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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 198 banking institutions, collectively known as authorized institutions (AI). There is a significant foreign banking presence in Hong Kong – 142 banks are owned by foreign interests in Hong Kong and 59 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.

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.

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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PNC's International Services

PNC can bring together treasury management, foreign exchange, trade finance and credit capabilities to support your international needs in a coordinated and collaborative way.

International Funds Transfers

International Funds Transfers to over 130 countries in USD and foreign currency can be accessed through PINACLE®, PNC's top-rated, online corporate banking portal.

Multicurrency Accounts

Set up demand deposit accounts that hold foreign currency instead of U.S. dollars. These accounts offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. You can easily view deposit and withdrawal details through PINACLE.

PNC Bank Canada Branch ("PNC Canada")

PNC Bank, through its full service branch in Canada, can help you succeed in this important market. PNC Canada offers a full suite of products including payables, receivables, lending, and specialized financing to help streamline cross border operations.

Multibank Services

PNC's Multibank Services provide you with balances and activity for all your accounts held with PNC and other financial institutions around the world. PINACLE's Information Reporting module can give you a quick snapshot of your international cash position, including USD equivalent value, using indicative exchange rates for all your account balances. You can also initiate Multibank Transfer Requests (MT101s), and reduce the time and expense associated with subscribing to a number of balance reporting and transaction systems.

Establish accounts in foreign countries

Establishing good banking relationships in the countries where you do business can 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 helping 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 connect you to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

Foreign Exchange Risk Management

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

Trade Services

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.¹

Economic Updates

Receive regular Economic Updates from our senior economist by going to pnc.com/economicreports.

(1) Information compiled from Freedom of Information Act resources.

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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	1,104 km ²
Population	7.14 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 Leung Chun-ying (since July 1, 2012)

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	<p>2016 — October 1, 10*, December 26, 27</p> <p>2017 — January 1, 28–31, April 4, 14, 15, 17, May 1, 3*, 30*, July 1, October 2, 5*, 28*, December 25, 26</p> <p>2018 — January 1, February 16–19, March 30, 31, April 2, 5, May 1, 22*, June 18*, July 2, September 25*, October 1, 17*, December 25, 26</p> <p>* 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.</p> <p>Source: www.goodbusinessday.com.</p>
International dialing code	+ 852

Country Credit Rating

FitchRatings last rated Hong Kong on July 22, 2016 for issuer default as:

Term	Local currency rating	Foreign currency rating
Short	F1 +	F1 +
Long	AA +	AA +
Long term rating outlook	Stable	

Source: www.fitchratings.com, September 2016.

Economic Statistics

Economics Table

	2010	2011	2012	2013	2014
GDP per capita (USD)	32,426	34,994	36,991	38,500	40,277
GDP (HKD billion)	1,776	1,934	2,037	2,138	2,258
GDP (USD billion)	229	248	263	276	291
GDP volume growth* (%)	+ 6.8	+ 4.8	+ 1.7	+ 3.1	+ 2.7
BoP (goods, services & income) as % GDP	+ 8.0	+ 6.6	+ 2.6	+ 2.5	+ 2.2
Consumer inflation* (%)	+ 2.3	+ 5.3	+ 4.1	+ 4.4	+ 4.5
Population (million)	7.05	7.10	7.10	7.16	7.23
Unemployment (%)	4.3	3.4	3.3	3.4	3.2
Interest rate (local currency MMR)[†] (%)	0.13	0.13	0.06	0.06	0.13
Exchange rate[‡] (HDK per USD)[†]	7.769	7.784	7.756	7.756	7.754

	2015			2016	
	Q3	Q4	Year	Q1	Q2
GDP per capita (USD)	-	-	42,416	-	-
GDP (HKD billion)	-	-	2,397	-	-
GDP (USD billion)	-	-	309	-	-
GDP volume growth* (%)	+ 2.3	+ 1.9	+ 2.4	+ 0.8	NA
BoP (goods, services & income) as % GDP	-	-	+ 4.0	-	-
Consumer inflation* (%)	+ 2.6	+ 2.3	+ 3.0	+ 2.8	NA
Population (million)	-	-	7.29	-	-
Unemployment (%)	3.5	3.1	3.3	3.3	NA
Interest rate (local currency MMR)[†] (%)	0.08	0.08	0.09	0.05	0.05
Exchange rate[‡] (HDK per USD)[†]	7.751	7.750	7.752	7.773	7.760

*Year on year. [†]End period. [‡]Market rate.

