



British  
Consulate-General  
Hong Kong

**LC Paper No. CB(1)284/16-17(01)**

**Andrew Heyn, British Consul-General**

British Consulate-General  
1 Supreme Court Road  
Hong Kong

Tel: 2901-3021  
Fax: 2901-3040  
andrew.heyne@fco.gov.uk

07 December 2016

Hon Kenneth Leung  
Chairman, Subcommittee on Inland Revenue Ordinance (Amendment of Schedule 17E) Notice 2016  
Legislative Council  
(by e-mail)

Dear Chairman,

I understand that the Legislative Council's Subcommittee on Inland Revenue Ordinance (Amendment of Schedule 17E) Notice 2016 is responsible for scrutinising the inclusion of new partners in the list of Reportable Jurisdictions for the automatic exchange of information (AEOI) on tax. Her Majesty's Revenue and Customs (HMRC) of the United Kingdom, and the Inland Revenue Department of the Financial Services and Treasury Bureau (FSTB) of Hong Kong signed a Competent Authority Agreement in October 2016 with the aim of commencing automatic exchanges from 2018 onwards. From the point of view of the British Government, this was an extremely positive step, signalling the common commitment of Hong Kong and the UK, as leading global financial centres, to be at the forefront of developing international standards to increase transparency and strengthen our effectiveness in countering money laundering and criminal finance.

During the Legislative Council's discussions on the AEOI Bill earlier this year, legislators understandably were keen to explore and mitigate any potential concerns about the handling of data exchanged under the new arrangements. I would like to reassure Subcommittee members that the UK Government takes the safeguarding of data very seriously, and to provide some information on the measures that HM Revenue and Customs have already put in place.

As part of our decision to exchange data with other jurisdictions under the Common Reporting Standard (CRS) for AEOI we have examined the data confidentiality and security protocols of possible exchange partners. One of the key areas we check is that the data confidentiality of the data is respected, and is only used for tax purposes (as is required by the agreements). We appreciate that this is equally important for our exchange partners.

HMRC's own procedures follow the UK Government Security Policy Framework (<https://www.gov.uk/government/publications/security-policy-framework>) and Information Assurance Maturity Model (IAMM). Annually HMRC must assess itself against these requirements through the Departmental Security Health Check (DSHC) process and report to the UK Government Cabinet Office its compliance, and identify any areas for improvement.

HMRC enforces strong password controls to log into its networks. Users log in to HMRC networks using their unique personnel identification (PID) number and their password (specific and known only to them). Network and system activity can be traced to PID. In particular for CRS data, new security structures are in place at all required levels so that data flows to specific controlled points. Other HMRC networks have no indiscriminate access to CRS data. Implementation of the CRS system has been overseen and signed off by HMRC security professionals at key stages of development.

The UK will use the data strictly in accordance with the legal agreements, which stipulate that the exchanged information can only be used for the purposes of tax administration. Use for other purposes or sharing outside HM Revenue and Customs would require the express permission of the Hong Kong Inland Revenue Department.

All this is subject to audit, and audit logs are automatically maintained by the system. This information is available for review by HMRC management or independent audit function.

I hope this information will be helpful to the Subcommittee, and I would be grateful if you could circulate it to the members. If the Subcommittee has any questions or requires any further information, the Consulate-General would be happy to provide assistance. Please contact Esther Blythe ([esther.blythe2@fco.gov.uk](mailto:esther.blythe2@fco.gov.uk); tel: 2901 3140).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Andrew Heyn', with a horizontal line drawn underneath the signature.

**Andrew Heyn**