



ASSOCIATION FOR
FINANCIAL
PROFESSIONALS



Underwritten by



CASH AND TREASURY MANAGEMENT
COUNTRY REPORT

HONG KONG

Executive Summary

Banking

The Hong Kong government entity that performs the responsibilities of a central bank is the Hong Kong Monetary Authority (HKMA). Bank supervision is performed by the HKMA.

Hong Kong does not apply automatic central bank reporting requirements, however, the Census and Statistics Department samples companies through the Survey of External Claims, Liabilities and Income to collect balance of payments data, according to the rules set out in the Census and Statistics Ordinance (Chapter 316 Q) and relevant regulations.

Resident entities are permitted to hold fully convertible foreign currency bank accounts domestically and outside Hong Kong. Non-resident entities are permitted to hold fully convertible domestic and foreign currency bank accounts within Hong Kong.

Hong Kong has a large number of banking institutions: 22 licensed banks, or commercial and retail banks (incorporated in Hong Kong), 13 restricted license banks (incorporated in Hong Kong) , and 16 deposit-taking companies. There is a significant foreign banking presence: 151 banks are incorporated outside Hong Kong and 48 foreign banks have representative offices.

Payments

Hong Kong's six main interbank payment clearing systems are HKD CHATS, USD CHATS, EUR CHATS, Paper Cheque Clearing (CLG), Electronic Clearing (ECG), and RMB CHATS. A Faster Payments System (FPS) launched in September 2018 to support the use of mobile phone numbers or email addresses for payments in HKD and RMB 24/7/365.

The most important cashless payment instruments in Hong Kong are electronic funds transfers and, in terms of volume, checks. e-wallet payments are increasingly popular for retail purchases.

Liquidity Management

Hong Kong-based companies, both resident and non-resident, have access to a variety of short-term funding alternatives. There is also a range of short-term investment instruments available.

Cash concentration is a common technique used by Hong Kong companies to manage company and group liquidity. Of the available techniques, zero-balancing is the most commonly used.

Notional pooling is available in Hong Kong for both single entities and multiple entities, either resident or non-resident.

Trade Finance

Hong Kong is a Special Administrative Region (SAR) of the People's Republic of China, but maintains its independence and status as a duty-free port. Trade is free from tariffs and other controls.

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International Funds Transfers

PINACLE®, PNC's top-rated, online corporate banking portal provides access to International Funds Transfers to more than 130 countries in U.S. dollars and foreign currencies.

Multicurrency Accounts

Demand deposit accounts that hold foreign currency instead of U.S. dollars offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. In addition, our EUR and GBP multicurrency accounts (MCAs) are able to receive payments via the local payment systems, SEPA and BACS/ FPS, respectively. You can easily view deposit and withdrawal details through PINACLE.

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Establish accounts in foreign countries

Establishing good banking relationships in the

countries where you do business can help you simplify your international transactions. PNC offers two service models to help you open and manage accounts at other banks in countries outside the United States.

- PNC Gateway Direct comprises an increasing number of banks located in many European countries and parts of Latin America. PNC's team will serve as a point of contact for setting up the account, help with any language and time barriers and will continue to serve as an intermediary between you and the bank you select. You can access reporting and make transfers via PINACLE.
- PNC's Gateway Referral service can help you connect to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

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PNC's senior foreign exchange consultants can help you develop a strategy to mitigate the risk of exchange rate swings so you can more effectively secure pricing and costs, potentially increasing profits and reducing expenses.

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PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so you always know your contact at PNC and receive best-in-class service. And PNC delivers it all to your computer through advanced technology, resulting in fast and efficient transaction initiation and tracking.

Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.

Disclosure

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Financial Environment

Country Information

Geographical Information

Capital	Hong Kong includes Hong Kong Island (Victoria), the Kowloon Peninsula, Lantau Island and the New Territories.
Area	1,108 km ²
Population	7.5 million
Official languages	Chinese (Cantonese), English
Political leaders	Head of state — President Xi Jinping of the People's Republic of China (since March 14, 2013) Head of government — Chief Executive Carrie Lam (since July 1, 2017)

Business Information

Currency (+ SWIFT code)	Hong Kong dollar (HKD)
Business banking hours	09:00/09:30-16:30/17:00 (Mon-Fri) and 09:00-12:30/13:00 (Sat)
Bank holidays	2019 — April 5, 19, 20, 22, May 1, 13*, June 7*, July 1, September 14*, October 1, 7*, December 25, 26 2020 — January 1, 25-28, April 4, 10, 11, 13, 30*, May 1, June 25, July 1, October 1, 2*, 26, December 25, 26 * The date shown may vary by plus or minus one day. These dates are derived by converting from a non-Gregorian calendar (e.g., Muslim or Hindu) to the Gregorian calendar. Some of these dates cannot be determined in advance with absolute accuracy, even by the governing authorities. In the case of Muslim dates in particular, the feast days are determined by the sighting of a new/full moon. Source: www.goodbusinessday.com .
International dialing code	+ 852

Country Credit Rating

FitchRatings last rated Hong Kong on June 13, 2018 for issuer default as:

Term	Issuer Default Rating
Short	F1 +
Long	AA +
Long term rating outlook	Stable

Source: www.fitchratings.com, March 2019.

Economic Statistics

Economics Table

		2012	2013	2014	2015	2016
GDP per capita	(USD)	36,991	38,500	40,277	42,416	43,973
GDP	(HKD billion)	2,037	2,138	2,258	2,397	2,491
GDP	(USD billion)	263	276	291	309	321
GDP volume growth*	(%)	+ 1.7	+ 3.1	+ 2.6	+ 2.5	+ 2.0
BoP (goods, services & income) as % GDP		+ 2.6	+ 2.5	+ 2.2	+ 4.0	+ 5.4
Consumer inflation*	(%)	+ 4.1	+ 4.4	+ 4.5	+ 3.0	+ 2.4
Population	(million)	7.10	7.16	7.23	7.29	7.30
Unemployment	(%)	3.3	3.4	3.2	3.3	3.4
Interest rate (local currency MMR)[†] (%)		0.06	0.06	0.13	0.09	0.23
Exchange rate[‡]	(HDK per USD)[†]	7.756	7.756	7.754	7.752	7.762

		2017	2018			
			Q1	Q2	Q3	Q4
GDP per capita	(USD)	46,394	-	-	-	-
GDP	(HKD billion)	2,661	-	-	-	-
GDP	(USD billion)	341	-	-	-	-
GDP volume growth*	(%)	+ 3.8	+ 4.7	+ 3.4	NA	NA
BoP (goods, services & income) as % GDP		+ 5.1	-	-	-	-
Consumer inflation*	(%)	+ 1.5	+ 2.4	+ 2.1	+ 2.5	+ 2.6
Population	(million)	7.36	-	-	-	-
Unemployment	(%)	3.1	2.7	2.8	2.9	NA
Interest rate (local currency MMR)[†] (%)		1.25	0.08	0.70	1.03	1.60
Exchange rate[‡]	(HDK per USD)[†]	7.793	7.828	7.849	7.846	7.830

*Year on year. [†]Period average. [‡]Market rate.

