Hong Kong Extends Airport Charge Incentive

By Mary Swire, LawAndTax.com, Hong Kong
Wednesday, October 05, 2011

The renewed scheme of airport charges for new routes, proposed by the Airport Authority Hong Kong (AA) and gazetted on October 7, will come into force on January 1 next year.

A statement from Hong Kong's Transport and Housing Bureau explained the scheme aims to extend the existing New Destination Incentive Arrangement until December 31, 2012, to encourage airlines to continue to launch new routes. It also takes the opportunity to align parking charges for business aviation.

It is hoped that the extended Arrangement will encourage airlines to introduce new routes that will further enhance the connectivity of Hong Kong. This should, in turn, benefit the civil aviation and tourism industries and will strengthen Hong Kong's position as an international regional hub.

The existing Arrangement will expire on December 31, 2011. Under its extension, the AA will continue to offer airlines a 75% rebate on landing charges for flights between Hong Kong and a new destination for the first six months after the route is launched, and a 25% rebate for the next six months.

Hong Kong Consults On AML Guidelines

By Mary Swire, LawAndTax.com, Hong Kong
Wednesday, October 05, 2011

Hong Kong's Securities and Futures Commission (SFC) has begun a consultation to solicit public comments on proposals for a new set of guidelines on anti-money laundering and counter-terrorist financing (AML/CTF).

The guidelines, which will replace the existing Prevention on Money Laundering and Terrorist Financing Guidance Note published by the SFC, seek to provide guidance to the financial industry, relating to the operation of the relevant provisions of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (AMLO), which will come into effect on 1 April 2012.

The enacted AMLO was gazetted on July 8, 2011, after two rounds of consultation conducted by the Financial Services and Treasury Bureau. Its purpose is to enhance the AML/CTF regime in Hong Kong in respect of the financial sectors so as to meet the latest international standards, especially in respect of customer due diligence (CDD) and record keeping.

The guidelines therefore provide for a uniform set of requirements applicable to all financial institutions (FIs) in the banking, securities, insurance and remittance and money changing sectors. Their key objective is to assist licensed corporations in designing and implementing appropriate and effective policies, procedures and controls so as to comply with the new regulatory requirements.

The Hong Kong Monetary Authority, SFC, Insurance Authority and the Customs and Excise Department have together drafted a set of guidelines containing generic guidance that is applicable to all FIs. Supplementary or sector-specific guidance may be necessary or appropriate for the different sectors, but the generic guidelines are considered as adequate and appropriate to the securities sector.

Detailed guidance is further given in relation to CDD to be conducted according to different types of customers (for example, individuals, corporations and partnerships); on beneficial owners, persons purporting to act on behalf of customers and pre-existing customers; the timing of identification and verification of identity; and keeping customer information up-to-date.

Hong Kong Consults on Patent System

by Mary Swire, LawAndTax.com, Hong Kong
Friday, October 07, 2011

The government has issued a consultation paper setting out possible options, and seeking views from the public and stakeholders, for a review of the patent system in Hong Kong.

Introducing the consultation, which will last until December 31, the Secretary for Commerce and Economic Development, Gregory So, said: "The current patent system in Hong Kong has been in place for more than a decade. To ensure that the system continues to meet present-day circumstances, and that its future positioning is in alignment with our vision of developing Hong Kong into a regional innovation and technology hub, we have decided to conduct a comprehensive review of the system."

To facilitate informed discussions, the government has outlined in the consultation paper the key features of the current regime and the situations in some other jurisdictions, and has set out the possible options for addressing the issues identified together with relevant considerations.

The major issues for consultation include, with regard to the current standard 20-year patents, whether and, if so how, Hong Kong should have its own 'original grant' patent system, whether the current system of three designated patent offices should be maintained, and if the system should be expanded to recognise the patents granted by other jurisdictions.

The paper also questions whether the short-term 8-year patent system should be retained as a supplement to standard patents, and, if so, what measures should be introduced to enhance the efficacy of the system, while it also looks at whether the provision of patent agency services in Hong Kong should be regulated.

Hong Kong Plugs Its Legal Business Expertise

by Mary Swire, LawAndTax.com, Hong Kong
Monday, October 10, 2011

Its reliable legal infrastructure is one of the main reasons for businesses to choose Hong Kong as a stepping stone into Mainland China and the rest of the Asia Pacific region, according to the Secretary for Justice, Wong Yan Lung, in a speech to business leaders at a recent luncheon during a visit to Paris.

