



For Immediate Release

## **PWMA Releases White Paper to Promote Hong Kong as a Global Private Wealth Management Hub**

### ***13 Recommendations to Drive the Industry Forward***

*Hong Kong, 27 September 2018* – A White Paper co-authored by Private Wealth Management Association (“PWMA”) and KPMG China highlights measures to attract family offices, the introduction of a wealth management cross-border scheme in the Greater Bay Area and enhancement of the regulatory environment as ways to best develop the potential of Hong Kong’s private wealth management industry.

Altogether, the White Paper lists a total of 13 recommendations, which also cover areas such as talent development and technology to facilitate client on-boarding.

“Hong Kong’s private wealth management industry continues to grow, but the market is also undergoing rapid changes. It is important for us in the industry to work together to ensure Hong Kong maintains its competitiveness. The White Paper is developed to inform and inspire how we can continue to advance to become a leading regional and global private wealth management hub,” said **Amy Lo, Chairman, Executive Committee of PWMA**.

**Peter Stein, PWMA’s Managing Director**, said, “Through this White Paper, we hope to define a vision for the future of our industry and we look forward to working with key stakeholders to bring these recommendations to fruition.”

Entitled “Hong Kong: A Leading Global Wealth Management Hub of the Future,” the White Paper incorporates ideas and feedback from extensive interviews with a wide range of contributors, including existing industry participants, family offices, regulators and service providers. It also leverages information gathered as part of the Hong Kong Private Wealth Management Report 2018, published jointly by PWMA and KPMG China.

The White Paper lays out the PWM industry’s extensive contributions to Hong Kong’s overall economy. In 2017, the industry and its associated supply chain contributed between HKD24.6 billion to HKD30.0 billion in value added<sup>1</sup>. The industry currently manages US\$1 trillion in AUM<sup>2</sup>, and aspires to double the amount in the next 5 years.

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<sup>1</sup> Value added is the same as GDP less taxes and subsidies and is commonly used by the Hong Kong government to assess economic impact.

<sup>2</sup> SFC 2017 Asset and Wealth Management Activities Survey.

**Paul McSheaffrey, Head of Banking and Capital Markets, Hong Kong, KPMG**, said “The PWM industry in Hong Kong has a window of opportunity to benefit from several macro opportunities, but it will need to move fast in the face of keen competition from other wealth management hubs. Implementing the recommendations set out in the white paper would be a big step forward, but will require concerted effort.”

In order to attract family offices – a key engine of growth for the PWM industry - to set up in Hong Kong, the White Paper offers 5 recommendations that will help promote the city and set the right tax environment. **Regulator and/or government-led effort** to coordinate industry business development in targeted geographies is seen as critical, along with an **Investment Office Liaison Centre** to guide family offices through the setting-up process locally.

Furthermore, the tax environment in Hong Kong should be reviewed in order to promote family offices and enable the city to compete on a level playing field with other PWM hubs. The White Paper recommends that the existing list of **Offshore Fund Exemptions should be expanded** and **non-resident High Net Worth Individuals (HNWIs) should remain exempt from Hong Kong tax**. In addition, **the taxation treatment of Hong Kong trusts need to be modified** in order to encourage their use as an investment holding option for HNWIs and family offices.

The PWM industry is also looking closely at the significant growth opportunities presented by mainland China, particularly through the Greater Bay Area initiative. The White Paper recommends implementing a new **Wealth Management Orientated Cross-border Scheme making the Greater Bay Area a single wealth zone** and a three-stage approach to develop it over time. The first stage will allow for onshore solicitation and marketing for PWM institutions based in Hong Kong (and vice versa); following this a second stage will see freer cross-border fund transfer whilst maintaining sufficient controls, and finally in stage three the scheme could be further widened/deepened to other areas in mainland China.

On the regulatory front, **a PWM industry specific code of conduct** is suggested to consolidate regulatory requirements and maintain appropriate levels of investor protection.

