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AFP® EXECUTIVE GUIDE TO

Operating Regional Treasury Centers

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AFP® GUIDE TO

Operating Regional Treasury Centers

CONTENTS

The Financial and Risk business of Thomson Reuters is now Refinitiv.

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Dear AFP Members and Finance Professionals,

Thomson Reuters is pleased to partner with AFP to present this guide, "Operating Regional Treasury Centers."

In the following pages, you will learn about the factors that organizations need to consider when establishing and structuring a regional treasury center, best practices to apply once the center is open, areas that have emerged as hubs for regional treasury centers, and the opportunities and challenges they present.

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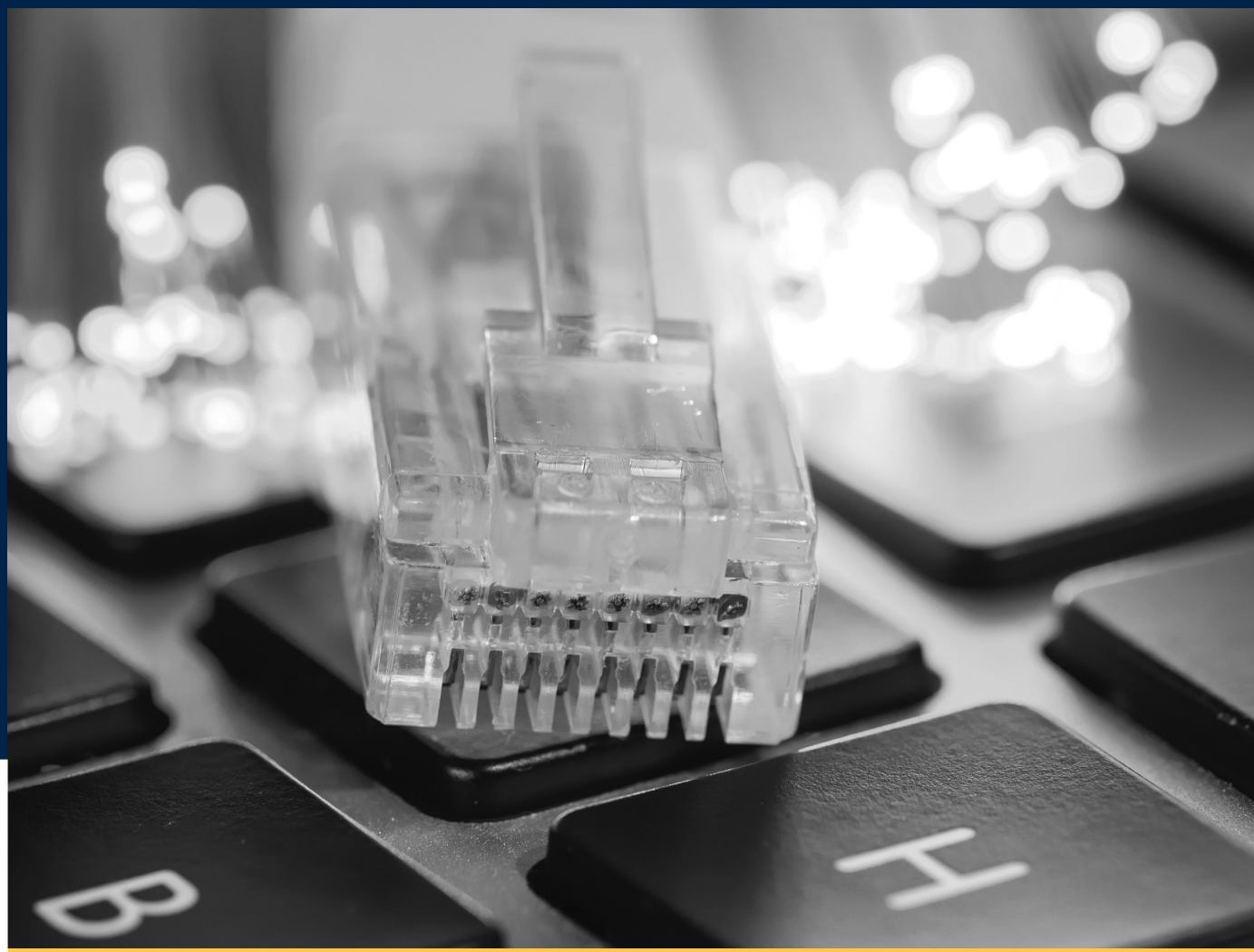
Sincerely,

