

Press Release

SFST highlights HK's development of a market for

Islamic finance in Dubai

Wednesday, 26 November 2008

Hong Kong had a significant role to play in the exponential growth in Islamic finance, the Secretary for Financial Services and the Treasury, Professor K C Chan, said in Dubai today (November 26).

Professor Chan said Hong Kong could play its role as a two-way springboard as the growth in Islamic finance had provided an impetus for the Islamic financial community to look at financing and investment opportunities beyond its domestic boundaries. Hong Kong could facilitate the intermediation of savings and investments between the Islamic financial communities and the Mainland, he said.

Addressing at a business seminar entitled “Greater China – Trends in the Marketplace and Islamic Opportunities”, Professor Chan said like other international financial centres, Hong Kong was very keen to introduce Islamic finance to the Hong Kong community.

We believe that Hong Kong’s current strengths in conventional financial services industry can serve as a base for our growth of Islamic finance, especially in the wholesale and capital market.”

He said a variety of Islamic financial products, such as Islamic banking window, fund and indexes, as well as sukuk, had been launched in Hong Kong in the past year or so. Also, the introduction of Islamic deposit products was gathering speed from market players.

A unique advantage for Hong Kong is our unrivalled role in bridging the Mainland, the world’s fastest growing economic giant, to the international market”, Professor Chan said.

He told the audience that with a view to putting in place an Islamic financial platform in Hong Kong, the Government had conducted a review on the city’s legal, taxation and regulatory regimes to ascertain

whether a sukuk market could be accommodated in the existing system and framework.

Our finding suggests that there is no fundamental obstacle to the issue and transactions of sukuk in Hong Kong. On the other hand, we are aware that additional stamp duty, profits and property tax implications may arise from the unique structures of sukuk, which may involve sale, repurchase and lease of the underlying assets and creation of special purpose vehicles for risk-sharing and partnership purposes.”

We are now actively pursuing technical modifications to the taxation regime to deal with the possible differential implications on tax obligations and liabilities arising from the peculiar structures of sukuk, with a view to levelling the playing field for sukuk vis-à-vis conventional bonds.”

He said Islamic finance was definitely an area with ample room for expansion, adding that Hong Kong, being an international financial centre, was moving full-steam ahead to put in place a conducive platform for the development of Islamic finance.

On the last day of his visit in Dubai, Professor Chan toured the infrastructure and major development projects in the city. He also paid a courtesy call to Mr Gao Youzhen, Chinese Consul General in Dubai.

Professor Chan will return to Hong Kong tomorrow (November 27).

Ends