 of 1999 s. 22. Amended L.N. 32 of 2007 and 13 of 2007 s. 3)
(h) where the amount or value of the consideration exceeds \$6000000 but does not exceed \$6720000 and the instrument is certified in accordance with section 29G at \$6720000	(h) \$180000 plus 10% of the amount by which the amount or value of the consideration exceeds \$6000000 (Added L.N. 90 of 1999 and 44 of 1999 s. 22. Amended L.N. 32 of 2007 and 13 of 2007 s. 3)
(i) where the amount or value of the consideration exceeds \$6720000 but does not exceed \$20000000 and the instrument is certified in accordance with section 29G at \$20000000	(i) 3.75% of the amount or value of the consideration (Replaced L.N. 18 of 2010 and 16 of 2010 s. 4)
(j) where the amount or value of the consideration exceeds \$20000000 but does not exceed \$21739120 and the instrument is certified in accordance with section 29G at \$21739120	(j) \$750000 plus 10% of the amount by which the amount or value of the consideration exceeds \$20000000 (Added L.N. 18

(k) in any other case

of 2010 and 16  
of 2010 s. 4)

(k) 4.25% of the  
amount or value  
of the  
consideration  
(Added L.N. 18  
of 2010 and 16  
of 2010 s. 4)

\*(B) 30 days after the  
relevant date  
(within the  
meaning of  
section 29B(3));  
but see Notes 2  
and 3 to this sub-  
head (Amended  
L.N. 90 of 1999  
and 44 of 1999 s.  
22; 14 of 2011 s.  
15)

(C) All parties except a  
party who on the  
relevant date  
(within the  
meaning of  
section 29B(3))  
does not know  
that the agreement  
affects him, and  
all other persons  
executing; but see  
Note 7 to this sub-  
head (Replaced  
36 of 1994 s. 3.  
Amended 14 of  
2014 s. 28)

And see section 4 and Part IIIA

Note 1

This sub-head applies to an agreement for sale according  
to section 29BA (Replaced 14 of 2014 s. 28)

Note 1A

Scale 2 of this sub-head applies in relation to the stamp  
duty chargeable on an agreement for sale if it is shown to  
the satisfaction of the Collector that-

- (a) the agreement is an instrument which, if  
implemented, would be implemented by a  
conveyance on sale; and
- (b) the conveyance on sale would, by the operation  
of Note 1B to sub-head (1), be chargeable with  
stamp duty under Scale 2 of sub-head (1)

(Added 14 of 2014 s. 28)

Note 2

If, within the first 14 days of the time for stamping, an agreement for sale is superseded by another agreement for sale made between the same parties and on the same terms, executed in accordance with section 29B(1), and containing the matters specified in section 29B(5)-

- (aa) for the purposes of Part IIIA and this sub-head, the second-mentioned agreement is deemed to be made on the relevant date (within the meaning of section 29B(3)); (Added L.N. 90 of 1999 and 44 of 1999 s. 22)
- \*(a) notwithstanding paragraph (aa), the time for stamping the second-mentioned agreement is not later than 30 days after it was executed; and (Amended L.N. 90 of 1999 and 44 of 1999 s. 22; 14 of 2011 s. 15)
- \*(b) if the second-mentioned agreement is duly stamped or stamped under section 5(1), 13(2) or 18E(1), the obligation to stamp any preceding agreement between the same parties and on the same terms is discharged (Amended L.N. 90 of 1999 and 44 of 1999 s. 22; 21 of 2003 s. 25; 14 of 2011 s. 15)

\*Note 3

Subject to Note 2, if 2 or more agreements for sale are made between the same parties and on the same terms-

- (a) for the purposes of Part IIIA and this sub-head, all of the agreements are deemed to be made on the relevant date (within the meaning of section 29B(3)); and
- (b) where any of the agreements is duly stamped or stamped under section 5(1), 13(2) or 18E(1)- (Amended 21 of 2003 s. 25; 14 of 2011 s. 15)
  - (i) the other agreements are each chargeable with stamp duty of \$100; and
  - (ii) notwithstanding paragraph (a), the time for stamping each of the other agreements is not later than 30 days after it was executed (Replaced L.N. 90 of 1999 and 44 of 1999 s. 22. Amended 14 of 2011 s. 15)

Note 4

Where 2 agreements for sale are made in respect of the same, or part of the same, property and involve a common purchaser (but are not made between the same parties), this sub-head is subject to section 29C(5)