Sources: *International Financial Statistics*, IMF, March 2019 and 2018 Yearbook.

Sectoral Contribution as a % of GDP

Agriculture - 0.1%

Industry - 7.6%

Services - 92.3% (2017 estimate)

Major Export Markets

China (54.1%), USA (7.7%)

Major Import Sources

China (44.6%), Singapore (6.4%), Japan (6.1%), South Korea (5.5%), USA (5.2%)

Political and Economic Background

Economics

Interest Rate Management Policy

The stability of the Hong Kong dollar exchange rate is maintained through an automatic Interest Rate Adjustment Mechanism. When demand for HKD assets decreases and the HKD exchange rate weakens to the convertibility rate, the Hong Kong Monetary Authority (HKMA) will purchase HKD from banks, leading to a contraction of the monetary base. Interest rates then rise, creating the monetary environment favorable to capital inflows in order to maintain exchange rate stability. Conversely, if there is an increase in the demand, leading to a strengthening of the exchange rate, banks may purchase HKD from the HKMA. The monetary base correspondingly expands, exerting downward pressure on interest rates, consequently discouraging continued inflows.

Foreign Exchange Rate Management Policy

Hong Kong's Linked Exchange Rate System is a currency board system, which requires any change in the monetary base to be backed by a corresponding change in foreign reserves at a fixed exchange rate. (See Exchange Controls for further details.) The foreign reserve currency is the USD. The Currency Board Sub-Committee of the Exchange Fund Advisory Committee comprises academics, market professionals and senior officials from the HKMA, and meets regularly to monitor the operation of the system and to consider ways of improving it.

Major Economic Issues

In 2017, Hong Kong marked its 20th anniversary since the handover of sovereignty from the British to the People's Republic of China. The "one country, two systems" policy applies not only to political structures, but also to economic structures, and though economic ties with China's mainland have grown closer, Hong Kong maintains its status as the freest economy in the world and as a major international financial center.

Hong Kong's GDP grew at an annual rate of 1.3% in Q4 (2.9% in Q3, 3.5% in Q2), which meant that full year growth was 3%. GDP is forecast to grow between 2% and 3% in 2019. As an export-oriented economy, the outcome of trade talks between the US and China will be highly significant for Hong Kong. The government has outlined measures to increase and strengthen the competitiveness of the economy, including measures to promote innovation and technology and the creative industries. Inflation for 2019 is forecast at 2.5%. The unemployment rate is expected to remain at 2.8%.

Hong Kong has close economic ties with the China. It is the largest source of overseas direct investment in the Chinese mainland, while China is its biggest trading partner (although if the USA imposes further trade tariffs on China, it could impact on 7% of Hong Kong's exports) and a leading investor in Hong Kong (according to Hong Kong's Census and Statistics Department, the

stock of Hong Kong's inward investment from the Chinese mainland represented 25.7% of the total at the end of 2017). Hong Kong has worked hard to establish closer links with China, such as signing the 2003 Closer Economic Partnership Agreement (CEPA), which gives Hong Kong-based companies access to markets in mainland China free from tariffs. In 2017, Hong Kong signed the Agreement on Economic and Technical Cooperation and Investment Agreement under the framework of CEPA. The agreements give preferential treatment to local companies in both service and non-service sectors. Hong Kong has also established an RTGS system for the processing of Chinese RMB payments and is a key conduit for investment in the Chinese mainland.

Hong Kong is an attractive market for foreign direct investment. In 2017, FDI inflows totaled USD 85 billion. Hong Kong is also an attractive location for regional headquarters or representative offices for multinational companies to manage their businesses in the Asia Pacific, particularly the Chinese mainland. According to government figures, there are 1,530 regional headquarters (RHQs) and 2,425 regional offices (ROs) in Hong Kong.

Politics

Government Structure

Political power is divided between the Executive Council and the Legislative Council under the terms of the Hong Kong constitution, known as the Basic Law.

Hong Kong is a special administrative region (SAR) of the People's Republic of China, but maintains its independence through the "one country, two systems" policy. As such, the national government remains based in Hong Kong since the handover of sovereignty to mainland China in 1997.

The President of the People's Republic of China is the head of state, but executive power resides mainly with the Chief Executive of Hong Kong SAR.

Executive

The Executive Council is headed by the Chief Executive, who is appointed by a 1,200-member election committee every five years.

The Executive Council is composed of 15 principal officials and 16 non-official members, appointed by the Chief Executive, and has responsibility for introducing legislation to the Legislative Council, deciding on policy matters and drafting subordinate legislation. An administrative civil service carries out policy and presides over 12 policy bureaus and 61 departments.

The current administration is headed by Carrie Lam, who took office on July 1, 2017. Carrie Lam, who won the March 2017 election to be the next Hong Kong Chief Executive, is seen as pro-Beijing.

Legislature

The legislature has a unicameral structure and is called the Legislative Council (Legco).

The 70-member council is elected every four years, having been expanded from 60-members in the 2012 election. Forty members are elected via popular vote, while the remainder are elected

from functional constituencies. In the elections held on September 4, 2016, the vast majority of seats were won by pro-China members, with 23 won by pro-democracy candidates. The next legislative elections are set for September 2020.

The Legislative Council has responsibility for drafting legislation, approving budgets, debating policy and endorsing the appointment/removal of judges.

International Memberships

Hong Kong is a member of the Asia Pacific Economic Cooperation (APEC). It is also a member of the Bank for International Settlements, the International Monetary Fund and the World Trade Organization.

Major Political Issues

The dominant political issue in Hong Kong is its relationship with mainland China and the tension between closer cooperation and preserving independence. Under the Basic Law and Sino-British Joint Declaration of 1984, China agreed to guarantee a high degree of autonomy in all affairs, except foreign and defense, for 50 years following the handover of sovereignty on July 1, 1997.

Two decades later, Hong Kong has maintained its autonomy, but not without some challenges. In 2017, Hong Kong's Democratic Party reiterated its commitment to "self-determination to the greatest extent under the current framework of China's sovereignty", although it rejected calls for Hong Kong independence. In response, China has spoken of consolidating its sovereignty over Hong Kong, and that the "relationship between the central government and Hong Kong is that of delegation of power, not power-sharing".