Sources: *International Financial Statistics, IMF, August 2016 and 2015 Yearbook.*

Sectoral Contribution as a % of GDP

Agriculture – 0.1%

Industry – 7.2%

Services – 92.7% (2015 estimate)

Major Export Markets

China (53.7%), USA (9.5%)

Major Import Sources

China (49%), Japan (6.4%), Singapore (6.1), USA (5.2%), South Korea (4.3%)

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

Hong Kong marks its 19th anniversary since the handover of sovereignty from the British to the People's Republic of China on July 1, 1997. 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 main economic issues continue to be the development of the international status of the financial services sector and trade and financial cooperation with mainland China.

Until 2008, Hong Kong's economy had been on a path of strong recovery following the setbacks of the East Asian financial crisis of the late 1990s and the SARS outbreak of 2003, relying on free-market, low-tax and, despite growing concerns over the widening wealth gap, government non-interventionist policies in order to achieve growth. The HKMA (Hong Kong's "central bank") has also worked to improve the oversight of the banking system and the exchange rate and payment systems in Hong Kong in order to produce a more transparent financial system.

In 2008, Hong Kong's economy entered its worst recession in 13 years, as the deteriorating global economic climate led to a record decline in exports. Hong Kong had also been a center for the

packaging and selling of mortgage-backed securities products, which resulted in many of its large investors sustaining heavy losses.

In an attempt to deal with the effects of the global economic crisis on the economy, Hong Kong's financial secretary, John Tsang, introduced a series of economic stimulus packages worth HKD 87.6 billion, the equivalent of approximately 5.2% of Hong Kong's GDP at the time. Hong Kong's economy started to recover during 2009, with GDP growth returning in the second half of the year. The Hong Kong government's Census and Statistics Department reported annualized GDP growth fell from 7.0% for 2010 to 1.5% by 2012. Growth has since improved moderately at 2.9% for 2013, 2.3% during 2014 and 2.4% during 2015.

Hong Kong has worked 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. Access to markets through CEPA has been regularly expanded with supplements to the treaty. Hong Kong and China signed an agreement achieving basic liberalization of trade in services. This was rolled out on a pilot basis between Guangdong province in China and Hong Kong in March 2015, and rolled out between the whole of mainland China and Hong Kong from June 2016.

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.

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 Leung Chun-ying who was elected for a five-year term on March 25, 2012 and took office on July 1, 2012. The next election will take place on March 26, 2017.

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 9, 2012, the vast majority of seats were won by pro-China members, with 27 won by pro-democracy candidates. Legislative elections are set for September 4, 2016.

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.

Nearly two decades later, Hong Kong has maintained its autonomy, but not without some challenges. Anti-subversive legislation, which may have curtailed freedom of speech, and the view of the National People's Congress that universal suffrage was not possible in Hong Kong, sparked mass protests on July 1, 2003, which were followed up in 2004 and 2005 and occurred again in 2014. In June 2014, an unofficial referendum was held on whether the public should have a greater say in shortlisting election candidates, with a 90% of the estimated 800,000 taking part voting in favor, although the Chinese government ruled the vote illegal. This was followed by the largest pro-democracy rallies in a decade.

Environmental problems, poverty and a widening wealth gap are also increasingly pressing issues. The government is worried that concerns over health problems caused by air pollution may reduce the territory's attractiveness to foreign investors and staff, and undermine its financial sector.

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.

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 35 jurisdictions through 29 double tax treaties and 6 TIEAs (www.eoi-tax.org, January 2016).

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. In addition, for any residential property acquired between November 20, 2010 and October 26, 2012, a Special Stamp Duty (SSD) ranging from 5% to 15% is levied if the property is sold within 24 months of purchase.

For any residential property acquired on or after October 27, 2012, a 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 7100 or more, the employer is required to deduct 5% (capped at HKD 1500) 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 2016 (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). It was established in 1993 through the merger of the Office of the Exchange Fund with the Office of the Commissioner of Banking and is based in Hong Kong. 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 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 1997, amended in 2003; the Organised and Serious Crime Ordinance 2000, amended in 2003; the United Nations (Anti-Terrorism Measures) Ordinance 2002, amended in 2004 and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap 615 2012). 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 (FIU), 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 six years following the termination of the business relationship.

