**Stamp Duty (Amendment) Ordinance 2015**

**Frequently Asked Questions**

Q1: What are exchange traded funds ("ETFs")?

A1: ETFs seek to achieve a stated investment objective by investing in a portfolio of assets. For example, index-tracking ETFs seek to track, replicate or correspond to the performance of an underlying index on, for instance, a group of stock markets in a region, or an underlying benchmark such as gold and silver fixing prices. In Hong Kong, ETFs are open-ended collective investment schemes the shares or units of which are listed or traded on the Stock Exchange of Hong Kong. ETFs offered to the Hong Kong public, whether established in Hong Kong or elsewhere, are authorised by the Securities and Futures Commission provided that they meet the applicable product and disclosure requirements.

Q2: What are the benefits of ETFs?

A2: A major benefit of ETFs is that they allow investors to diversify their investments by giving investors an exposure to an asset class or market segment, such as assets represented by their underlying index or benchmark, without actually owning the constituents that comprise the asset class or market segment.

Q3: What is the scope of the ETF stamp duty waiver?

A3: The Government proposed in the 2014-15 Budget to waive the stamp duty for the transfer of all ETF shares or units. The stamp duty waiver covers all ETFs regardless of their underlying portfolios, dates of listings or whether stamp duty has been remitted in respect of them.

Q4: What are the benefits of the ETF stamp duty waiver?

A4: We have since 2010 extended the stamp duty remission to ETFs with their registers of holders maintained in Hong Kong that track indices comprising not more than 40 per cent in Hong Kong stocks as an initiative to encourage the listing of ETFs tracking regional indices in Hong Kong. With the implementation of the ETF stamp duty waiver, the transaction cost of ETFs with their registers of holders maintained in Hong Kong and with more than 40 per cent of Hong Kong stocks in their portfolios can be reduced as well to help promote the development, management and trading of ETFs in Hong Kong. This will be conducive to fostering Hong Kong's position as an asset management centre and the development of our financial services sector as a whole, and provide new business opportunities for market practitioners and a greater range of products for investors.

Q5: When will the ETF stamp duty waiver take effect?

A5: Starting from 13 February 2015, stamp duty is waived for the transfer of shares or units of all ETFs.

Financial Services and the Treasury Bureau
13 February 2015