Wong noted that: "Since 1997, precedents from other common law jurisdictions can be referred to in our courts, and major international covenants on the protection of fundamental rights have been incorporated into our law, thus significantly widening the foundation of our jurisprudence. Judicial independence is guaranteed on a constitutional level."

"A robust legal system could not work well without the support of a strong, independent and international legal profession," he pointed out. "Hong Kong is home to over 7,000 solicitors and over 1,100 barristers. In addition, we have nearly 1,300 registered foreign lawyers from 28 jurisdictions."

He also added that "our legal profession possesses a wide spectrum of expertise in areas such as capital markets, corporate finance, securities, banking, intellectual property, information technology and maritime law."

Wong explained that the legal profession in Hong Kong was benefiting from the Mainland and Hong Kong Closer Economic Partnership Arrangement. Hong Kong law firms, which have set up representative offices in mainland China, are allowed to form 'associations' with Chinese law firms. Mainland law firms can also employ Hong Kong legal practitioners.

He concluded that these and other measures enable Hong Kong lawyers to have a competitive edge over others in gaining greater access to the Mainland market. "By having business association with a Hong Kong law firm, a foreign law firm can also indirectly benefit from enhanced access into the Mainland market," he said, "thereby extending the horizon of their specialized and global legal services which are becoming more and more in demand."

Growth of US-dollor millionaries in HK

by RTHK English News, Hong Kong
Thursday, October 13, 2011

The number of US- dollar millionaires in Hong Kong has risen at the fastest pace in the world for a second consecutive year. That's accordingly to the Asia-Pacific Wealth Report jointly put together by Bank of America and Capgemini.

There were 101,000 wealthy individuals in Hong Kong last year – up by a third from a year earlier. Their combined wealth expanded by 35 percent to US$511 billion.

The number of millionaires on the mainland grew 12 percent to 535,000 and accounted for US$2.7 trillion in wealth.

Hong Kong Welcomes Chinese RMB FDI Regulations

by Mary Swire, LawAndTax.com, Hong Kong
Tuesday, October 18, 2011

Financial Secretary John C Tsang has issued a statement confirming that Hong Kong's government welcomed the promulgation by the Chinese Ministry of Commerce and the People's Bank of China of administrative rules that will provide transparency and certainty for the making of foreign direct investments in renminbi (RMB).

In a move which, it said, would further expand cross-border RMB utilisation, support the development of Hong Kong's RMB market and effectively promote trade and investment, the People's Bank of China confirmed that foreign investors can apply to make investments in China, to be settled in RMB.

Tsang confirmed that the rules will significantly increase the demand of Hong Kong and international enterprises for RMB financing, as "enterprises can make use of the RMB fund-raising platform in Hong Kong by financing direct investments in the Mainland through banks, debt and equity."

"(The rules) will greatly expand the use of RMB funds in Hong Kong and promote the development of the RMB bond market and financing activities in Hong Kong," he continued, "enabling the development of the Hong Kong offshore RMB business centre to reach a new level.

Invest HK concern over downturn impact

by RTHK English News, Hong Kong
Thursday, October 20, 2011

Invest Hong Kong has expressed concern that the number of offices being set up locally by European and US companies could decline, if there's a serious economic downturn in the two places. Its Director- General, Simon Galpin, said although the number of overseas and mainland parents companies running business operations in the territory has reached and all-time high, there are worries about the ongoing economic crisis in Europe and the US.

HK remains second in World Bank ratings

by RTHK English News, Hong Kong
Thursday, October 20, 2011

Hong Kong has held on to second spot in the World Bank's annual report on the ease of doing business. Singapore continued to rank top, with New Zealand coming in third, ahead of the US, which secured fourth position.

Charles Schneider from the World Bank said Hong Kong continued to hold on to second position partly because of the introduction of an online system for company registration.

Record Number of Regional Headquarters In Hong Kong

by Mary Swire, LawAndTax.com, Hong Kong
Monday, October 24, 2011

According to the results of an annual survey released by Invest Hong Kong (InvestHK) and the Census and Statistics Department, the total number of overseas and Mainland Chinese parent companies running business operations in Hong Kong has recorded its highest level to date, as, in particular, did the number of those operating regional headquarters.

