

Press Release

Gazettal of Securities and Futures (Amendment) Bill 2016 and release of consultation conclusions on open-ended fund company structure

Friday, January 15, 2016

The Government published in the Gazette today (January 15) the Securities and Futures (Amendment) Bill 2016, which seeks to amend the Securities and Futures Ordinance (Cap. 571) to introduce a new open-ended fund company (OFC) structure in Hong Kong.

The Secretary for Financial Services and the Treasury, Professor K C Chan, said, "The Bill provides for a new OFC structure in Hong Kong, introduced in response to the market need for a more flexible choice of investment fund vehicle. It will provide an extra fund structure option and create a more flexible business environment for fund managers, which in turn will diversify our fund domiciliation platform and be conducive to Hong Kong's further development as an international asset management centre."

Currently, an open-ended investment fund may be established under the laws of Hong Kong in the form of a unit trust, but not in corporate form due to various restrictions on capital reduction under the Companies Ordinance (Cap. 622) (CO).

An OFC is an open-ended collective investment scheme set up in the form of a company, but with the flexibility to create and cancel shares for investors to trade the funds, which is currently not enjoyed by conventional companies. Also, OFCs will not be bound by restrictions on distribution out of share capital applicable to companies formed under the CO, and instead may distribute out of share capital subject to solvency and disclosure requirements. An OFC could be a publicly or privately offered fund.

The Government has taken into account the views received in the public consultation conducted in March 2014 when formulating the legislative proposals. The views received were generally supportive of the introduction of a Hong Kong OFC. The consultation conclusions were released today and have been uploaded to the website of the Financial Services and the Treasury Bureau (www.fstb.gov.hk/fsb/ppr/consult/doc/ofc_conclu_e.pdf).

The Bill will be introduced into the Legislative Council on January 27.

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