



Keeping you up to date

New corporate legislations in Hong Kong (September 2017)

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Corporate Legislation Tracker – New Hong Kong legislations update

Topic or legislation	Key date	Current status or key details
The Companies (Winding Up and Miscellaneous Provisions) (Amendment) Ordinance 2016	This Ordinance came into force on 13 February 2017	<p>This Ordinance seeks to amend the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) (“CWUMPO”) and its subsidiary legislation to increase protection of creditors, streamline the winding up process and strengthen regulation under the winding up regime with a view to improving and modernising Hong Kong’s corporate winding-up regime. Related, consequential and minor technical amendments are also made to relevant legislations.</p> <p>Examples of increased creditor protection:</p> <ul style="list-style-type: none"> – providing for the power of the court to set aside “transactions at an undervalue” entered into by a company within five years before the commencement of its winding-up; – providing for the liabilities of directors and members concerned to contribute to the assets of the company in connection with a redemption or buy-back of the company’s own shares out of capital in cases where the company is wound up within one year of the relevant payment out of capital; – introducing additional safeguards to reduce the risk of abuse in a director-initiated creditors’ voluntary winding-up commenced under section 228A of CWUMPO; and – enhancing the requirements relating to the first creditors’ meeting upon the commencement of a creditors’ voluntary winding-up; and restricting the powers of the members-appointed liquidator and the directors before the holding of the first creditors’ meeting and the appointment of a liquidator thereat respectively. <p>Examples of streamlining the winding up process:</p> <ul style="list-style-type: none"> – allowing the bills of costs or charges of the liquidators’ agents in a court winding-up to be approved by the Committee of Inspection (“COI”); – allowing remote attendance at meetings of COIs by the use of technology; – enabling COIs to perform their functions and make decisions through written resolutions; and – prescribing the maximum and minimum numbers of members of COIs. <p>Examples of strengthening regulation under the winding up regime:</p> <ul style="list-style-type: none"> – setting out more clearly the powers and duties, the basis for determining remuneration, and tenure of office of a provisional liquidator appointed under different sections of CWUMPO in a court winding-up; – providing that a liquidator would not be absolved from liabilities arising from the liquidator’s misfeasance or breach of duty / trust notwithstanding that he has obtained a court order releasing him as liquidator after the completion of the winding-up; – suitably expanding the list of persons disqualified for appointment as a provisional liquidator or liquidator; – introducing a new requirement for disclosure by a prospective provisional liquidator and prospective liquidator of specified relationships between him or his immediate family members, etc. and the company being wound up before his nomination or appointment; and – improving the private and public examination procedures of CWUMPO which are part of the process of investigation conducted by the liquidator during a winding-up to ascertain information about the company’s affairs and property, etc.
The Companies (Amendment) Bill 2017	This Bill was gazetted on 23 June 2017. The Bill is expected to come into effect on 1 March 2018	The Bill seeks to amend the Companies Ordinance (Cap. 622) to require certain companies incorporated in Hong Kong (excluding listed companies) to keep register of persons who have significant control over the companies. Significant control includes but is not limited to holding directly or indirectly, more than 25% of the issued shares of a company, the right to appoint or remove a majority of the board of directors of a company and/or the right to exercise, or actually exercises, significant influence or control over the company.