Environmental problems, poverty levels (1.35 million, or 19.9% are estimated to live below the poverty line) and a widening wealth gap are increasingly pressing issues. Hong Kong government figures show that one in five residents is living below the poverty line. Chief Executive Lam has vowed to boost property ownership among low-income families, shifting the priority from providing more public rental flats to building more subsidized flats for sale. In addition, the government has earmarked HKD 500 billion on its Lantau Tomorrow Vision reclamation which will see the creation of a group of islands to house 1.1 million people. The proposed project has proved controversial among Hong Kong residents concerned by the vast sums involved and the environmental damage the construction of the islands may cause.

In September 2018, Carrie Lam reaffirmed the need to introduce a national security law but stated there was no immediate timetable for legislating Article 23 of the Basic Law. Article 23 stipulates that the Hong Kong government enacts laws to prohibit acts of treason, secession, sedition, subversion against the central government. Attempts to legislate in 2003 resulted in protest.

Taxation

Resident/Non-resident

A corporation (or other entity) is resident if it is incorporated in Hong Kong or managed and controlled in Hong Kong.

Tax Authority

Inland Revenue Department (IRD).

Tax Year/Filing

The tax year runs from April 1 to March 31. Taxable profits are assessed based on the company's accounting year that ended in the tax year.

Normally the corporate 'profits tax return' is issued on the first working day in April following the tax year. Companies whose financial years end between December 1 and March 31 normally are granted an extended period within which to file their tax returns. Companies are required to file a tax return within a prescribed period, and a final tax assessment is then issued.

Companies also must pay a provisional profits tax for the following tax year, at a rate of 16.5% of the current year's profits. This payment is credited against the final profits tax liability. Any excess payment will be refunded. The same applies for unincorporated businesses.

Hong Kong does not allow groups of companies to file consolidated returns and there is no group loss relief for members of a group of companies.

Corporate Taxation

Hong Kong adopts the 'territorial source principle' in charging profits tax. Both resident and non-resident companies carrying on business in Hong Kong pay tax on profits sourced there.

The corporate profits tax rate is 16.5%. Unincorporated businesses are taxed at a standard rate of 15%.

There is no surtax or alternative minimum tax.

Losses attributable to a business that earns profits subject to profits tax may be carried forward indefinitely and set off against future profits of the company. Specific anti-avoidance rules counteract the purchase of a loss-making company for the sole or principal purpose of using the company's losses. Losses cannot be carried back.

A profits tax exemption for offshore funds is available for specified transactions if certain conditions are satisfied. Concessionary tax rates are available for qualified corporate treasury centers, offshore business of reinsurance companies and authorized captive insurance companies.

Advance Ruling Availability

Companies may apply to the Commissioner of the Inland Revenue for an advance tax ruling regarding transactions, operations or arrangements that are under serious consideration. The application can determine how the provisions of the Inland Revenue Ordinance apply to a specific scenario. Full details need to be provided before an advance ruling can be given.

There is an advance pricing arrangement program.

Cash Pooling

Hong Kong does not have specific tax rules that apply to cash pooling arrangements.

Financial Transactions / Banking Services Tax

Hong Kong does not have specific taxes applying to financial transaction and banking services, including loans, money transfers, letters of credit and foreign exchange.

Withholding Tax (Subject to Tax Treaties)

Payments to:	Interest	Dividends	Royalties	Technical Fees	Branch Remittances
Resident companies	None	None	None	None	NA
Non-resident companies	None	None	4.5%/4.95%/16.5%	None	None

There is no withholding tax on interest and dividends paid to resident or non-resident companies.

There are no requirements to withhold tax on royalties paid to Hong Kong companies. Royalties received by or accrued to non-residents are subject to profits tax at a deemed profit rate of 30%. Applying the corporate tax rate of 16.5%, the amount of tax withheld by the Hong Kong company is normally 4.95% of royalties paid (4.5% for a non-corporate entity). The Hong Kong company paying royalties to the non-resident company is required to withhold a sufficient amount from the payment to meet the tax liability of the non-resident.

The deemed profit rate on royalties paid by a Hong Kong company to an associated non-resident company is 100% where the intellectual property was once owned by any person carrying on business in Hong Kong. In this case, the withholding rate is 16.5% of royalties paid (15% for a non-corporate entity).

Tax Treaties / Tax Information Exchange Agreements (TIEAs)

Hong Kong has exchange of information relationships with 37 jurisdictions through 31 double tax treaties and six TIEAs (www.eoi-tax.org, March 2019).

Transfer Pricing

For transactions between a Hong Kong company and a closely connected non-resident, where the transactions result in no profit or less than a normal profit for the Hong Kong company, the non-resident is deemed to carry on a business in Hong Kong through the Hong Kong company.

Other than the specific transfer-pricing rule that deals with transactions between Hong Kong companies and non-residents, general anti-avoidance provisions are used by the Commissioner to challenge transactions not made at arm's length. The IRD issued the Departmental Interpretation and Practice Notes No. 46 in December 2009, which says that the OECD transfer pricing guidelines are generally acceptable.

Thin Capitalization

There are no thin capitalization rules in Hong Kong. However, there are special rules relating to the deduction of interest expenses:

- Interest paid to non-financial institutions is deductible only when the interest is subject to Hong Kong profits tax in the hands of the recipients.
- To fulfill the “secured-loan test” the borrowing must not be secured by a non-taxable income-generating loan or deposit that is made by associates.
- The “interest flow-back test” requires that the interest paid on the borrowing will not flow back to an associate of the borrower.

If any of these conditions is not met, the interest paid is not deductible. An exception to the interest flow-back test is when the recipient of the interest is subject to Hong Kong profits tax.

Interest paid on debentures or other financial instruments marketed in Hong Kong or in other major financial centers is also subject to the interest flow-back test. If the associate that receives the interest is a registered securities dealer, it can be excluded from the interest flow-back test in order to allow genuine commercial external financing arrangements to proceed.

The above interest deduction rules do not apply to financial institutions. Interest expenses incurred by financial institutions are generally deductible.

Disclosure Requirements

Certain related party transactions must be disclosed in the profits tax return.

Stamp Duty

Stamp duty is imposed on the conveyance of Hong Kong property, the agreement for sale of Hong Kong residential property, the lease of immovable property in Hong Kong, the bought and sold notes of Hong Kong shares, and the instrument of transfer of Hong Kong shares.

Stamp duty on the transfer of Hong Kong shares is 0.2% of the value of the shares transferred, which is shared equally between the buyer and seller. An exemption may be available for an intragroup transaction if certain conditions are satisfied.