Data as at January 2016.

Banking Sector Structure

Major Domestic Banks

Bank	Total assets (USD million) December 31, 2015
HSBC	897,203
Bank of China (Hong Kong)	292,766
Hang Seng Bank	172,176
Standard Chartered Bank (Hong Kong)	123,731
Bank of East Asia	100,816
Industrial and Commercial Bank of China (Asia)	94,647
China Construction Bank	65,481
DBS Bank	39,716
Nanyang Commercial Bank	39,378

Source: www.accuity.com.

Overall Trend

Hong Kong has a large number of banking institutions (198 in August 2016), collectively known as authorized institutions (AI). AI are divided into three groups: 157 licensed banks, or commercial and retail banks, 23 restricted license banks, which are primarily investment and merchant banks, and 18 deposit-taking companies, which are specialist finance companies.

There is a significant foreign banking presence in Hong Kong – 142 banks are incorporated outside Hong Kong and 59 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.

In addition, all licensed banks offer personal Chinese renminbi (RMB) services, such as deposit-taking, credit cards, remittance and exchange. As of June 2007, all banks providing RMB services can also accept RMB checks and interbank funds transfers to facilitate customers who wish to purchase RMB-denominated bonds. From August 2012 Hong Kong's banks have been able to offer a full range of RMB banking services to non-residents in Hong Kong.

Hong Kong's affirmative approach to deregulation has led to a number of closures and several mergers in the past decade.

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 are Hong Kong's other RTGS systems, which are modeled on HKD CHATS and provide clearing and settlement of payments denominated in USD, EUR and RMB respectively. RMB CHATS became fully operational in real time in January 2007. Since May 2009, all RTGS systems in Hong Kong have been able to 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.

Cross-border payment arrangements between Hong Kong and Mainland China went live in March 2009. The arrangement has provided a payment mechanism operating in the same time zone, increasing the efficiency of cross-border, multi-currency payments, while reducing cross-border payment and settlement risks and costs. HKD, USD, EUR and GBP currencies are covered by the arrangement, which settles payments through the respective RTGS systems in Hong Kong and the Domestic Foreign Currency Payment System in China.

In December 2013, the HKMA launched 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 both individuals and companies. The system processes domestic and cross-border electronic bill payments denominated in HKD, USD and RMB. At the end of 2015, 19 banks and 148 merchants were participating in the service.

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	155 direct participants (September 2016)
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	104 direct and 113 indirect participants (September 2016)
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	38 direct and 18 indirect participants (September 2016)
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 05:00 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	147 Hong Kong participants and 68 overseas participants (September 2016)
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 136 participants for HKD-denominated items, 105 participants for USD-denominated items and 82 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, except for autodebit items, which are cleared on Friday and settled on the following Monday.
Links to other systems	NA
Payments processed	Low-value, bulk electronic items such as autopay, 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	106 participants for HKD, 32 participants for USD and 48 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 2014/2013	Traffic (value) (HKD billion)		% change 2014/2013
	2013	2014		2013	2014	
Checks	NA	NA	NA	NA	NA	NA
Debit cards	114.0	118.3	3.8	233.7	247.8	6.0
Credit cards	462.1	482.0	4.3	479.9	518.8	8.1
Credit transfers	NA	NA	NA	NA	NA	NA
Direct debits	NA	NA	NA	NA	NA	NA
Card-based e-money	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA

Source: CPSS Red Book statistical update, December 2015.

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 also accepted in Hong Kong, for up to 30 days in advance.

The HKMA has launched e-checks in Hong Kong. These retain all the main features of paper checks but are signed, issued, delivered and presented through electronic means, enabling them to provide enhanced security features and removing the need for physical delivery and presentment. e-checks bypass CLG and are processed by the participating banks through existing channels such as internet banking.

All other HKD checks are truncated into electronic items before processing through Paper Cheque Clearing. 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.

Since 2002, a two-way clearing process has been in place for HKD-denominated checks drawn in Guangdong Province (including Shenzhen) and presented in Hong Kong, or drawn in Hong Kong and presented in Guangdong Province. The checks 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.