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Joint Consultation Conclusions on Proposed Enhancements to the Stock Exchange of Hong Kong Limited's Decision-Making And Governance Structure For Listing Regulation	These joint consultation conclusions were published on 15 September 2017	<p>The conclusions clarify the role of the Securities and Futures Commission ("SFC") as the statutory regulator which administers the Securities and Futures Ordinance ("SFO") and the Securities and Futures (Stock Market Listing) Rules ("SMLR"), and which supervises, monitors and regulates the activities carried on by the Hong Kong Stock Exchange, as well as the Hong Kong Stock Exchange's role as the regulator administering the Listing Rules.</p> <p>The role of the SFC as a statutory regulator has evolved to have a more direct presence in more serious areas of listing regulation.</p> <p>A new Listing Policy Panel will be established as an advisory, consultative and steering body outside the SFC and the Hong Kong Stock Exchange to initiate and centralise discussion of listing policies with broader regulatory or market implications.</p> <p>The role of the Listing Committee under the Listing Rules will remain unchanged. Going forward, the Chief Executive of Hong Kong Exchanges and Clearing Limited (HKEX) will attend Listing Committee meetings as a non-voting member representing the HKEX's board only where listing policy matters are discussed, and will not attend Listing Committee meetings on individual cases.</p> <p>The SFC will discharge its statutory oversight of the Hong Kong Stock Exchange's listing function through a materially enhanced, published audit of the Listing Committee and the Listing Department.</p> <p>To enhance governance within the Hong Kong Stock Exchange's structure for reviewing the Listing Committee's decisions, the Hong Kong Stock Exchange will conduct a separate consultation in 2018 on the review system for decisions of the Listing Committee.</p>
Financial Institutions (Resolution) Ordinance	This Ordinance came into force on 7 July 2017	Under this Ordinance, the Monetary Authority, the Insurance Authority and the Securities and Futures Commission will be the resolution authorities. They are vested with a range of necessary powers to effect orderly resolution of non-viable systemically important financial institutions in Hong Kong such that risks posed by the non-viability to the stability and effective working of the Hong Kong financial system, including the continuity of critical financial services, can be mitigated while losses are imposed on the institution's shareholders and creditors, thereby minimising risks posed to public funds.
Financial Institutions (Resolution) (Protected Arrangements) Regulation	This Ordinance came into force on 7 July 2017	This Regulation imposes appropriate constraints on the resolution authorities under the Financial Institutions (Resolution) Ordinance ("FIRO"), namely the Monetary Authority, the Insurance Authority and the Securities and Futures Commission, in the event that it is necessary for them to exercise resolution powers to manage the orderly failure of a non-viable systemically important financial institutions in Hong Kong. These constraints are designed to safeguard the economic effect of a certain set of financial arrangements, defined as "protected arrangements" under section 74 of the FIRO, that are crucial to the daily functioning of financial markets. Before the FIRO commences operation, it is considered prudent to have the Regulation in place in order to provide legal certainty on the treatment of the "protected arrangements" if a resolution authority should need to exercise its resolution powers.
Mandatory electronic filing of Disclosure of Interests ("DI") Notifications under the Securities and Futures Ordinance	This requirement came into effect on 3 July 2017	<p>New prescribed DI forms must be completed and submitted electronically through a new Disclosure of Interests Online System introduced by Hong Kong Stock Exchange.</p> <p>However, there is a three month transitional period from 3 July 2017 during which filers may use the old forms and submit them by fax, hand, post or email to the Hong Kong Stock Exchange and the listed corporation concerned.</p>

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Circular to Licensed Corporations Regarding Measures for Augmenting the Accountability of Senior Management	This circular was published by the Securities and Futures Commission ("SFC") on 16 December 2016	<p>This circular introduced measures to heighten the accountability of the senior management of licensed corporations and to promote awareness of senior management obligations under the current regulatory regime.</p> <p>Specifically, the circular aims to provide more guidance on who should be regarded as the senior management of a licensed corporations. It identifies eight core functions which are instrumental to the operations of licensed corporations. Licensed corporations are expected to designate fit and proper individuals to be Managers-in-Charge of each of these functions. Those who have overall management oversight of the licensed corporations and those in charge of key business line functions are also expected to seek the SFC's approval as responsible officers.</p> <p>Starting from 18 April 2017, corporate licence applicants and existing licensed corporations will have to submit up-to-date management structure information and organisational charts to the SFC. All existing licensed corporations should submit the required information by 17 July 2017. In addition, their Managers-in-Charge of the overall management oversight and key business line functions who are not already responsible officers should have applied for approval to become responsible officers by 16 October 2017.</p>
New Board Concept Paper published by the Hong Kong Stock Exchange	This concept paper was open for comments from 16 June 2017 to 18 August 2017	<p>The Hong Kong Stock Exchange released the concept paper to seek public feedback on the proposed establishment of a New Board, separate from the Main Board and the Growth Enterprise Market ("GEM"), to widen capital market access in Hong Kong by opening up the market to a more diverse range of issuers which are companies from New Economy sectors with one or more of the following characteristics that currently prohibit them from listing in Hong Kong:</p> <ul style="list-style-type: none">– pre-profit companies;– companies with non-standard governance features; and– Mainland Chinese companies that wish to list on the Hong Kong Stock Exchange as a secondary listing venue. <p>The proposed New Board is divided into two segments, the New Board PREMIUM and New Board PRO, with shareholder protection standards based on the level of perceived risk in each segment.</p> <p>New Board PREMIUM would be open to retail investor participation and accordingly, a regulatory approach similar to that of the Main Board would apply. New Board PRO would be open to professional investors only and would provide a "lighter touch" approach to initial listing requirements.</p> <p>The New Board would feature an accelerated delisting mechanism for both segments to help ensure ongoing quality.</p>