The Thomson Reuters Team



1 INTRODUCTION

Regional treasury centers enable businesses to connect to customers and banking partners in foreign nations where unique cultures and complex regulations make it essential to employ local staff. While regional treasury centers offer many benefits, there are challenges to operating them too.

In this Executive Guide, underwritten by Thomson Reuters, we will review the factors that organizations need to consider when establishing and structuring a regional treasury center, as well as best practices to apply once the center is open. We will also explore key regions that have emerged as hubs for regional and centralized treasury centers, and the opportunities and challenges they present.

2 ESTABLISHING A REGIONAL TREASURY CENTER

There are many reasons why an organization will establish a regional treasury center (RTC), not the least of which is to gain more control and efficiency in its treasury processes.

As Nick Powell, global head of commercialization, liquidity and investment products for HSBC, explained, companies generally establish RTCs to achieve three main objectives:

- **Generating operational efficiency:** By simplifying processing, rationalizing bank accounts and negotiating lower fees, companies can increase productivity and cost efficiency.
- **Managing risks:** Companies can reduce their risk profile by standardizing processes and managing FX risk centrally.
- **Concentrating cash:** Companies can increase working capital and optimize liquidity and yield through centralized liquidity management.

But even if you operate an RTC, it helps to be as consistent as possible across your entire treasury organization. "What we consistently hear is that the more you centralize, the more you automate, the more you have consistent platforms and processes, the more it frees up the time and resources for the treasury team to focus on the more strategic, value-adding activities," Powell said. "The days where the most effective treasury teams focus solely upon accounting and financial activities are long gone. Corporate treasurers are playing a more important and influential role in corporate strategy and being the 'economic advisor' to the organization rather than just the accountant."

3 STRUCTURING A REGIONAL TREASURY CENTER

HSBC identified five key functions that an RTC may include:

- A payment factory to execute payments or collections
- A shared service center, which operates as an efficiency structure, a legal entity and even a third-party to service operating or functional units
- An in-house bank to deliver financial services to subsidiaries and affiliates
- A netting center that optimizes the company's ability to offset payments and receipts across subsidiaries or affiliates
- A re-invoicing center that undertakes all purchases and sales of goods on behalf of subsidiaries and affiliates.

Jimmy Quek, CFO of Singapore-based Anergy and formerly the finance director and APAC treasurer for the Goodyear Tire and Rubber Company, has overseen four regional treasury centers—three in Singapore and one in Tokyo—managing teams ranging from two to 12 people. From the 1990s through the last decade, individuals on Quek's RTC teams primarily focused on core treasury functions—cash management, FX, compliance and banking relations.

More recently, Quek has structured his treasury centers differently, so that staff members function more like business partners that dig deeper and support the geographical areas that they focus on. "So for example, I have a treasurer who covers China, one who covers [the Association of Southeast Asian Nations (ASEAN)], one covering India and another covering Australia and New Zealand," he said. "I broke it up this way so that they would become more attached to the operations and can be more of a holistic treasury, handling banking, compliance, working capital management, and even tax advice. They are able work with FP&A, the controller, and the finance director representing that particular cluster."

However, each of Quek's treasurers has specific areas of expertise, which enables them to work cross-functionally as needed with other practitioners in the RTC. For example, the treasurer who covers India also is a regional FX specialist. If there is an FX issue in China, the India treasurer has the skills and knowledge to help the China treasurer to resolve the problem.