Since July 20, 2016 a cross-border, one-way, e-check clearing service of HKD, USD and RMB e-Checks between Hong Kong-Guangdong and Hong Kong-Shenzhen has been in operation, as well as Hong Kong-Guangdong Province one-way joint clearing for USD paper checks.

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 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.

In August 2010, the HKMA implemented the Hong Kong/Shenzhen cross-border one-way joint direct debit transfer arrangement. This system allows for recurring payments to be made from Hong Kong residents to merchants in the Shenzhen area of mainland China. The system was expanded in July 2012 to include merchants in China's Guangdong province.

Since 2011, RMB denominated autodebits have been available in Hong Kong.

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, and transactions continue to increase in popularity. At mid-2016, there were 19 million credit card accounts in Hong Kong. This is a 2.8% increase from the previous year. 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. For example, a debit card issued under the CUP/MasterCard/Visa debit card scheme may carry both EPS and JETCO functions.

ATM/POS

The EPS Company (EPSCO) is a consortium of 21 banks that operates Hong Kong's point-of-sale (POS) terminals, or EPS. There are over 40,000 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. Since November 2011, some EPSCO terminals process RMB payments.

JETCO operates an ATM network of over 2,600 machines in Hong Kong and Macau, across over 29 member banks. Through its network, customers can make cash withdrawals, credit transfers and check book requests. JETCO also offers the Jet 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 27 million e-money cards in circulation, with 99% of 16-65 year olds carrying cards, which are used for over 10 million transactions per day. Electronic money cards are currently accepted by over 3,000 local retailers.

In mid-2015 Hong Kong Telecommunications (HKT) subsidiary HKT Payment launched a mobile wallet scheme in Hong Kong allowing users to pay for goods and services in Hong Kong and abroad via their phones using near field communication.

By the end of 2015, six banks, one stored value card issuer and one mobile network were operating near field communication mobile payment services in Hong Kong.

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; consequently, many issuers no longer offer a CP program.

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. Restrictions regarding interest payable were lifted in 2001.

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 over a year at competitive interest rates. Licensed banks are permitted to issue time deposits of any size and maturity. 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. They are available usually for maturities of three to five years. 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 one week, one, three and six months and one year, 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; consequently, many issuers no longer offer a CP program.

Money Market Funds

Money market funds are available in Hong Kong.

Repurchase Agreements

Repurchase agreements (repos) can be used by larger companies as a short-term investment instrument in Hong Kong, but are generally limited to an interbank market.

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.

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.

Import Licenses

Licenses are required for some items to protect public health and safety, the environment or national security. These licenses are available from various government agencies depending on the type of product. 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. The import of ozone-depleting material requires a license and is also subject to a quota.

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. As of mid-2016 around 80.2% of the population of Hong Kong were internet users, and as of 2015, 79% of institutions used online facilities. 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.

Neat, a Hong-Kong based start-up company, launched a mobile banking app in Q2 2016, which is currently in beta testing. The app aims to allow for complete mobile banking, including current account set-up, money transfers, checking account balances and topping up accounts. It will partner with banks and uses secure finger print scans and facial recognition technology for managing bank accounts. It is initially aimed at younger and early-adopter customers.

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

The bond market in Hong Kong is comparatively small, but has grown rapidly due to the HKMA's development of Exchange Fund Bills in the 1990s, as well as tax allowances to develop the domestic bond market. However, larger companies still tend to access the Eurobond or US bond market.

During 2009, a Government Bond Program (GB Program) was launched in Hong Kong, with Government Bonds (GBs) of various sizes and tenors issued depending on the prevailing market conditions and demand. The GB Program is made up of an Institutional Bond Issuance Program (Institutional Program) and the Retail Bond Issuance Program (Retail Program) in order to meet different investment demands. Under the GB Program, Hong Kong's government issued HKD 10 billion worth of inflation-linked retail bonds, known as iBonds, to Hong Kong residents in July 2011, and has done so again in each of the following years. Other GBs issued so far under the GB Program have had maturities of two, five and ten years.

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.

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.standardchartered.com.hk

Bank of East Asia — www.hkbea.com/hk/index.htm

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