Note 5

For the purposes of Notes 2, 3 and 4, and if the immovable property concerned is residential property, 2 or more persons are treated as the same person if, on the date of the agreement made between those persons-

- (a) they are closely related;
- (b) each of them is acting on his or her own behalf; and

- (c) each of them is not a beneficial owner of any other residential property in Hong Kong (Replaced 14 of 2014 s. 28)

Note 6

(Repealed 33 of 1998 s. 11)

Note 7

This sub-head is subject to sections 29D, 29DE, 29DF, 29DG and 29DH (Added 14 of 2014 s. 28)

# (1B) AGREEMENT FOR SALE CHARGEABLE WITH SPECIAL STAMP DUTY

Part 1—for residential property acquired on or after 20 November 2010 but before 27 October 2012 (Added 2 of 2014 s. 20)

- (a) if the residential property is disposed of within a period of 6 months beginning on the day on which it was acquired
- (b) if the residential property is disposed of within a period of 12 months beginning on the day on which it was acquired, but after the expiry of a period of 6 months beginning on that day
- (c) if the residential property is disposed of within a period of 24 months beginning on the day on which it was acquired, but after the expiry of a period of 12 months beginning on that day

- (A)(a) 15% of the amount or value of the consideration
- (b) 10% of the amount or value of the consideration
- (c) 5% of the amount or value of the consideration
- (B) The same time as that which applies to an agreement for sale specified under sub-head (1A)
- (C) The same parties as those who are liable in respect of an agreement for sale specified under sub-head (1A)

Part 2—for residential property acquired on or after 27 October 2012

- (a) if the residential property is disposed of within a period of 6 months beginning on the day on which it was acquired
- (b) if the residential property is disposed of within a period of 12 months beginning on the day on which it was acquired, but after the expiry of a period of 6 months beginning on that day

- (A)(a) 20% of the amount or value of the consideration
- (b) 15% of the amount or value of the consideration

- (c) if the residential property is disposed of within a period of 36 months beginning on the day on which it was acquired, but after the expiry of a period of 12 months beginning on that day

(Added 2 of 2014 s. 20)

Note 1

This sub-head is subject to sections 29C and 29CA

Note 2

- (a) If only part of the residential property is disposed of within a period specified in the first column of this sub-head, the special stamp duty chargeable under this sub-head is the percentage (specified opposite to that period) of the amount or value of the consideration for that part as indicated by the parties to the agreement concerned to the Collector (*part consideration*)
- (b) If different parts of the residential property are disposed of within different periods specified in the first column of this sub-head, the special stamp duty chargeable in respect of any of those parts under this sub-head is the percentage (specified opposite to the period applicable to that part) of the amount or value of the consideration for that part as indicated by the parties to the agreement concerned to the Collector (*part consideration*), and the special stamp duty chargeable in respect of the property under this sub-head is the total of the special stamp duty chargeable in respect of those parts
- (c) If the Collector is of the opinion that the part consideration does not represent the value of the part concerned, the Collector may substitute that value for the part consideration for the purpose of the calculation of special stamp duty chargeable under this sub-head

Note 3

(Repealed 14 of 2014 s. 28)

- (c) 10% of the amount or value of the consideration

(B) The same time as that which applies to an agreement for sale specified under sub-head (1A)

(C) The same parties as those who are liable in respect of an agreement for sale specified under sub-head (1A)



Note 4

Notes 2, 3 and 4 to head 1(1A) apply to special stamp duty chargeable on an agreement for sale of residential property under this sub-head as they apply to stamp duty chargeable under head 1(1A); and for the purposes of applying those Notes to special stamp duty, 2 or more persons are treated as the same person if they are closely related (Replaced 14 of 2014 s. 28)

(Added 14 of 2011 s. 15)

(1C) AGREEMENT FOR SALE CHARGEABLE WITH BUYER'S STAMP DUTY

- (A) 15% of the amount or value of the consideration
- (B) The same time as that which applies to an agreement for sale specified under sub-head (1A)
- (C) The purchaser

Note 1

This sub-head is subject to sections 29C, 29CB and 29CC

Note 2

(Repealed 14 of 2014 s. 28)

Note 3

Notes 2, 3 and 4 to head 1(1A) apply to buyer's stamp duty chargeable on an agreement for sale of residential property under this sub-head as they apply to stamp duty chargeable under head 1(1A); and for the purposes of applying those Notes to buyer's stamp duty, 2 or more persons are treated as the same person if they are closely related (Replaced 14 of 2014 s. 28)