Quek structures his RTCs this way largely because it benefits his staff members in the long-term. "Through my experience, I found that when I just structured RTCs around core competencies, over time, each treasury individual's scope becomes very narrow," he said. "It's very hard for them to move on to operational finance, or take up any role outside of treasury."

Given that Quek has ascended from treasury to the CFO role, he has observed firsthand how challenging it can be for treasurers to join the C-suite. Typically treasurers face stiff competition from individuals in FP&A, commercial finance, etc.—many of whom may be operationally stronger and have a broader finance experience. "I want to make sure that those who are reporting to me have an extensive lifespan in finance, and not just in treasury," he said. "My treasurers have become sought after by the business because they have various financial experience within the organization and even externally. They are very marketable and eligible for any finance director position because of the exposure they've gone through."

4 SELECTING A REGIONAL TREASURY CENTER LOCATION

The selection process for an RTC location is incredibly important. Organizations should pick an area that is geographically close to a region where they have operations, but that is far from the only factor in the decision.

ATTRACTING AND RETAINING TALENT

A key consideration should be the skill and talent available in a particular area. Many of the activities that need to be managed in RTCs demand top talent. "The array of skillsets and experience that is required is just increasing, and we're not just talking about financial skills," Powell said. "We're seeing an increasing number of technology professionals being recruited into treasury centers, and an increasing number of strategists. So I think that's an important thing to think about—where are you going to derive that skillset from?"

On that note, treasury functions that are looking to attract and retain talent in an RTC need to consider the long-term career aspirations of treasury staff members and whether those employees have the opportunity for growth in that location. "It is worthwhile assessing whether those opportunities exist in the environment that you are managing these processes from," Powell said.

Additionally, overall lifestyle should be a consideration. An appealing location with access to necessities like good healthcare and schools for those employees with children are important factors. "If you want to attract the most highly skilled individuals that you can and you want to make it a long-term, sustainable initiative, from a services, infrastructure and amenities perspective, housing those operations in a places like Singapore or Hong Kong is obviously more logical than locating a treasury center in the Antarctic or the Sahara Desert," Powell said.

COST

Cost is another key factor that treasury departments need to contemplate when establishing an RTC. "I previously worked for an organization that started a treasury center in Hong Kong," said Sassan Parandeh, CTP, global treasurer for ChildFund International. "Our costs went up and people were livid about it."

Powell added that costs can be determined in many different ways; it's not only what a treasury department spends by opening an RTC, but how much it saves. "For many years now, we have seen governments in a number of locations offering tax incentives and benefit programs designed to attract organizations setting up corporate treasury centers and finance related activities," he said. "If you are centralizing activities in a particular market, whilst tax

efficiency might not be the primary objective of setting up the RTC, it is important to understand where benefits and efficiencies can be achieved and how to qualify for such incentives in order to have a really clear understanding of what your costs and savings are derived from."

In some cases, even after shouldering the initial cost of setting up an RTC, there are few savings to reap. "When I was the treasury director for a previous company, we opened two regional treasury centers and when we looked at the numbers, we ultimately didn't save any money," Parandeh said.

In fact, some treasury departments determine that establishing RTCs are not worth the investment or making a priority. "Every company is different," said Drew Douglas, senior executive vice president, head of global liquidity and cash management North America for HSBC. "Clients are always interested in the advantages of establishing a more efficient global or regional treasury operation but some will say, 'It's too expensive…or my current prioritization right now is global expansion,' or their product cycle is so mature that they might be focused on getting operating costs out. So the cost of getting to nirvana as a treasurer might be too high."

Johan Nystedt, treasurer and chief risk officer for Conagra Brands, noted that his previous company, Levi Strauss & Co., formerly operated a large European RTC and "flirted" with the idea of opening an RTC in Asia. Ultimately, though, the company determined that maintaining RTCs was too costly and opted to centralize all of its operations in the United States.

BANKING PARTNERS

It is important to make sure that banking partners in the region you're targeting meet your needs—or have local banking contacts to assist. If you're setting up an RTC in an area that doesn't have an abundance of highly skilled partners, you may need to consider locating elsewhere.