The rate on the lease of immovable property ranges from 0.25% of the total rent payable for a short-term lease (one year or less); 0.5% of the annual or average annual rent for a one to three-year lease; and 1% of the annual or average annual rent for a lease exceeding three years.

The maximum ad valorem stamp duty on the sale and conveyance of property is 8.50% of the value of property transferred. (For residential property, the ad valorem stamp duty increased to a flat rate of 15%, other than in specifically exempted and excepted cases, with effect from 5 November 2016).

For any residential property acquired on or after October 27, 2012, a Special Stamp Duty (SSD) ranging from 5% to 20% is levied if the property is sold within 36 months of purchase. In addition to ad valorem stamp duty and SSD, a Buyer's Stamp Duty (BSD) at a flat rate of 15% applies to residential property if it is acquired by any person (including a limited company) except a Hong Kong permanent resident on or after October 27, 2012.

Sales Taxes/VAT

There is no sales tax or VAT in Hong Kong.

Capital Gains Tax

There is no capital gains tax in Hong Kong.

However, gains on the disposal of assets may be subject to profits tax if the disposal constitutes a transaction in the nature of trade (a factual determination).

Property Taxes

Property owners are subject to property tax on rental income derived from property in Hong Kong. Property tax is charged at the standard rate of 15% of the net assessable value of the property as determined by rent, service charges and fees paid to the owner, less an allowance of 20% for repairs and maintenance. A company that derives rental income from property is subject to profits tax and may apply for an exemption from property tax.

Other than stamp duty (see above) there is not tax on the transfer of property.

Payroll Tax and Social Security Taxes

There is no payroll tax payable by employers.

For employees whose monthly income is HKD 7,100 or more, the employer is required to deduct 5% (capped at HKD 1,500) as the employee's contribution to the Mandatory Provident Fund (MPF) scheme, and then pay an additional 5% as its own contribution.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2018 (www.deloitte.com)

Cash Management

Banking System

Banking Regulation

Banking Supervision

Central bank

The Hong Kong government entity that performs the responsibilities of a central bank is the Hong Kong Monetary Authority (HKMA). Its authority derives from the Exchange Fund Ordinance and the Banking Ordinance and it reports to the Office of the Financial Secretary.

Within Hong Kong, the HKMA gives authorization to three note-issuing banks (NIBs) – The Hongkong and Shanghai Banking Corporation Ltd (HSBC), the Standard Chartered Bank, and the Bank of China (Hong Kong) Limited, to issue currency notes. It also manages Hong Kong's Exchange Fund (official monetary reserves).

Its other key responsibilities include upholding the stability of the Hong Kong dollar through a linked exchange rate mechanism, regulating authorized institutions (AIs), and developing Hong Kong's financial infrastructure, particularly with regard to payment and settlement systems.

Other banking supervision bodies

Bank supervision is performed by the HKMA, which also works in close cooperation with the Insurance Authority (Office of the Commissioner of Insurance) and the Securities and Futures Commission in order to supervise insurance companies and securities firms respectively.

The HKMA supervises AIs in line with international standards, particularly those recommended by the Basel Committee on Banking Supervision and the Core Principles for Effective Banking Supervision.

Central Bank Reporting

General

Hong Kong does not apply automatic central bank reporting requirements. However, the Census and Statistics Department (C&SD) samples companies through the Survey of External Claims, Liabilities and Income (SECLI) to collect balance of payments data, according to the rules set out in the Census and Statistics Ordinance (Chapter 316 Q) and relevant regulations. This is carried out quarterly.

What transactions – listed

Transactions relating to external claims, liabilities and income of a resident should be reported to the Commissioner of the C&SD.

Whom responsible

The C&SD must carry out the statistical survey contacting individual companies.

The resident entity is ultimately responsible for the transmission of the required information to the Commissioner.

If the reporting is undertaken by a corporate body, a director, secretary or other person concerned in the management may supply the information. In the case of a partnership, the information must be supplied by a partner, and in any other case by the proprietor of the undertaking.

Additional reporting for liquidity management schemes

No information is available.

Exchange Controls

Exchange structure

Hong Kong's currency, the Hong Kong dollar (HKD), is a unitary currency linked to the USD.

Classification

The HKD is linked to the USD through a currency board system. This system requires the monetary base (composed of notes and coins issued, the aggregate balance of banks' clearing accounts held at the HKMA, and outstanding Exchange Fund bills and notes) to be matched by USD reserves at a fixed exchange rate of USD 7.80 per HKD 1. There is a trading band of between USD 7.75 and 7.85 per HKD 1.

Exchange tax

There is no exchange tax.

Exchange subsidy

There is no exchange subsidy.

Forward foreign exchange market

There are no restrictions on forward foreign exchange markets.

Capital flows

There are no controls on capital transactions.

Loans, interest and repayments

There are no controls on the provision of loans by commercial banks.

Royalties and other fees

There are no restrictions.

Profit remittance

There are no restrictions on the remittance of profits into or out of Hong Kong.

Bank Account Rules

Resident entities are permitted to hold fully convertible foreign currency bank accounts domestically and outside Hong Kong.

Non-resident entities are permitted to hold fully convertible domestic and foreign currency bank accounts within Hong Kong.

To open a bank account, a company must supply a list of authorized signatories and principle shareholders, copies of its incorporation/registration documents along with the appropriate account opening documentation. Account opening documentation can be completed in English.

Anti-money Laundering and Counter-terrorist Financing

- Hong Kong has implemented anti-money laundering and counter-terrorist financing legislation (Drug Trafficking (Recovery of Proceeds) Ordinance (Cap.405); the Organised and Serious Crime Ordinance (Cap. 455); the United Nations (Anti-Terrorism Measures) Ordinance 2002, amended in 2012, the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 575); and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Ordinance 2018 and the Companies (Amendment) Ordinance 2018.
- The Hong Kong Monetary Authority has also issued a series of Guidelines on the prevention of money laundering.
- A Financial Action Task Force (FATF) member, it observes most of the FATF-49 standards. Hong Kong is also a member of the Asia/Pacific Group on Money Laundering (APG) and the Group of International Finance Centre Supervisors (GIFCS).
- Hong Kong has established a financial intelligence unit, the Joint Financial Intelligence Unit (JFIU), which is a member of the Egmont Group.
- Financial institutions must apply customer due diligence measures when establishing a business relationship.
- Beneficial owners must also be identified.
- Ongoing monitoring of accounts and transactions is required taking a risk-based approach.
- Individuals carrying out a single or series of linked transactions exceeding HKD 120,000 or its equivalent in any currency must be identified. For wire transfers the threshold is HKD 8,000, whether carried out in a single or series of linked operations, or its equivalent in any currency.
- Financial institutions in the broadest sense must record and report suspicious transactions to the JFIU.
- Financial institutions must maintain records for five years following the termination of the business relationship.