(Added 2 of 2014 s. 20)

(2) LEASE

- (a) where the consideration or any part of the consideration, moving either to the lessor or to any other person, consists of any money, stock or security

- (A) The same duty as on a conveyance on sale for the same consideration (see Note 1 to sub-head (1))
- (B) 30 days after execution
- (C) All parties, and all other persons executing

- (b) where the consideration or any part of the consideration is any rent

- (i) where the term is not defined or is

- (A)(i) 25 cents for

uncertain;

- (ii) where the term specified in the lease does not exceed one year;
- (iii) where the term specified in the lease exceeds one year but does not exceed three years;
- (iv) where the term specified in the lease exceeds three years

- (c) Lease executed in pursuance of a duly stamped agreement for lease

And see sections 2, 16, 17, 27, 39, 42 and 43

Partition, Instruments effecting-see section 25(7)

Voluntary Chargeable Agreements for Sale-see section 29F  
(Added 8 of 1992 s. 6)

Voluntary Disposition inter vivos - see section 27

## **HEAD 2: HONG KONG STOCK**

- (1) CONTRACT NOTE for the sale or purchase of any Hong Kong stock not being jobbing business on every note required to be made under section 19(1)

every \$100 or part thereof of the yearly or average yearly rent

- (ii) 25 cents for every \$100 or part thereof of the total rent payable over the term of the lease
- (iii) 50 cents for every \$100 or part thereof of the yearly or average yearly rent
- (iv) \$1 for every \$100 or part thereof of the yearly or average yearly rent

(B) 30 days after execution

(C) All parties, and all other persons executing

(A) \$3

(B) 30 days after execution

(C) All parties, and all other persons executing

(A) 0.1% of the amount of the consideration or of its value at the date on which the contract note falls to be executed: but see Note to this sub-head (Amended

	<p>18 of 1998 s. 2; 22 of 2000 s. 2; 22 of 2001 s. 4)</p> <p>(B) 2 days after the sale or purchase if effected in Hong Kong: see section 19(1)(b)(i) 30 days after the sale or purchase if effected elsewhere: see section 19(1)(b)(ii)</p> <p>(C) The agent or, where no agent, the principal effecting the sale or purchase</p>
<p>And see sections 2, 4, 5, 5A, 6, 19, 20, 23, 24, 27 and 45 Note</p> <p>Where the consideration or any part of the consideration consists of any security not being stock, the amount due upon such security for principal and interest on the date on which the contract note falls to be executed shall be taken to be its value at that date</p>	
<p>(2) CONTRACT NOTE in respect of jobbing business on every note required to be made under section 19(1)</p>	<p>(A) \$5</p> <p>(B) 2 days after the sale or purchase: see section 19(1)(b)(i)</p> <p>(C) The exchange participant effecting the sale or purchase (Amended 12 of 2000 s. 23)</p>
<p>And see sections 2, 4, 19 and 20</p> <p>(3) TRANSFER operating as a voluntary disposition inter vivos or made for the purpose of effectuating a transaction whereby the beneficial interest in Hong Kong stock passes otherwise than on sale and purchase, including a foreclosure order (Amended 33 of 1998 s. 11)</p>	<p>(A) \$5 and 0.2% of the value of the stock (Amended 18 of 1998 s. 2; 22 of 2000 s. 2; 22 of 2001 s. 4)</p> <p>(B) 7 days after execution or, if executed elsewhere than in Hong Kong, 30 days after execution; but see Note 1 to this sub-head</p>

And see sections 4, 19, 27, 28, 30, 44 and 45

Note 1

In the case of a foreclosure order, the time for stamping shall be before the order is signed by the Registrar and the persons liable shall be the persons obtaining the order

Note 2

In the case of a foreclosure order, the stamp duty chargeable thereon shall not exceed the stamp duty which would have been chargeable thereon by reference to the amount of the debt to which the order relates

Note 3

A foreclosure order shall not be duly stamped unless the Collector has stamped it under section 13(3)(b)

- (4) TRANSFER of any other kind

And see sections 5, 7, 19, 30, 47A and 47B (Amended 70 of 2000 s. 3; 34 of 2003 s. 8)

Note

No stamp duty under this sub-head shall be payable on a transfer executed by a recognized clearing house (within the meaning of section 19(16)) or its nominee-