Beyond the geographical footprint, treasury teams also should ensure that their banking partners have a globally consistent product offering designed to work across borders. If your bank doesn't offer you the same services from region to region, that's a bad sign. It is wise to ensure that your banking partners have experience supporting RTCs in your chosen region and employ dedicated liquidity and cash management professionals in the area.

TECHNOLOGY

It practically goes without saying that connectivity to the treasury headquarters is imperative for RTCs. Edwin Tey, senior vice president, global treasurer for Singapore-based logistics provider GLP, explained that his Singapore-based RTC uses a cloud-based treasury management system (TMS) to connect to its headquarters. This is a common occurrence; as noted in AFP's latest Treasury in Practice Guide, in recent years, treasury departments have been gradually moving away from installed systems and toward the cloud. Treasury's gradual shift to the cloud is largely due to IT departments not having the bandwidth to manage installed systems. Thus if a treasury department is setting up an RTC, it makes sense to use a cloud-based TMS so that it doesn't need to rely on an IT team onsite any time there is a problem.

Treasury departments also need to consider the overall technology and the infrastructure of the general area when setting up an RTC. "If you're setting up a regional treasury center in a location that isn't supported by fundamental facilities and infrastructure— such as air and shipping ports, power generation and transmission, telecommunications and general utilities that maintain the economic and social standards of society, such as educational programs, law enforcement agencies, and emergency services—is that a logical thing to be doing? Does setting up a treasury center there fit into your corporate goals and the needs that you and your employees have?" Powell asked.

STABILITY

Perhaps most obviously, political and economic stability are important factors to consider when locating an RTC. Generally, organizations are not establishing treasury centers in countries that are unstable or that have frequent changes in regulatory regimes. "What you're looking for is stability and control for the future," Powell said.

Certain regions have become major hubs for both regional and centralized treasury centers, largely due to tax regimes that are appealing for multinational corporations, as well as open and transparent economies, and a large availability of human capital.

5 KEY REGIONS

APAC

In APAC, there are certain areas that are very restrictive in terms of companies setting up entities, and that's why treasury needs to consider the scope of what it wants to cover with an RTC. "There are a number of countries where the ability for both residents and non-residents to open foreign exchange and domestic currency bank accounts is limited by regulatory constraints and exchange controls," Powell said. "Furthermore, more restricted markets may have onerous financial reporting requirements, restrictions on the use of popular cash management arrangements such as physical and notional cash pools, as well as tight controls around intercompany lending. Having a clear understanding of how regulations will impact your ability to execute banking, payments and cash management activities from a particular location will help you to understand whether you're putting your RTC in the right location."

For example, China and India require non-residents to provide evidence of conducting domestic business activity before opening bank accounts. And in Bangladesh and Sri Lanka, non-resident entities are restricted from opening domestic accounts.

It is for these reasons and others that many companies with operations in Asia are setting up RTCs in Hong Kong and Singapore, which enjoy open markets with liquid currencies conducive to supporting resident/non-resident payments-on-behalf-of (POBO) and receivables-on-behalf-of (ROBO) structures. Australia and New Zealand also are favorable locations.

HONG KONG VS. SINGAPORE

Hong Kong and Singapore have become key rivals for RTCs. "By a significant majority, historically in Asia, we have seen most multinational corporates locating treasury centers in one of these two locations, as there are substantial benefits that a lot of organizations are taking advantage of," Powell said.

Tey noted that "lower tax leakages, stable government policies (FX for example), a readily available talent pool, ease of set-up and operating businesses are what companies will benefit from setting up treasury centers in either Singapore or Hong Kong."

But which one should you select?

Hong Kong has key tax incentives, as well as a favorable business environment and dynamic financial structure and Asia's third largest stock exchange. The Hong Kong Monetary Authority (HKMA) has even taken steps recently to make its tax policies even more favorable for treasury centers.