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Consultation Paper on Review of the Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules	The deadline for response was 18 August 2017	<p>The Hong Kong Stock Exchange proposes changes to its rules for the Growth Enterprise Market, or GEM, which seek to address recent market and regulatory concerns regarding the quality and performance of applicants to, and listed issuers on, GEM. These include concerns about price volatility of GEM securities post-IPO, whether there is an open market for all GEM listings and the possible exploitation of GEM as a means of achieving a Main Board listing without a commensurate due diligence process at the relevant time. The proposed changes to the Main Board Listing Rules also ensure that there is a clear distinction between the Main Board and GEM.</p> <p>The consultation paper considers four key areas: (1) GEM's position as a "stepping stone" to the Main Board; (2) GEM's admission requirements and delisting mechanism; (3) the open market requirement for GEM companies; and (4) eligibility requirements for the Main Board.</p> <p>Key provisions of the proposals on which the Exchange is seeking public feedback are:</p> <ul style="list-style-type: none">– the removal of the streamlined process for GEM transfers to the Main Board;– transitional arrangements lasting three years for existing listed GEM companies and those that have already submitted a valid application for listing on GEM (and subsequently list), to minimise the impact on them of the removal of the streamlined GEM transfer process;– an increase in the minimum expected market capitalisation of GEM applicants from \$100 million to \$150 million and a corresponding increase in the minimum public float value of a GEM company from \$30 million to \$45 million;– an increase in the minimum expected market capitalisation of Main Board applicants from \$200 million to \$500 million and a corresponding increase in the minimum public float value of a Main Board company from \$50 million to \$125 million (25 per cent of \$500 million);– an increase in the cash flow requirement for GEM applicants from \$20 million to \$30 million;– the introduction of a mandatory public offering requirement of at least 10 per cent of the total offer size for all GEM IPOs; and– an extension of the post-IPO lock-up requirement on controlling shareholders from one year to two years for GEM and, where appropriate, the Main Board.
Guide on Producing Simplified Listing Documents Relating to Equity Securities for New Applications	The guidance letter was published by the Hong Kong Stock Exchange on 11 August 2017	<p>The Hong Kong Stock Exchange has adopted a recommended 20 page limit for each of the "History and Development" and "Applicable Laws and Regulations" sections of listing documents, in addition to the recommended 10 page limit for the "Summary and Highlights" and "Industry Overview" sections.</p> <p>To encourage compliance with this guidance letter, the Hong Kong Stock Exchange has decided that it may exercise its discretion to suspend vetting if:</p> <ul style="list-style-type: none">– the listing document does not comply with any of the recommended page limits for specific sections; or– information in the "Summary and Highlights" section is almost entirely copied and pasted from other sections, or does not contain explanation of material fluctuation of key financial data. <p>If vetting is suspended, the applicant must redraft relevant sections of the listing document to fully comply with the guidance letter for vetting to resume. Suspension of vetting is not a return or rejection of the application so there is no need to upload the revised Application Proof onto the Hong Kong Stock Exchange website and the initial listing fee will not be forfeited.</p> <p>The Hong Kong Stock Exchange will commence exercising its discretion to suspend vetting for listing applications submitted after 11 September 2017.</p>