- (a) as the transferor of the Hong Kong stock; and  
(b) in accordance with the rules (within the meaning of section 19(16)) of the clearing house  
(Replaced 40 of 1992 s. 7)

### **HEAD 3: HONG KONG BEARER INSTRUMENT**

- (1) HONG KONG BEARER INSTRUMENT issued in respect of any stock other than-
- (a) (Repealed 43 of 1991 s. 7)  
(b) units in a unit trust scheme under the terms of which the funds of the trust cannot be invested in any investment other than loan capital

- (C) The transferor and the transferee; but see Note 1 to this sub-head

- (A) \$5; but see Note to this sub-head  
(B) Before execution or, if executed elsewhere than in Hong Kong, 30 days after execution  
(C) The transferor and the transferee

- (A) \$3 per \$100 or part thereof of market value on issue  
(B) Before issue  
(C) The person by whom or on whose behalf the instrument is issued and any person who acts as the agent of

And see sections 2 and 5(5)

(Replaced 21 of 1986 s. 2)

- (2) HONG KONG BEARER INSTRUMENT given in substitution for a like instrument duly stamped under sub-head (1) of this head

And see sections 2 and 5(5)

**HEAD 4:            DUPLICATES AND  
                         COUNTERPARTS**

DUPLICATE OR COUNTERPART of any instrument chargeable with any stamp duty

And see section 8

Note

If in the case of a lease or agreement for a lease the stamp duty payable in respect thereof is limited in accordance with section 42(2) or 43(2) to 50% of the stamp duty chargeable thereon, the stamp duty chargeable on a duplicate or counterpart thereof shall be limited to 50% of the stamp duty otherwise chargeable under this head

that person for the purposes of the issue

- (A) \$5  
(B) Before issue  
(C) The person by whom or on whose behalf the instrument is issued and any person who acts as the agent of that person for the purposes of the issue

- (A) Where the stamp duty on the original instrument does not amount to \$5, the same stamp duty as on the original; in any other case, \$5: but see Note to this head  
(B) 7 days after execution, or such longer period as the time for stamping the original instrument would allow  
(C) -

(Amended 29 of 1988 s. 2; 43 of 1991 s. 7; 85 of 1991 s. 6; 8 of 1992 s. 6; 36 of 1992 s. 3; 40 of 1992 s. 7; L.N. 50 of 1993; 31 of 1993 s. 2)

**Note:**

- \* The amendments made by L.N. 90 of 1999 and Ord. No. 44 of 1999 to paragraph (B), Note 2(a) and (b) and Note 3 under head 1(1A) of the First Schedule shall only apply to an agreement for sale, or an unwritten sale agreement, as defined in section 29A(1), if the relevant date within the meaning of section 29B(3) is, in so far as such agreement for sale or unwritten sale agreement (as the case may be) is concerned, on or after 1 April 1999.

**Measures to promote the development of asset management business  
(including the exchange traded funds market) in Hong Kong**

At the end of 2013, the combined fund management business in Hong Kong achieved a record high of HK\$16,007 billion, representing a year-on-year growth of 27% from 2012. This puts us among the top asset management hubs in Asia. Hong Kong asset management companies directly employed 31 834 people in 2013.

2. With the fast economic growth and wealth creation in Asia, as well as continued financial market liberalisation in the Mainland, we have the advantage to attract more funds of various types to base in Hong Kong to broaden the variety and scope of our fund business, and facilitate portfolio allocation into the Asian markets. To this end, the Government and the regulators have been implementing various policy initiatives to remove existing restrictions in the legal structure, broaden the product base and provide a more facilitating tax environment to sharpen Hong Kong's competitive edge as a premier international asset management centre.

*Broadening the Legal Infrastructure*

3. To diversify our fund management platform, we are taking steps to introduce a new open-ended fund company ("OFC") structure to expand Hong Kong's legal structure for investment fund vehicles. Under the current law, an open-ended investment fund may be established only in the form of a unit trust but not in corporate form due to various restrictions on capital reduction under the Companies Ordinance. The OFC proposal will allow funds to be set up in an open-ended structure like a company, but with the flexibility not enjoyed by conventional companies to create and cancel shares for investors to trade the funds. The proposal will attract more funds to domicile in Hong Kong, which will help build up Hong Kong's fund manufacturing capabilities to complement the existing fund distribution network and develop Hong Kong into a full fund service centre from product design to marketing and distribution. We are now formulating the detailed legislative proposal taking into account the comments received during the three-month public consultation ended in June 2014.