"The Hong Kong Government introduced a new tax rule in June 2016, which enabled [corporate treasury centers (CTCs)] to deduct the interest expenses arisen from their intragroup financing from associated corporates under specified conditions," said Enoch Fung, Head of Market Development for HKMA. "To further promote the development, the government also provided a 50 percent profits tax concession for qualifying CTCs—i.e., profits tax rate reduced from 16.5 percent to 8.25 percent. The types of activities eligible for this tax concession include profits arising from typical treasury functions such as financing, liquidity management, investment, and risk management."

According to Fung, corporates' response to the regime has been very positive. In the first year of introduction, more than 140 corporates benefited from these amendments.

Most importantly, Hong Kong is the gateway to China, due to its proximity to the country and its status as the main offshore renminbi hub. Its cultural and linguistic similarities to China also create a favorable environment for companies that want to interact with mainland China.

Damian Glendinning formerly served as global treasurer of Lenovo's centralized treasury center in Singapore, noted that treasury centers in Hong Kong often

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primarily service companies with operations in China.

Singapore also offers key incentives, such as a low tax rate for treasury centers (8 percent), a withholding tax exemption on certain interest payments, and a wide tax treaty network. It's also the largest FX trading center in Asia with a mature banking sector, and offers political stability, a strong technological infrastructure and a deep talent pool.

"Singapore is definitely driving an innovation agenda," Douglas said. "We've based one of our innovation labs in Singapore. Typically our biggest product area in Asia is in Hong Kong, but we are certainly taking advantage of the opportunities available in Singapore, as are our clients. It is very clear that Singapore has a high focus on innovation and financial technology advancements."

Tey noted that GLP has operated an RTC out of Singapore since 2012. At the time, it was a SGX-listed company that was growing very fast and needed to form a proper treasury function to oversee financial risk management in APAC.

Lenovo's treasury has been centralized in Singapore since 2005 when it purchased IBM's PC business. Lenovo at the time was the top PC company in the Chinese market but had no international presence. The acquisition turned it into a multinational corporation with onshore operations in 75 countries. Glendinning, who was IBM's director of global treasury operations at the time, was tasked with setting up Lenovo's cross-border cash management system.

Ordinarily, centralizing treasury operations of a major corporation can result in a lot of angry employees who either have to relocate from various RTCs or find other employment. But Lenovo was at an advantage because it didn't have to worry about that, "We were in a very fortunate situation where we started with a clean sheet of paper," Glendinning explained.

Singapore was selected because that was where Lenovo's intercompany re-invoicing center was at the time, and also because of the tax benefits that it offers. However, the re-invoicing center was relocated to Hong Kong in 2013 and there was a question of whether treasury would go along with it. "The answer was, 'No," Glendinning said. "It was partly a personal preference. But also, I think Singapore is a better environment to operate an international treasury center."

Glendinning's reasoning for keeping treasury in Singapore was largely because it has a focus on all of Asia, rather than primarily China. "Singapore has a substantial Indian minority, and it's beginning to serve India as well; it's much less dominated by China. You can run a treasury center from Hong Kong, but at the end of the day, a lot of banks have a presence in Hong Kong to serve the Chinese market," he said.

Additionally, English language skills are generally much better in Singapore than in Hong Kong. "Obviously English is still a highly utilized language in Hong Kong but it never became the primary language for the majority of the population," Glendinning said. "But in Singapore, a lot of the population speaks English at home."

EUROPE

Europe is also a popular destination for RTCs, with a number of key markets leading the way in offering the business environment necessary for establishing a treasury center. "We see a lot of regional treasury centers operating in the UK and the Netherlands, with Ireland and Switzerland also being very popular," Powell said.

The UK is the world's largest foreign exchange market and the deepest international debt market, as well as the second largest offshore renminbi center. It also has extensive tax treaty networks with 140 countries, as well as major tax incentives for non-resident companies; they only pay corporate tax on trading profits attributable to a UK permanent establishment. And it features advanced banking facilities, IT and telecommunications, as well as a strong talent pool.