Data as at March 2019.

Banking Sector Structure

Major Domestic Banks

Bank	Total assets (USD million) December 31, 2017
HSBC	1,016,631
Bank of China (Hong Kong)	321,814
Hang Seng Bank	189,216
Standard Chartered Bank (Hong Kong)	129,702
Bank of East Asia	103,533
Industrial and Commercial Bank of China (Asia)	102,970
China Construction Bank	65,980*
Nanyang Commercial Bank	55,682
DBS Bank	50,787

* As of December 31, 2016.

Source: www.accuity.com.

Overall Trend

Hong Kong has a large number of banking institutions, collectively known as authorized institutions (AI). AI are divided into three groups: 22 licensed banks, or commercial and retail banks (incorporated in Hong Kong), 13 restricted license banks (incorporated in Hong Kong), which are primarily investment and merchant banks, and 16 deposit-taking companies, which are specialist finance companies.

There is a significant foreign banking presence in Hong Kong – 151 banks are incorporated outside Hong Kong and 48 foreign banks have representative offices. Both domestic and foreign banks can provide a full range of banking services to corporate clients, though the latter generally offer more sophisticated corporate banking products, particularly for multinational companies.

All licensed banks offer personal Chinese renminbi (RMB) services, such as deposit-taking, credit cards, remittance and exchange. All banks providing RMB services can accept RMB checks and interbank funds transfers to facilitate customers who wish to purchase RMB-denominated bonds. Hong Kong's banks offer a full range of RMB banking services to non-residents in Hong Kong.

The HKMA began granting licenses to virtual banks in Q1 2019. Internet group Tencent, Ant Financial, e-commerce giant Alibaba, smartphone maker Xiaomi and insurer ZhongAn are among those being awarded a digital banking licence.

Payment Systems

Overview

Hong Kong's six main interbank payment clearing systems are HKD CHATS, USD CHATS, EUR CHATS, Paper Cheque Clearing (CLG), Electronic Clearing (ECG), and the Renminbi RTGS clearing system (RMB CHATS).

The HKD Clearing House Automated Transfer System (HKD CHATS) is the country's real-time gross settlement system (RTGS), used mainly for high-value and urgent electronic payments. It also settles paper-based and bulk electronic payments on a next-day basis. USD CHATS, EUR CHATS, and RMB CHATS, all RTGS systems, are modeled on HKD CHATS and provide clearing and settlement of payments denominated in USD, EUR and RMB respectively. All RTGS systems clear payment transactions using SWIFT message format. These systems are operated by Hong Kong Interbank Clearing Limited (HKICL), which is jointly owned by the HKMA and the Hong Kong Association of Banks.

The CLG and the ECG are the country's main retail payments clearing systems. Also operated by the HKICL, the CLG processes all paper-based instruments while the ECG processes low-value, bulk electronic payments, such as EPSCO and Autopay. Payments from these systems are then settled through the appropriate RTGS system.

HKD, USD, EUR and GBP currencies are covered by the cross-border payment arrangements between Hong Kong and Mainland China. Payments are settled through the respective RTGS systems in Hong Kong and the Domestic Foreign Currency Payment System in China.

The Electronic Bill Presentment and Payment (EBPP) platform, which provides a single consolidated platform for the straight through processing of electronic bill payments between merchants and individuals and companies, processes domestic and cross-border electronic bill payments denominated in HKD, USD and RMB. Approximately, 19 banks and 159 merchants participate in the service.

A Faster Payments System (FPS) launched in September 2018. Operated by the HKICL, the FPS supports the use of mobile phone numbers or email addresses for payments in HKD and RMB anytime and anywhere. The FPS operates 24/7/365 and processes payments in real-time. The system directly connect banks and stored value facility operators.

High-value

Name of system	HKD CHATS
Settlement type	Real-time gross settlement. Settlement institution is the HKMA.
Settlement cycle	Payments are settled on a same-day basis with immediate finality.
Links to other systems	HKD CHATS links to USD CHATS and EUR CHATS on a PvP basis for foreign exchange transactions.
Payments processed	High-value and urgent electronic payments. Also settles low-value bulk electronic payments, credit card transactions, checks, ATM transfers and the daily bulk clearings of stock market transactions.
Currency of payments processed	HKD
Value and other limits to processing	There are no value thresholds.
Operating hours	08:30 to 18:30 local time, Monday to Friday
System holidays	The system is closed on Hong Kong general holidays.
Cut-off times	Customer payments = 18:00 Interbank payments = 18:30
Participants	153 direct participants (February 2019)
Access to system	Through a Member Bank Terminal (MBT) system, which is a standard software provided by HKICL
Future developments	NA

Name of system	USD CHATS
Settlement type	Real-time gross settlement. Settlement institution is HSBC.
Settlement cycle	Payments are settled on a same-day basis with immediate finality.
Links to other systems	USD CHATS links to HKD CHATS and EUR CHATS on a PvP basis for foreign exchange transactions. Also linked to Ringgit RTGS in Malaysia and Bank of Thailand's Thai Baht RTGS system.
Payments processed	High-value and urgent electronic payments. Also settles low-value bulk clearing items.
Currency of payments processed	USD
Value and other limits to processing	There are no value thresholds.
Operating hours	08:30 to 18:30 local time, Monday to Friday
System holidays	The system is closed on Hong Kong general holidays.
Cut-off times	Customer payments = 18:00 Interbank payments = 18:30
Participants	103 direct and 22 indirect participants (February 2019)
Access to system	Through a Member Bank Terminal (MBT) system, which is a standard software provided by HKICL.
Future developments	NA

Name of system	EUR CHATS
Settlement type	Real-time gross settlement. Settlement institution is the Standard Chartered Bank (HK).
Settlement cycle	Payments are settled on a same-day basis with immediate finality.
Links to other systems	EUR CHATS links to USD CHATS and HKD CHATS on a PvP basis for foreign exchange transactions.
Payments processed	High-value and urgent electronic payments. Also settles low-value bulk clearing items.
Currency of payments processed	EUR
Value and other limits to processing	There are no value thresholds.
Operating hours	08:30 to 18:30 local time, Monday to Friday
System holidays	The system is closed on Hong Kong general holidays.
Cut-off times	Customer payments = 18:00 Interbank payments = 18:30
Participants	36 direct and 17 indirect participants (February 2019)
Access to system	Through a Member Bank Terminal (MBT) system, which is a standard software provided by HKICL.
Future developments	NA