### *Creating a Conducive Tax Environment*

4. A clear and competitive tax environment can attract more funds of various types to base in Hong Kong to broaden the variety and scope of our fund business. To attract more private equity funds to expand their business in Hong Kong, we are finalizing a legislative proposal to extend the profits tax exemption for offshore funds to private equity funds. We plan to introduce the relevant Bill into the Legislative Council in March 2015.

5. In addition, in December 2014, we shall be introducing into the Legislative Council a Bill to waive the stamp duty for the transfer of all exchange traded fund (“ETF”) shares or units to help promote the development, management and trading of ETFs in Hong Kong.

6. The ETF sector is one of the key components of the asset management industry worldwide. An ETF issuer makes its commercial decision as to whether to list an ETF in a particular place, taking into account a combination of factors such as prevailing market conditions, business priorities, costs as well as legal and tax regimes. The regulatory regime on ETFs in Hong Kong is generally in line with that of other major international financial markets. ETFs offered to the Hong Kong public, whether established in Hong Kong or elsewhere, are authorised by the Securities and Futures Commission (“SFC”) provided that they meet the applicable product and disclosure requirements.

### *Diversifying the Product Spectrum*

7. One strong stimulus to Hong Kong’s asset management business is the development of our offshore Renminbi (“RMB”) business. Hong Kong is the world’s largest offshore RMB investment product market. A wide range of RMB products ranging from dim sum bonds, investment funds (both listed and unlisted), insurance products, currency futures, real estate investment trusts, shares and derivative products are available in the market.

8. The RMB Qualified Foreign Institutional Investors (“RQFII”) Scheme was expanded further in March 2013, allowing financial institutions which are registered and have major operations in Hong Kong to apply for RQFII status and relaxing the investment restriction of RQFII funds so that institutions can decide the proportion to invest in equity and debt markets in accordance with market conditions. The Scheme continues to promote the development of a broader range of RMB investment offering in Hong Kong and reinforce the city’s role as the leading offshore RMB centre. As at end October 2014, 57 retail RQFII unlisted funds were authorised by the SFC,



and 17 RQFII ETFs were launched and listed on the Stock Exchange of Hong Kong Limited.

9. At the same time, we have been actively exploring with the Mainland authorities on arrangement for the mutual recognition and cross-border offering of funds between Hong Kong and the Mainland. The arrangement will expand the investment options for offshore RMB and provide a wider choice of products to investors in both markets. When implemented, this will be one of the important initiatives to attract more funds to domicile in Hong Kong, which will be conducive to strengthening Hong Kong's position as the asset management centre.

#### *Shortening Application Processing Time*

10. Noting that an efficient and effective authorisation process of investment products is important for market development, and to further enhance the authorisation process, the SFC has adopted a revised application lapse policy with effect from 1 January 2014 whereby the time period for the lapse of applications is reduced from 12 to 6 months. The introduction of this revised policy has encouraged applicants to respond to requisitions in a more timely fashion, resulting in a shorter turn-around time on their part and an overall more expedient application approval process. The average total processing time of fund applications (including exchange traded fund applications) authorized in the first ten months of 2014 under the revised policy was shortened by approximately 40% to around 4 months as compared with that of fund applications authorized in the period from 2011 to 2013 under the 12-month lapse policy.

#### *Supporting Talent Training*

11. In support of talent training for the private wealth management sector, the Private Wealth Management Association ("PWMA") launched in June this year an Enhanced Competency Framework ("ECF"), setting out an enhanced level of core competence and on-going professional development of private wealth management practitioners. New entrants and industry practitioners may meet the ECF benchmark by self-study and/or taking accredited training programmes, and passing examinations. Qualified practitioners may be certified by the PWMA as Certified Private Wealth Professional.

12. On the part of the Government, we have been engaging the asset and wealth management industry to gauge practitioners' views on enhancing talent training. Suggestions from the industry include raising the

awareness of the young generation about the financial services industry, its job nature and career prospects, facilitating young people to gain exposure to the financial services sector and to enter into the profession, and encouraging existing practitioners to receive ongoing training to sharpen their professional skills. Along these directions, we are now considering new measures to enhance talent training.

**Financial Services Branch**  
**Financial Services and the Treasury Bureau**  
**3 December 2014**