The Netherlands offers many tax incentives for foreign-owned companies and has one of the most extensive tax treaty networks in the world with over 90 treaties. Notional pooling and cash concentration are permitted between resident and non-resident accounts, and cross-currency pooling is also available. HSBC has also observed large corporates developing RTCs in Belgium and Luxembourg, although Belgium has stopped giving treasury center incentives. Meanwhile, Eastern Europe has become a popular destination for shared service centers, particularly in Poland, Romania and Hungary.

6 MAJOR CHALLENGES

For all the advantages that RTCs offer, there are also a number of challenges that they present to treasury organizations.

INTERNAL CHALLENGES

For Quek's team, a key challenge is around different levels of internal expectations surrounding initiatives or projects. This is compounded when you have multiple treasury centers across the world and varying expectations from one to another. "Sometimes we do not align on our endgame and along the way, it just gets challenging. So internal alignment is important," he said. Furthermore, if the treasury department does not have a very strong leader at the top, very often the CFO can brush treasury initiatives aside in favor of other finance priorities. "In my new role as global CFO, if I have to allocate more resources to either treasury or to FP&A or to the controller, the controller will probably take precedence because of the compliance nature," Quek said. "I need proper forecasting to share with the investing community, so FP&A is also a priority. But with treasury, I might be able to let it go. It's not the end of the world if I don't deal with it immediately. But with the other two, there is a lot of motivation to make sure they work well."

> "Dealing with the overall legal corporate entity structure and getting buy-in from stakeholders is a challenge, particularly if it is a listed company in APAC. You have the JV and the treasury people involved in trying to convince the minority on certain funding or investment in the country that is used for the production of goods to be sold to a sister company. Overcoming minority resistance, and regulatory and legal constraint within APAC is one of the key challenges I've faced in all my organizations."

Visibility and control over cash positions continues to top of the list of issues that Powell's treasury clients face. "From a banking and cash management perspective, for multinational corporates with multiple banking partners, currencies and time zones; different legal and regulatory requirements; multiple ERP systems; and disparate treasury management systems, achieving optimal levels of visibility and control of cash positions remains challenging. Whilst advancements in technology and cash management practices have facilitated tangible improvements in this area, this is a theme that will continue into the future," he said. Self-funding RTCs also creates challenges from a cross-border and cross-currency perspective, Powell said. "It's a common theme that companies are looking to reduce external debt and reliance on external sources of funding," he said. "They're thinking about smarter ways to unlock internal sources of liquidity."

Given the complexities of those issues, Powell sees tangible benefits in addressing them from a centralized treasury location, if possible. "Many of our more developed treasury clients do this from a central location, across a broad range of markets, time zones, currencies and corporate activities," he said. "That is something that is clearly a challenge, but it can bring your systems and processes together and deliver economies of scale, process efficiencies, and tighter control."

LOCAL REGULATIONS

As is almost always the case for treasury, know-your-customer (KYC) regulations are an issue. "The ever cumbersome and ever-increasing information required of KYC by the banks is now becoming a challenge," Tey said. "The amount of resources—time and people—needed to perform non-value adding work for KYC is increasing."

How treasury sets up its RTC structure in a particular region can also create challenges, Quek said. It is essential to do your due diligence and thoroughly understand the regulations for a particular area before engaging in intercompany transactions. "You want to make sure you do not organize or execute a transaction that will cause a regulatory issue because of transfer pricing," he said.

Regulations in APAC are particularly strict around transactions for joint ventures (JVs); related party transactions require buy-in from the minority in order to proceed. "Dealing with the overall legal corporate entity structure and getting buy-in from stakeholders is a challenge, particularly if it is a listed company in APAC," Quek said. "You have the JV and the treasury people involved in trying to convince the minority on certain funding or investment in the country that is used for the production of goods to be sold to a sister company. Overcoming minority resistance, and regulatory and legal constraint within APAC is one of the key challenges I've faced in all my organizations." Quek added that regulations throughout Asia are also very unpredictable; they change frequently and quietly, and often RTCs won't even be aware of them. "You almost never get a written confirmation from the central bank or the securities exchange," he said.