Name of system	RMB CHATS
Settlement type	Real-time gross settlement. Clearing bank is Bank of China (HK).
Settlement cycle	Payments are settled on a same-day basis with immediate finality.
Links to other systems	NA
Payments processed	RMB local and cross-border check clearing and payments services; RMB interbank funds transfers and RMB low-value bulk clearing items.
Currency of payments processed	RMB
Value and other limits to processing	There are no value thresholds.
Operating hours	08:30 to 23:30 T+1 local time, Monday to Friday
System holidays	The system is closed on Hong Kong general holidays.
Cut-off times	Customer payments = 17:00 Interbank payments = 17:30
Participants	140 Hong Kong participants and 64 overseas participants (February 2019)
Access to system	Through a Member Bank Terminal (MBT) system, which is a standard software provided by HKICL.
Future developments	NA

Low-value

Name of system	Paper Cheque Clearing (CLG)
Settlement type	Net settlement
Settlement cycle	Payments are settled on a next-day basis.
Links to other systems	NA
Payments processed	Checks, demand drafts, cashier's orders and remittance advices. Two-way check clearing is also available with Guandong and Shenzhen provinces for HKD checks. Paper-based payments (primarily checks) must be truncated into electronic items before processing. High-value checks (i.e. checks greater than HKD 100,000 in value) and special items (such as suspicious checks, regardless of their value) are still presented physically along with their image to the paying banks.
Currency of payments processed	HKD, USD and RMB
Value and other limits to processing	There are no value thresholds.
Operating hours	Monday to Friday
System holidays	The system is closed on Hong Kong general holidays.
Cut-off times	Checks are presented to the HKICL on the day of deposit (day D) and sent to the drawee bank overnight. Checks are then settled on D+1. Net settlement of paper-based items in HKD CHATS or USD CHATS occurs at 09:00. Funds available to customers by 14:45.
Participants	There are 133 participants for HKD-denominated items, 114 participants for USD-denominated items and 84 participants for RMB denominated items.
Access to system	Paper items are sent electronically to the HKICL.
Future developments	NA

Name of system	Electronic Clearing (ECG)
Settlement type	Net settlement
Settlement cycle	Payments are settled on a next-day basis.
Links to other systems	NA
Payments processed	Low-value, bulk electronic items such as autopay, e-cheques, and EPSCO POS and JETCO ATM transactions
Currency of payments processed	HKD, USD and RMB
Value and other limits to processing	There are no value thresholds.
Operating hours	Monday to Friday
System holidays	The system is closed on Hong Kong general holidays.
Cut-off times	Electronic files are delivered to the HKICL on day of the deposit and are processed same day. 08:45: Net settlement for autocredit items 09:00: Net settlement for autodebit items 09:00 and 11:30: Net settlement for JETCO items 10:00: Net settlement for EPSCO items.
Participants	134 participants for HKD, 115 participants for USD and 91 participants for RMB
Access to system	Electronic files are sent to HKICL through a computerized system.
Future developments	NA

Payment and Collection Instruments

Overview and Trends

The most important cashless payment instruments in Hong Kong are electronic funds transfers and, in terms of volume, checks. Card payments are increasing rapidly, especially in the retail sector. Cash is still the dominant payment instrument among individuals for low-value transactions in Hong Kong.

Statistics of Instrument Usage and Value

	Transactions (million)		% change	Traffic (value) (HKD billion)		% change
	2016	2017	2017/2016	2016	2017	2017/2016
Debit cards	133.3	136.3	2.3	284.3	303.1	6.6
Credit cards	556.4	627.7	12.8	570.1	658.8	15.6
Card-based e-money	NA	5,639.5	NA	NA	134.9	NA

Source: CPSS Red Book statistical update, December 2018.

Paper-based

Checks

Checks continue to play an important role in Hong Kong's payment system. They are used by both companies and individuals to pay for goods and services and can also be used for high-value goods in the absence of payment cards. Post-dated checks are accepted in Hong Kong, for up to 30 days in advance.

e-checks retain all the main features of paper checks but are signed, issued, delivered and presented through electronic means, enabling enhanced security features and removing the need for physical delivery and presentment. e-checks bypass the CLG and are processed by the participating banks through existing channels such as internet banking. Ten banks issue e-checks.

All other HKD checks are truncated into electronic items before processing through the CLG. High-value checks (i.e. checks greater than HKD 100,000 in value) are still presented physically to the paying banks along with their electronic images.

HKD-denominated checks drawn in Guangdong Province (including Shenzhen) and presented in Hong Kong, or drawn in Hong Kong and presented in Guangdong Province, are cleared in two business days through a joint service offered by the HKICL, the Guangzhou Electronic Banking Settlement Centre and the Shenzhen Financial Electronic Settlement Centre.

There is a cross-border, one-way, e-check clearing service for HKD, USD and RMB and e-Checks between Hong Kong-Guangdong, Hong Kong-Shenzhen and Hong Kong-Macau.

Electronic

Credit Transfer

Credit transfers are the main form of payment instrument used by companies to pay suppliers and salary payments. They are also used for tax payments and treasury operations.

High-value

High-value and urgent HKD-denominated credit transfers, such as standing orders, are processed through HKD CHATS. Customer payments must be submitted by 17:00 and interbank payments by 17:30 local time to be settled on a same-day basis. All payments settled through HKD CHATS are done so with immediate finality.

Foreign currency electronic payments in USD, EUR or RMB can be processed via USD CHATS, EUR CHATS or RMB CHATS.

No distinction is made between and high and low-value cross-border payments, which can be settled via correspondent bank relationships. Most large banks have direct SWIFT connections. USD CHATS and EUR CHATS are linked to HKD CHATS to process foreign exchange transactions. The Settlement Institution for USD CHATS, HSBC, has direct access to CHIPS, while the Settlement Institution for EUR CHATS, Standard Chartered, has direct access to TARGET2.

Low-value

Non-urgent and low-value credit transfers, known as autocredits, are processed through the ECG system. Payments are processed to be settled on a next-day basis and can be made in HKD or USD.

Direct Debits

Autodebits enable fixed payments on a regular basis. They are used by individuals and companies to make payments for services such as utilities and rent. Their use is growing slowly over time, but remains limited. RMB denominated autodebits are available in Hong Kong.

The cross-border, one-way joint direct debit transfer arrangement allows for recurring payments to be made from Hong Kong residents to merchants in the Shenzhen area of mainland China and to merchants in China's Guangdong province.

Autodebits are processed through the ECG system. All payments are cleared on Friday and settled on the following Monday afternoon.