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Guidance on (i) disclosure requirements for substantially complete Application Proofs; and (ii) publication of Application Proofs and Post Hearing Information Packs on the Exchange's website	The guidance letter was published by the Hong Kong Stock Exchange on 11 August 2017	If fundamental issues in a Growth Enterprise Market ("GEM") listing application, such as the applicant's business model or operations, are not clearly understandable after two rounds of comments from the Hong Kong Stock Exchange, it may be evidence that the listing application disclosure is not substantially complete. The Hong Kong Stock Exchange may return the application in cases it considers appropriate.
Guideline to sponsors, underwriters and placing agents involved in the listing and placing of Growth Enterprise Market ("GEM") stocks	This guideline was published by the Securities and Futures Commission ("SFC") on 20 January 2017	<p>Given the price volatility of stocks listed on the GEM, the SFC and the Hong Kong Stock Exchange consider that some market practices may not enable an orderly, informed and efficient market for such securities to develop.</p> <p>New applicants seeking to list on GEM should ensure compliance with all relevant GEM Listing Rules including ensuring that in relation to their securities for which listing is sought the conditions exist for an open market as well as orderly, informed and fair trading to develop at the time of listing.</p> <p>The SFC or the Hong Kong Stock Exchange will, where appropriate, take action against applicants, sponsors, underwriters or placing agents who fail to have appropriate policies and procedures in place to ensure the placing is conducted in a fair and orderly manner.</p>
Companies Registry Circular (Registration of Prospectus)	This circular was published by the Companies Registry on 24 April 2017	This circular reminds companies to avoid some common errors found in prospectuses and related documents delivered for registration pursuant to sections 38D and 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.
SFC Regulatory Bulletin: Listed Corporations	The first issue of this bulletin was published by the Securities and Futures Commission ("SFC") on 13 July 2017	This series of bulletins provides guidance on the manner in which the SFC performs some of its functions under the Securities and Futures (Stock Market Listing) Rules and the Securities and Futures Ordinance in relation to listed corporations and other listing matters.
Consultation Paper on the Securities and Futures (Open-ended Fund Companies) Rules and Code on Open-ended Fund Companies	This consultation was open for comments from 28 June 2017 to 28 August 2017	This consultation paper published by the Securities and Futures Commission ("SFC") sets out the SFC's proposed Securities and Futures (Open-ended Fund Companies) Rules and Code on Open-ended Fund Companies, which include requirements relating to the open-ended fund company's formation, its key operators, ongoing maintenance, termination and winding-up, and will be applicable to all open-ended fund companies.
Circular to clarify competence requirements for existing licensed persons intending to provide asset management services	This circular was published by the Securities and Futures Commission on 23 June 2017	This circular aims to provide further guidance to licensed corporations and individuals seeking to be licensed for Type 9 regulated activity (asset management) under the Securities and Futures Ordinance, in particular on the applicability of certain competence requirements. Under the current licensing regime, licensed corporations and individuals are required to apply for an additional Type 9 licence if the asset management services they propose to conduct are not wholly incidental to the regulated activities for which they are already licensed.

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Guidance note on directors' duties in the context of valuations in corporate transactions	This guidance note was issued by the Securities and Futures Commission ("SFC") on 15 May 2017	<p>Under this guidance note, among other things:</p> <ul style="list-style-type: none">– directors should consider the need for a valuation by a professional valuer of an asset or a target company which the company is proposing to acquire or dispose of;– the scope of the valuer's mandate should be appropriately drafted to ensure that the valuation report will be relevant and useful in aiding the directors to determine the fair and reasonable offer price for the asset or target company and the directors can reasonably rely on the valuation;– directors should take all reasonable steps to verify the accuracy and reasonableness of material information that is likely to affect the valuation of the asset/target company, including financial forecasts, business plans and assumptions;– directors should provide a valuer with all relevant information that is likely to affect the valuation as part of the instructions to the valuer;– directors' reliance on a valuation must be reasonable in all the circumstances; and– directors should draft, in consultation with a financial adviser appointed in a transaction under the Listing Rules, the scope of the financial adviser's mandate appropriately for the matter in hand.
Circular to Financial Advisers in relation to their Advisory Work on Valuations in Corporate Transactions	This circular was issued by the Securities and Futures Commission on 15 May 2017	<p>Financial advisers are reminded to comply with all applicable requirements in the Corporate Finance Adviser Code of Conduct ("CFA Code") where they have been appointed to advise on valuations in corporate transactions.</p> <p>Financial advisers should not rely solely on representations made by the directors, their delegates or other third parties. Financial advisers should conduct their own assessment and undertake reasonableness checks as appropriate on the forecasts, assumptions, qualifications and methodologies of the valuation and the directors' decision on whether or not to appoint a professional valuer. In certain circumstances, it may be appropriate for several valuation methodologies to be utilised in arriving at the final valuation result. In the event that a financial forecast appears unduly optimistic, financial advisers should bring this to the attention of the directors for consideration and appropriate action.</p> <p>If financial advisers cannot be satisfied that the valuation methodology is reasonable and that the valuation has been made by the directors after due and careful enquiry, they should use all reasonable efforts to ensure that the directors understand the relevant regulatory requirements (including the guidance note on directors' duties in the context of valuations in corporate transactions) and their implications and provide advice. Depending on the circumstances, financial advisers might also need to consider the need to cease to act for the directors concerned.</p>
Statement on the SFC's approach to certain project companies seeking a listing in Hong Kong and the exercise of powers under the Securities and Futures (Stock Market Listing) Rules	This statement was published by the Securities and Futures Commission ("SFC") on 11 April 2017	<p>This statement explains the approach of the SFC to the listing of certain infrastructure project companies – such as those falling within the Belt and Road Initiative of the Central Government – in Hong Kong. In particular, given the specific circumstances of such companies, the SFC explains the factors that it would take into account when reviewing the proposed listing of such infrastructure project companies in Hong Kong.</p>
Consultation Paper on the Proposed Amendments to the Securities and Futures (Professional Investor) Rules	This consultation was open for comments between 1 March 2017 to 3 April 2017	<p>The Securities and Futures Commission ("SFC") launched this consultation on proposed amendments to the Securities and Futures (Professional Investor) Rules to allow joint accounts with non-associates and assets held in investment vehicles owned by individuals to be counted in ascertaining whether individuals meet the monetary threshold to qualify as professional investors.</p> <p>In addition, the categories of professional investors would be expanded to include corporations which have investment holding as their principal business and are wholly owned by one or more professional investors, as well as corporations which wholly own another corporation that is a qualified professional investor. Alternative forms of evidence would also be allowed to demonstrate qualification as a professional investor.</p>