PRESSURES FROM OTHER GOVERNMENTS

Governmental decisions abroad are also an issue for treasury centers operating in Asia; Quek explained that the unpredictability of foreign policy in the United States is constantly on his mind. "What Trump says worries us," he said. "I have no clue whether what he says is going to happen or not. It can be just a little Tweet or it could be a trade war. Either way, I'm leading with a lot of uncertainty these days; it's very difficult for me at a CFO level to decide what the strategy is that I should be employing for the next three months."

As a result, Quek's team makes sure that every country it operates in has a lot of liquidity, regardless of whether it is needed. "The mandate I have for every single treasury and finance individual across APAC is to ensure that they have secure and uncommitted working capital lines—as much as they can— because I have no clue what is going to happen in the next 12 months, especially with the fact that the Fed is going to hike interest rates," he said. Anergy's finance team began this practice in early 2018. In recent weeks, the situation has become more challenging. "What I'm hearing is that banks are holding back and watching how the trade war with the U.S. is evolving," Quek said. "So this year, we're making sure we have liquidity in every country so that it will allow me to buy time to deal with the uncertainty over the next six months to a year. I think by then, we'll be more used to the way things are going on."

Negative effects on APAC from foreign policy changes in the West is also an issue observed by Glendinning, who recently spoke on it at a treasury conference in the UK. "Trump and what is going on in the U.S. is the most extreme example, but it's also the monumental stupidity that is Brexit," he said.

Much of treasury management is based around the free movement of cash, and that is usually based on the free movement of goods and people, Glendinning explained. Lenovo's treasury was centralized in Singapore because all of its goods are manufactured in China. "The goods are sold via a re-invoicing hub to the local subsidiaries, and the local subsidiaries are funded through the intercompany goods account," he said. "And that makes life very simple, because it means you can centralize things. The minute you start getting local manufacturing involved [in the U.S. and the UK], that all flies out the window. And once you start getting limits on the movement of goods, you start getting limits on the movement of funds."

Additionally, Basel III standards require banks to meet certain capital adequacy and capital risk standards, which also put a strain on companies operating internationally. "At Lenovo, we used a single bank globally, and we needed an overdraft as part of the cash management process," Glendinning said. "We agreed on a global overdraft limit, but that wasn't good enough. Every time you needed an overdraft in an individual country, you had to go through all of the local approval processes, which are driven by local regulations. And now, as a result of Basel III, the banks are increasingly having to manage their risk assets and the capital that they set aside against them on a country-by-country basis. And if you think about doing the seamless cross-border management of treasury, it means that the banks have a real problem servicing you."

CONCLUSION

The decision parameters around establishing a regional treasury center are not to be taken lightly. Even if the RTC that you're opening is a small one—indeed, some employ just two or three staff members— there are multiple variables to consider before giving it the go-ahead. You need to think about the region itself and which city within that region best suits your specific needs. From there, you also need to review the costs, tax incentives, technology, banking partners, and human capital available. You need to think about how the RTC will be structured—the goals you hope to achieve through the RTC and the functions you will perform there. And you need to know all of the unique challenges that are posed by the area you're working in and by operating a satellite treasury center in general.

After doing your research, you may determine that an RTC isn't worth the investment. Or you may run the numbers and conclude that it would be the best decision your treasury department could ever make. Either way, you need to know where you want to go and what you're going to do once you get there. So make sure you're talking with your fellow executives, your treasury staff members and your banking partners. Gather input from everyone, because establishing an RTC is a massive decision.

KEY TAKEAWAYS

1 Companies generally establish regional treasury centers (RTCs) to generate operational efficiency, manage risks and concentrate cash.

2 When structuring an RTC, it can help to have each staff member focus on a particular region, rather than a single core treasury function. This allows each area to have more of a holistic treasury, handling banking, compliance, working capital management and other tasks.

3 When selecting an RTC location, organizations should obviously pick an area that is stable, has a substantial talent pool, is cost-effective, and has access to strong technology and banking partners.