A full list of the 13 recommendations is included in Appendix 1. The full report is available for download

<https://home.kpmg.com/cn/en/home/insights/2018/09/hong-kong-a-leading-global-wealth-management-hub-of-the-future.html> :

## Appendix 1

Scale & diversity	1	Enhancing promotion	<ul style="list-style-type: none"> <li>– <b>Recommendation 1:</b> Regulator and/or government led effort to coordinate industry business development in targeted geographies</li> <li>– <b>Recommendation 2:</b> Set up a Investment Office Liaison Centre to help promote Hong Kong and guide family offices through the set-up process in Hong Kong.</li> </ul>
	2	Setting the right tax environment	<ul style="list-style-type: none"> <li>– <b>Recommendation 3:</b> Promote family offices through the expansion of the Offshore Funds Exemption or the introduction of a new exemption</li> <li>– <b>Recommendation 4:</b> Ensure that non-resident HNWLs remain exempt from Hong Kong tax.</li> <li>– <b>Recommendation 5:</b> Reform taxation treatment of Hong Kong trusts.</li> <li>– <b>Recommendation 6:</b> Introduce a concessional tax rate for fund management and advisory.</li> </ul>
	3	Building an appropriate regulatory environment	<ul style="list-style-type: none"> <li>– <b>Recommendation 7:</b> Streamline existing disclosure requirements to ensure they are appropriate to a PWM client's level of sophistication and experience.</li> <li>– <b>Recommendation 8:</b> Develop a Code of Conduct for the PWM industry.</li> </ul>
	4	Enhancing connectivity with mainland China	<ul style="list-style-type: none"> <li>– <b>Recommendation 9:</b> Implement a new wealth orientated cross-border scheme making the GBA a single wealth zone.</li> </ul>
Talent	5	Nurturing the right talent	<ul style="list-style-type: none"> <li>– <b>Recommendation 10:</b> Develop a flagship taught postgraduate degree to position Hong Kong as a hub for PWM learning and innovation.</li> <li>– <b>Recommendation 11:</b> Reform professional training reimbursement under the WAM Pilot to boost number of mid-career joiners.</li> </ul>
Innovation	6	Enhance the access to KYC information for onboarding	<ul style="list-style-type: none"> <li>– <b>Recommendation 12:</b> Ensure any future developments involving a KYC Utility or electronic IDs include HNWLs to improve client experience</li> </ul>
Future	7	Driving the future of the industry	<ul style="list-style-type: none"> <li>– <b>Recommendation 13:</b> Create a PWM industry forum to keep focus on the long term future of the industry and track progress against the white paper</li> </ul>



## **About the Private Wealth Management Association**

The Private Wealth Management Association is a Hong Kong-based voluntary association incorporated as a company limited by guarantee; it is separate from the Hong Kong Association of Banks. The main objectives of PWMA are: to better position Hong Kong as the private wealth management hub in the region by promoting and encouraging the growth and development of the PWM industry in Hong Kong, to help maintain Hong Kong's status and competitiveness as a major financial centre, to provide a forum for members to discuss and exchange views on trends and challenges faced by the PWM industry and how to strategically position for these trends and challenges, to promote proper conduct, integrity and high standards of professional competence on the part of PWM practitioners, to provide industry representation and consultation in Hong Kong on PWM-related matters, and to serve as a channel for the private wealth management industry to maintain ongoing dialogue with governments, regulators, trade bodies and non-governmental organisations.

There are now 45 Full Corporate Members with a 10-member Executive Committee serving as the governing body of the PWMA. The Association currently accepts Full Corporate Membership only. For more information about the members of PWMA, please visit our website at:

<http://www.pwma.org.hk>

## **About KPMG China**

KPMG China operates in 19 cities across China, with around 12,000 partners and staff in Beijing, Beijing Zhongguancun, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Wuhan, Xiamen, Xi'an, Hong Kong SAR and Macau SAR. With a single management structure across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 154 countries and territories and have 200,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG China was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as at 1 August 2012. Additionally, the Hong Kong office can trace its origins to 1945. This early commitment to the China market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in the Chinese member firm's appointment by some of China's most prestigious companies.

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