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Competition Ordinance (Cap. 619)	This Ordinance came into force on 14 December 2015.	<p>The Competition Ordinance ("Ordinance") was passed by the Legislative Council in June 2012 and was set to commence full operation on 14 December 2015.</p> <p>The Ordinance prohibits restrictions on competition in Hong Kong through three competition rules:</p> <ul style="list-style-type: none">– the First Conduct Rule prohibits anti-competitive agreements;– the Second Conduct Rule prohibits abuse of market power; and– the Merger Rule prohibits anti-competitive mergers and acquisitions. <p>The First Conduct Rule and the Second Conduct Rule apply to all sectors of the Hong Kong economy. At present, the Merger Rule only applies to mergers involving carrier licence holders within the meaning of the Telecommunications Ordinance (Cap. 106).</p> <p>The Competition Commission ("Commission") is the principal competition authority responsible for enforcing the Ordinance through enforcement proceedings before the Competition Tribunal. Decisions made by the Tribunal and other courts are also important sources of law for the competition regime in Hong Kong.</p> <p>Guidance on how the Commission intends to interpret and give effect to various provisions of the Ordinance is available in its detailed guidelines issued pursuant to the Ordinance. Further guidance is offered through the Commission's policy documents such as the Enforcement Policy, the Leniency Policy for Undertakings Engaged in Cartel Conduct and the Guidance Note on Fees Payable for Making an Application to the Competition Commission.</p> <p>The Commission's decisions made under sections 11 and 26 of the Ordinance and block exemption orders made under section 15 of the Ordinance are also important indicators of how competition law will operate in Hong Kong. These can be found on the Decisions Register and Block Exemption Orders Register respectively.</p> <p>The Communications Authority shares concurrent jurisdiction with the Commission in respect of anti-competitive conduct of certain undertakings operating in the telecommunications and broadcasting sectors. In this connection, the Commission has entered into a Memorandum of Understanding with the Communications Authority to coordinate the performance of their functions under the Ordinance.</p>