4 Certain regions have become major hubs for both regional and centralized treasury centers, largely due to tax regimes that are appealing for multinational corporations, as well as open and transparent economies, and a large availability of human capital. Singapore and Hong Kong in particular are very appealing for establishing treasury centers.

5 For all the advantages that RTCs offer, there are also a number of challenges that they can present, including visibility and control over cash positions, strict local regulations and pressures from competing governments.

HONG KONG: A PREMIER LOCATION FOR RTCs IN ASIA

Submitted by the Hong Kong Monetary Authority

As an international finance center, and a leading business and trade center in Asia, Hong Kong offers many benefits to corporates as a regional treasury center (RTC) hub.

An ample supply of talent:

1. A talent pool of more than 600,000 people for the financial and professional services industries with favorable immigration policies to attract global talents.

A simple and low tax regime:

2. Hong Kong is rated the world's third most tax-friendly economy by World Bank and PwC's 2018 Paying Tax Study. Hong Kong has:
   - Only three types of direct tax— salary tax, profits tax and property tax
   - No value-added tax, withholding tax on interest or dividend tax
   - Extensive double taxation agreement (DTA) network
   - Various tax incentives, including a 50 percent tax concession for the first HK$2 million profit for all corporates, super tax deduction for research and development expenditure, and a 50 percent tax concession for qualifying corporate treasury centers.

A competitive international financial platform:

3. Hong Kong is home to over 250 banks, including 75 of the 100 world's largest banks, supporting RTCs with extensive products and services across Asia and other regions with competitive pricing.
4. Hong Kong is a leading capital market in Asia, It is:
   - The world's No. 1 IPO fundraising center in five out of 10 years (market capitalization by end 2017: US$4.4 trillion)
   - The third largest bond market in Asia (excluding Japan) with an issuance volume of US$467 billion in 2017
   - Asia's No. 1 asset management hub (asset under management in 2017: US$3.1 trillion), with the presence of over 70 of the top 100 global money managers
   - The world's fourth largest and Asia's second largest FX trading center (daily turnover in Apr 2016: US$437 billion).
5. Hong Kong is the largest offshore RMB center. It offers extensive RMB denominated financial products, supported by ample liquidity. Over 70 percent of total offshore RMB payments are handled by banks in Hong Kong.
6. Hong Kong supports real-time clearing and settlement systems (RTGS) in four international currencies: USD, EUR, RMB and HKD, with a daily USD RTGS turnover reaching US$35.6 billion.

The freest economy with robust legal and regulatory regimes:

7. Hong Kong is rated the world's freest economy for 24 consecutive years by the U.S. Heritage Foundation.
8. Hong Kong was ranked first in economic freedom in 2017 and 2018 by the Fraser Institute in Canada.
9. Hong Kong is ranked third in Asia in the Rule of Law Index of the World Justice Project 2017-2018.

A hub for regional business and trade:

10. Hong Kong is home to 1,300+ U.S. corporates, 700+ of which are regional headquarters and offices.
11. Hong Kong signed a Free Trade Agreement and Investment Agreement with ASEAN to facilitate corporates entering into Southeast Asian markets.

Embracing and actively facilitating fintech:

12. The largest fintech investor among major Asian markets outside Mainland China.
13. Launched a pilot Technology Talent Admission Scheme (TechTAS) to admit R&D talent from abroad.

Unparalleled connectivity to the world and world-class infrastructure:

14. Over 1,100 daily flights link Hong Kong to over 220 destinations worldwide. Travelers can reach half of the world's population within five hours of flight.
15. Hong Kong is ranked first in infrastructure, as well as electricity and telephony infrastructure in WEF's Global Competitiveness Report 2017-2018.

ABOUT THE AUTHOR

Andrew Deichler is the editorial manager for the Association for Financial Professionals (AFP). He produces content for a number of media outlets, including AFP Exchange, Inside Treasury, and Treasury & Finance Week. Deichler regularly reports on a variety of complex topics, including payments fraud, emerging technologies and financial regulation.

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