By June 2011, the total number of foreign parent companies with operations in Hong Kong had reached 6,948 companies, a 5.9 per cent increase from 2010. Within that total, the number of regional headquarters was 1,340, an increase of 4.3%.

With regard to the country of origin, roughly half of the parent companies come from four countries. The United States (US) tops the list with a total of 1,328 businesses operating in Hong Kong, followed by Japan with 1,150, Mainland China with 805 and the United Kingdom with 562.

The major lines of business were mainly import/export trade, wholesale and retail; financing and banking; professional, business and education services; and transportation, storage and courier services.

In the survey, when choosing a location to set up such businesses, the top five factors rated by their parent companies as most important include a simple tax system and low tax rate, the free flow of information, a corruption-free government, political stability and security, and optimal communication, transport and other infrastructure.

In that respect, Galpin pointed out that "Hong Kong has once again been ranked the world's freest economy by the Heritage Foundation's 2011 Index of Economic Freedom. The city's low and simple tax regime includes profits tax of 16.5% and salaries tax capped at 15%. There is no value added tax, no goods and services tax, no estate duties, no capital gains tax and even zero duty on wine, all of which definitely help to convince companies to set up and run their businesses in Hong Kong."

No U-Turn On Foreign Tax

The Standard, Hong Kong
Monday, October 31, 2011

Complaints about a new tax on foreign workers mandating they pay social security contributions are misguided and unfair, and foreign firms in the mainland have no right to expect special treatment, Xinhua News Agency said.

Foreign executives are concerned that the scheme will increase costs, and claim the plan is too vague and will be hard for companies to implement.

An official acknowledged that the authorities and jumped the gun in rolling out the rules before they had worked out exactly how the system would be implemented, but said there would be no going back.

Xinhua scolded foreign firms for assuming they are “entitled to favorable policies while operating here.”

“As China continues to make changes to its market economy, the equalization of treatment for domestic and foreign firms has become an irreversible trend. The lenient policies of yesterday have worn out their usefulness, and foreign companies should keep that in mind,” the report said.

“It is logical that as the economy grows, labor costs will rise accordingly. The idea that rising costs eat up China’s competitiveness is arbitrary in nature. The age of ultra-low labor costs is nearing its end.”

New Regulators face Challenges

by Natallie CAI, The Standard, Hong Kong
Monday, October 31, 2011

New face named to the upper echelons of banking, securities and insurance regulatory bodies in the mainland are taking over at a time of big challenges in the domestic and external fronts.

Following a reshuffle announced on Saturday, Shang Fulin, Former head of the China Securities Regulatory Commission, becomes chairman of the China Banking Regulatory Commission.

Guo Shuqing, former chairman of China Construction Bank (0939) was named chairman of the CSRC, and Xiang Junbo, former chairman of the Agricultural Bank of China (1208) will head the China Insurance Regulatory Commission.

Lu Zhengwei, Shanghai-based chief economist at Industrial Bank, said the banking watchdog requires “political wisdom” for “Huge challenges.”

Accenture recently said in a report that although asset quality in mainland banks has improved, they will have to find ways to save capital to meet Basel III requirements, which mandates new liquidity criteria among other things.

Referring to Shang, 60, who has also served the People’s Bank of China for 18 years, and unidentified broker told Reuters that in introducing financial market reforms, he was “cautious.”

Beijing puts ball in Europe's count

by Agence France-Presse, The Standard, Hong Kong
Monday, October 31, 2011

China will not be a "saviour" to Europe, state media warned yesterday as President Hu Jintao left for an official visit to the region, including a summit of D20 nations.

Hu's visit has raised hopes that case-rich China might make a firm commitment to the European bailout fund.

But in a commentary, Xinhua News Agency said Europe must address its own financial woes.

The agency pointed out that China can neither take up the role as a saviour to the Europeans, nor provide a 'cure' for the European malaise.

It added obviously it is up to the European counties themselves to tackle their financial problems. Also, it mentioned that China could only do so "within its capacity to help as a friend.

The Group of 20 major economies will meet in Cannes, southern France, on Thursday and Friday.

For its part, G20 partners will also be looking to China to stimulate domestic demand and allow the yuan to appreciate more freely.

Andy Rothman, China Macro Strategist for brokerage CLSA, commented that China will only participate in a global program that is defensible to the Chinese people. He continued, as such, European countries shouldn't expect a "bailout" or "rescue" from China.