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Contracts (Rights of Third Parties) Ordinance (Cap. 623)	The Ordinance came into force on 1 January 2016	<p>The Ordinance reforms the doctrine of privity of contract and allows a third party to enforce the contractual terms subject to contracting parties' intention.</p> <p>The Ordinance only applies to contracts entered into on or after the commencement of the Ordinance. Existing contracts will not be affected.</p> <p>Certain classes or terms of contracts are also excluded from the application of the Ordinance, including but not limited to a bill of exchange, a promissory note or any other negotiable instrument; a deed of mutual covenant, a covenant relating to land; a contract for the carriage of goods by sea or by air under the Bills of Lading and Analogous Shipping Documents Ordinance (Cap 440) and the Carriage by Air Ordinance (Cap 500); a letter of credit; a term of contract of employment against an employee.</p> <p>A third party can only enforce a term of a contract if either of the following limbs is satisfied:</p> <ul style="list-style-type: none">– if the contract expressly provides that the third party may enforce a term of contract; or– the contract contains a term that purports to confer a benefit on the third party, unless on a proper construction of the contract, the term is not intended to be enforceable by the third party. <p>The third party must be expressly identified in the contract by a name, as a member or as answering a particular description.</p> <p>A third party is entitled to any "remedy that would have been available to the third party in an action for breach of contract if the third party had been a party to the contract".</p> <p>The Ordinance does not affect a right or remedy of a third party that exists or is available apart from the Ordinance, e.g. the law on agency, trusts, assignment etc.</p>
Hong Kong professional investors regime (a new paragraph 15) under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "Code")	This requirement came into effect on 25 March 2016	<p>This reform ensures that specified categories of professional investors who, previously, were not covered by important Code protections will be covered from this date. A key objective is to ensure that these protections extend to all individual clients of intermediaries (including those who use corporate vehicles) regardless of their financial resources.</p> <p>This means that intermediaries will, among other obligations, be bound by the Suitability Requirement in relation to these clients. Intermediaries will also need to enter into a written client agreement and provide relevant risk disclosure statements.</p>
Client Agreement requirements (new paragraphs 6.2 and 6.5 under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "Code"))	This requirement came into effect on 9 June 2017	<p>Intermediaries must comply with important new Code requirements governing the contents of all client agreements, including incorporation of the following new clause:</p> <p>"If we [the intermediary] solicit the sale of or recommend any financial product to you [the client], the financial product must be reasonably suitable for you having regard to your financial situation, investment experience and investment objectives. No other provision of this agreement or any other document we may ask you to sign and no statement we may ask you to make derogates from this clause."</p>

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The Inland Revenue (Amendment) (No. 2) Ordinance 2016	This Inland Revenue (Amendment) (No. 2) Ordinance 2016 commenced operation on 3 June 2016	This Ordinance is intended to develop Hong Kong as a hub of corporate treasury centres, and encourage a greater level of corporate treasury activities in Hong Kong. This Ordinance amended the Inland Revenue Ordinance to allow, under specified conditions, the deduction of interest expenses in calculating profits tax for intra-group financing business of corporations. Profits tax for specified treasury activities may be reduced by 50% for qualifying corporate treasury centres.
The Inland Revenue (Amendment) (No. 3) Ordinance 2016 and The Inland Revenue (Amendment) (No. 2) Ordinance 2017	This Inland Revenue (Amendment) (No. 3) Ordinance 2016 commenced operation on 30 June 2016 The Inland Revenue (Amendment) (No. 2) Ordinance 2017 came into operation on 1 July 2017.	These Ordinances put in place a legislative framework for Hong Kong to implement Automatic Exchange of Financial Account Information (AEOI). Under the AEOI standard, financial institutions are required to identify financial accounts held by tax residents of reportable jurisdictions or held by passive non-financial entities whose controlling persons are tax residents of reportable jurisdictions in accordance with due diligence procedures. Required information of these accounts has to be collected and furnished to the Inland Revenue Department. Such information will be exchanged on an annual basis. "Tax residents of reportable jurisdictions" refer to those who are liable to tax by reason of residence in the jurisdictions. In general, whether or not an individual is a tax resident of a jurisdiction is determined by having regard to the person's physical presence or stay in a place (e.g. whether over 183 days within a tax year) or, in the case of a company, the place of incorporation or the place where the central management and control of the entity is exercised. Account holders may be requested to provide self-certifications on their personal information including tax residence, so as to enable financial institutions to identify the reportable accounts. In its Automatic Exchange Portal, the Organisation for Economic Cooperation and Development has provided information on the tax residency rules applicable in jurisdictions that are committed to automatically exchanging information. The Government introduced an amendment bill to the Legislative Council ("LegCo") in March 2017, which seeks to expand the list of reportable jurisdictions to cover 75 reportable jurisdictions for the more effective implementation of the arrangement relating to AEOI. The bill was passed by the LegCo on 7 June 2017. The Inland Revenue (Amendment) (No. 2) Ordinance 2017 came into operation on 1 July 2017. Hong Kong will only conduct AEOI with a reportable jurisdiction when an arrangement is in place with the reportable jurisdiction concerned to provide the basis for exchange.

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