Payment Cards

Card payments are widely used, especially in the retail sector (75% of all credit card spend is related to retail spending), and transactions continue to increase in popularity. At the end of Q3 2018, there were 19.32 million credit card accounts in Hong Kong. This is a 0.8% increase from the previous quarter and a 3.3% increase year on year. Total volume and value of credit transactions for Q3 2018 was 185.61 million (a 3.5% increase on Q2) and HKD 179.1 billion (a 0.3% increase on Q2) respectively. Debit cards in Hong Kong can carry more than one debit card brand, so the total

number of debit cards in circulation is not available due to overlapping statistics from different card operators. In Q2 2018, the total number of debit card transactions totaled 33.5 million (a 2.2% decrease on Q2) with a value of HKD 79.4 billion (an 0.3% decrease on Q2).

ATM/POS

The EPS Company (EPSCO) is a consortium of 20 banks that operates Hong Kong's point-of-sale (POS) terminals, or EPS. There are over 30,000 EPS terminals in Hong Kong, Macau and Shenzhen. EPSCO offers an over-the-counter bill payment service, where, upon presentation of an electronic bar-coded bill, a customer can use his/her ATM card at an EPS terminal to make payment. EPSCO also offers a service called PPS, which allows online and phone bill payment via a preregistered bank account. EPS terminals now accept CUP cards from mainland China. Some EPSCO terminals process RMB payments.

JETCO operates an ATM network of over 3,000 machines in Hong Kong and Macau, across over 30 member banks. Through its network, customers can make cash withdrawals, credit transfers and check book requests. JETCO also offers the JETCO Pay Merchant Payment service, which facilitates the payment of merchants' and credit card bills through phone and online banking and its ATMs.

Electronic Wallet

Octopus cards are Hong Kong's most popular electronic money card and can either be single stored money payment cards or cards with dual ATM and stored money functions. Octopus cards are used in Hong Kong on public transportation, at certain retail outlets, vending machines and leisure facilities, and on school campuses. Payments are processed through a dedicated payment clearing system.

There are over 30 million e-money cards in circulation, with 99% of 16–65 year olds carrying cards, which are used for over ten million transactions per day. Electronic money cards are currently accepted by over 3,000 local retailers.

Mobile payment services are used in Hong Kong, including Alipay HK, WeChatPay, Apple Pay, Samsung Pay and O! e-pay from Octopus cards. Many of the leading banks also offer e-wallet payment apps to customers. e-wallet payments are scheduled to make up 27% of the country's e-commerce market in 2019.

There are currently 16 stored value facilities (SVF) licensees. At the end of Q3 2018, there were 54.1 million SVF accounts. The total number of transactions was approximately 1.5 billion, with a value of HKD 44.7 billion, an increase of 4.4% and 0.9% respectively on Q2.

Liquidity Management

Short-term Borrowing

Overdrafts

Both resident and non-resident entities can arrange overdrafts with the bank.

Fees (commitment fees and arrangement fees) and charges are negotiable.

Banks charge interest individually but generally from 0.5 to 1.5 percentage points above the best lending rate (BLR), depending on the strength of the customer's bank relationship.

Bank Lines of Credit/Loans

Resident and non-resident entities can arrange short-term bank loans denominated in local and foreign currency from local and foreign banks.

Fees (commitment fees and arrangement fees) and charges are negotiable.

Banks charge interest individually, but local banks generally charge interest according to the BLR or Hong Kong interbank offered rate (Hibor); foreign banks sometimes use Libor as the base rate for loans denominated in foreign currency.

Trade Bills - Discounted

Discounted trade bills are available as a form of short-term financing used by companies in Hong Kong, but purchasing trade bills is a more common practice.

Rates are competitively based on Libor and are generally reviewed every two weeks.

Factoring

Factoring is available in Hong Kong, usually as a disclosed service but also as an undisclosed service.

Commercial Paper

Commercial paper (CP) has declined as a form of short-term borrowing in favor of government Exchange Fund Bills.

Bankers' Acceptances

Bankers' acceptances are primarily used as a technique to support trade, and are only offered in USD.

Supplier Credit

Supplier credit is a common practice for short-term borrowing by companies in Hong Kong and credit is usually extended for an average of one month, though terms are variable.

Intercompany Borrowing, including Lagging Payments

Hong Kong groups and multinationals are permitted to establish intercompany loans.

Short-term Investments

Interest Payable on Bank Account Surplus Balances

Banks are allowed to pay interest on current, or checking, accounts held by both resident and non-resident entities.

Demand Deposits

Interest-bearing demand, or sight, deposit accounts are available to both resident and non-resident entities.

Time Deposits

Time deposits in both local and foreign currency are common. Banks offer them generally for terms from overnight to 36 months. The minimum investment amount offered by licensed banks is HKD 10,000. Restricted license banks only offer time deposits with a minimum investment amount of HKD 500,000 and other deposit-taking companies offer time deposits with a three month minimum maturity and HKD 100,000 minimum investment amount.

Certificates of Deposit

Certificates of deposit (CDs) can be used as investment instruments in Hong Kong. CDs are available in major currencies including the RMB. Tenor can be as short as six months. CDs pay either a fixed interest rate or at floating interest rates.

Treasury (Government) Bills

Treasury bills (T-bills, also known as Exchange Fund Bills) are issued by the HKMA. Exchange Fund Bills are a popular short-term investment instrument for companies because they are tax-free, low-risk, can be used for investment, trading or hedging and are exempt from profit tax and stamp duty. The HKMA typically issues bills with maturities of 91, 182, 364-days, although other maturities can be issued at the discretion of the financial secretary. The minimum investment amount is HKD 500,000.

Commercial Paper

Commercial paper (CP) has declined as a form of short-term investment in favor of Exchange Fund Bills.

Money Market Funds

Money market funds are available in Hong Kong.

Repurchase Agreements

Repurchase agreements (repos) are generally limited to an interbank market although non-bank investors holding eligible securities may participate in overnight repos.

Bankers' Acceptances

Bankers' acceptances are only available in USD in Hong Kong. They are not used by companies for short-term investments but are used by some companies to obtain trade finance.

Liquidity Management Techniques

Cash Concentration

Cash concentration is a common technique used by Hong Kong companies to manage company and group liquidity. Of the available techniques, zero-balancing is the most commonly used.

Both resident and non-resident bank accounts can participate in a cash concentration structure located in Hong Kong. Cross-border structures are permitted for both resident and non-resident entities. Lifting fees on transactions between resident and non-resident bank accounts apply, but can be negotiated by larger companies.

Notional Pooling

Notional pooling is available in Hong Kong for both single and multiple entities.

Both resident and non-resident bank accounts can participate in a notional cash pooling structure located in Hong Kong, denominated in either local or foreign currency.

Trade Finance

General Rules for Importing/Exporting

Hong Kong established the Closer Economic Partnership Agreement (CEPA) with China in 2003, which gives Hong Kong-based companies access to markets in mainland China free from tariffs.

Five FTAs are in place: Mainland of China (June 2003), New Zealand (March 2010), European Free Trade Association (EFTA) member states (June 2011), Chile (September 2012) and Macao (October 2017). FTAs have been signed with the Association of Southeast Asia Nations (ASEAN) (November 2017 - it is expected to come into effect in 2019) and Georgia (this came into force on February 12, 2019). In November 2018, Hong Kong and Australia signed a bilateral free trade agreement, guaranteeing Hong Kong products zero tariffs in Australia. Hong Kong is in the process of negotiating FTAs with the Maldives and Australia.

Hong Kong is also a member of the World Trade Organization (WTO), retaining separate membership from mainland China, and the Asia Pacific Economic Cooperation (APEC).

Imports

Documentation Required

A commercial invoice (containing a full description of the imported item), bill of lading and customs declaration are required for importing items into Hong Kong.

A company must file an import declaration with the Commissioner of Customs and Excise within 14 days of goods being imported into Hong Kong, unless the imported item is an exempted article.

Import Licenses

Licenses are required for some items to protect public health and safety, the environment or national security. Licenses are available from the Director General of Trade and Industry. The import of ozone-depleting material requires a license and is also subject to a quota. Imports of textile products, unless exempted, require import licenses.

Licenses are also required for the import of rice, strategic commodities, rough diamonds and certain textile and clothing products.

Import Taxes/Tariffs

Hong Kong is a duty-free port. Excise taxes are only levied on alcohol, tobacco, hydrocarbon oils and methyl alcohol.

Financing Requirements

There are no particular financing requirements for imports.

Risk Mitigation

Hong Kong does not operate a national risk mitigation program for importers.

Prohibited Imports

The Customs and Excise Department operates a negative list of imports that are prohibited for reasons of national security, for environmental protection or on the grounds of public health.

Exports

Documentation Required

Exports normally need to be accompanied by a customs declaration, commercial invoice and a bill of lading. A certificate of origin may also be required.

Proceeds

There are no restrictions on the use of export proceeds.

Financing Requirements

There are no particular financing requirements for exports.

Export Licenses

Licenses are required for some items to protect public health and safety, the environment or national security. Items subject to export licenses include strategic commodities, rough diamonds, rice and powdered formula. The Director General of Trade and Industry issues export licenses.

Export Taxes/Tariffs

Hong Kong does not levy taxes or tariffs on exports.

Risk Mitigation

The Hong Kong government guarantees export credit insurance contracts provided by the state-owned Hong Kong Export Credit Insurance Cooperation (ECIC), which is a member of the Berne Union. Insurance, covering both political and commercial risk, of up to 90% is obtainable.

Export credit programs are also available privately through commercial banks.

Prohibited Exports

The Customs and Excise Department operates a negative list of exports that are prohibited for reasons of national security, for environmental protection or on the grounds of public health. Items include certain chemicals and explosives, dangerous drugs, and endangered species.

Information Technology

Electronic Banking

Almost all Hong Kong companies have access to electronic banking services. There is no electronic banking standard and as such, access to electronic banking services is either provided by a company's bank or through browser-based software.

A full range of electronic banking services is available, from daily transaction and balance reporting, to domestic and international sweeping arrangements and some transaction initiation.

Most banks also offer some form of internet and mobile banking. (The launch of virtual banks is expected to make the digital banking sector more competitive.) In most cases, services include domestic and international balance reporting and transfer facilities, as well as business-to-business and business-to-consumer settlement resolutions.

In September 2018, the Faster Payment System was launched enabling immediate credit transfers and direct debit payments in HKD and RMB.

External Financing

Long-term Funding

Bank Lines of Credit/Loans

Medium-and long-term financing are both available in the form of bank loans. Most take the form of syndicated loans, but funding can be negotiated bilaterally with banks by large companies.

Bank loans can be arranged by both domestic and foreign-based companies in both domestic and foreign currency. Foreign lenders are particularly active in the Asian syndicated loans market.

Bank loans denominated in domestic currency are usually arranged at a margin to Hibor or BLR. The precise margin is dependent on general market conditions, the creditworthiness of the borrower and the nature of any guarantees and other credit enhancements in place.

Leasing

Leasing is a popular form of longer-term finance for Hong Kong companies. It is used to finance a range of underlying assets, the nature of which determines the term of the lease contract.

Bonds

There are no restrictions on foreign borrowers issuing bonds to finance their businesses or on international investors investing in debt instruments issued in Hong Kong. RMB bonds are issued.

The Hong Kong launched a Government Bond Program (GB Program) in 2009, as well as an inflation-linked bond issue programme known as iBond in 2011. Government bonds are issued for tenors of three years and above.

Hong Kong has an active private sector bond market.

Private Placement

Companies are permitted to place notes privately.

Asset Securitization / Structured Finance

Several banks can arrange asset securitization programs for non-bank corporations. Residential and commercial mortgage loans are the most common form of asset-backed securities, and the Hong Kong Mortgage Corporation (similar to Fannie Mae) is a principal issuer.

Government (Agency) Investment Incentive Schemes / Special Programs or Structures

There is no government agency scheme for infrastructure financing. Funds are raised in the private sector. However, the Infrastructure Financing Facilitation Office (IFFO) has been established by the HKMA to facilitate infrastructure investments and their financing.

Useful Contacts

National Treasurers' Associations

The Hong Kong Association of Corporate Treasurers — Peter-WM.Wong@aig.com

Treasury Markets Association — www.tma.org.hk

National Investment Promotion Agency

InvestHK — www.investhk.gov.hk

Central Bank

Hong Kong Monetary Authority — www.hkma.gov.hk

Supervisory Authority

Hong Kong Monetary Authority — www.hkma.gov.hk

Payment System Operator

Hong Kong Interbank Clearing Limited — www.hkicl.com.hk

ATM/POS Network Operators

The EPS Company (EPSCO) — www.eps.com.hk/chi/

JETCO — www.jetco.com.hk

Banks

HSBC — www.hsbc.com.hk

Bank of China, Hong Kong — www.bochk.com

Hang Seng Bank — www.hangseng.com

Standard Chartered Bank (Hong Kong) — www.sc.com.hk

Bank of East Asia — www.hkbea.com

Stock Exchanges

Hong Kong Exchanges and Clearing Ltd. — www.hkex.com.hk

Ministry of Finance

Financial Services and the Treasury Bureau — www.fstb.gov.hk

Ministry of Economy

Commerce and Economic Development Bureau — www.cedb.gov.hk

Chamber of Commerce

The Hong Kong General Chamber of Commerce — www.chamber.org.hk

Bankers' Association

The Hong Kong Association of Banks — www.hkab.org.hk