

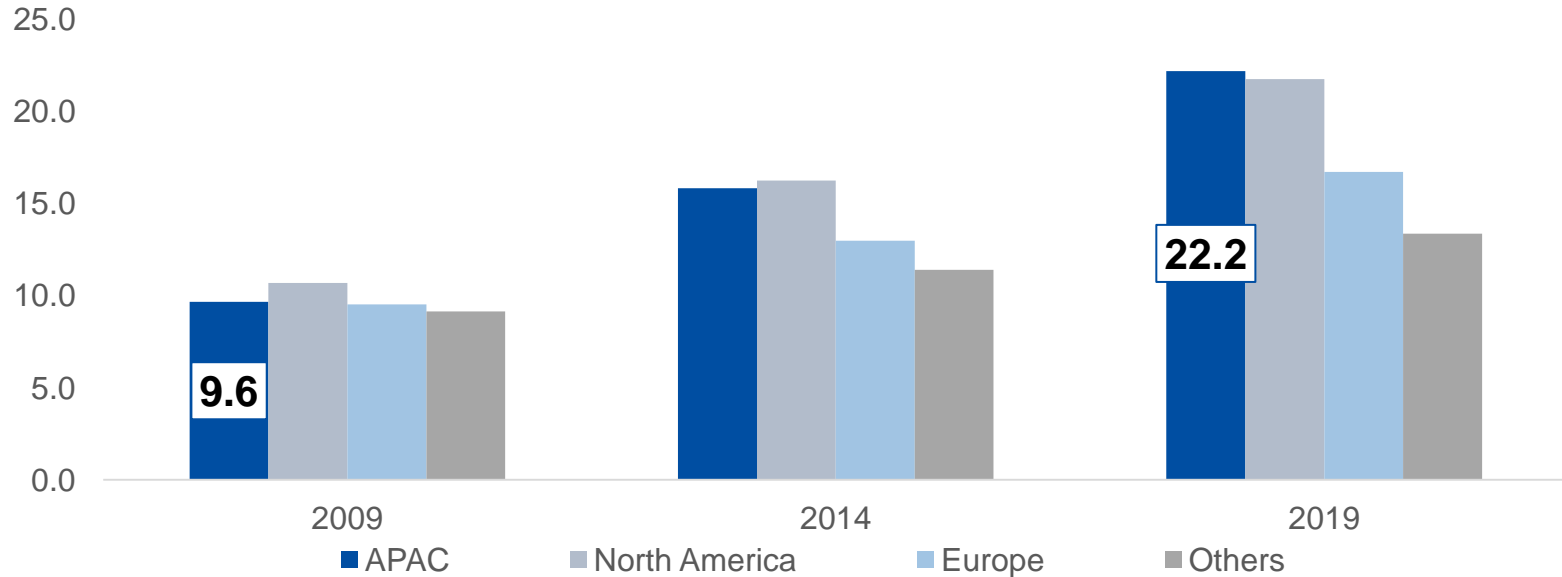


HONG KONG MONETARY AUTHORITY
香港金融管理局

Limited Partnership Fund as a new GP-LP structure in Hong Kong

Strong APAC wealth growth propelling AM & PWM development in HK

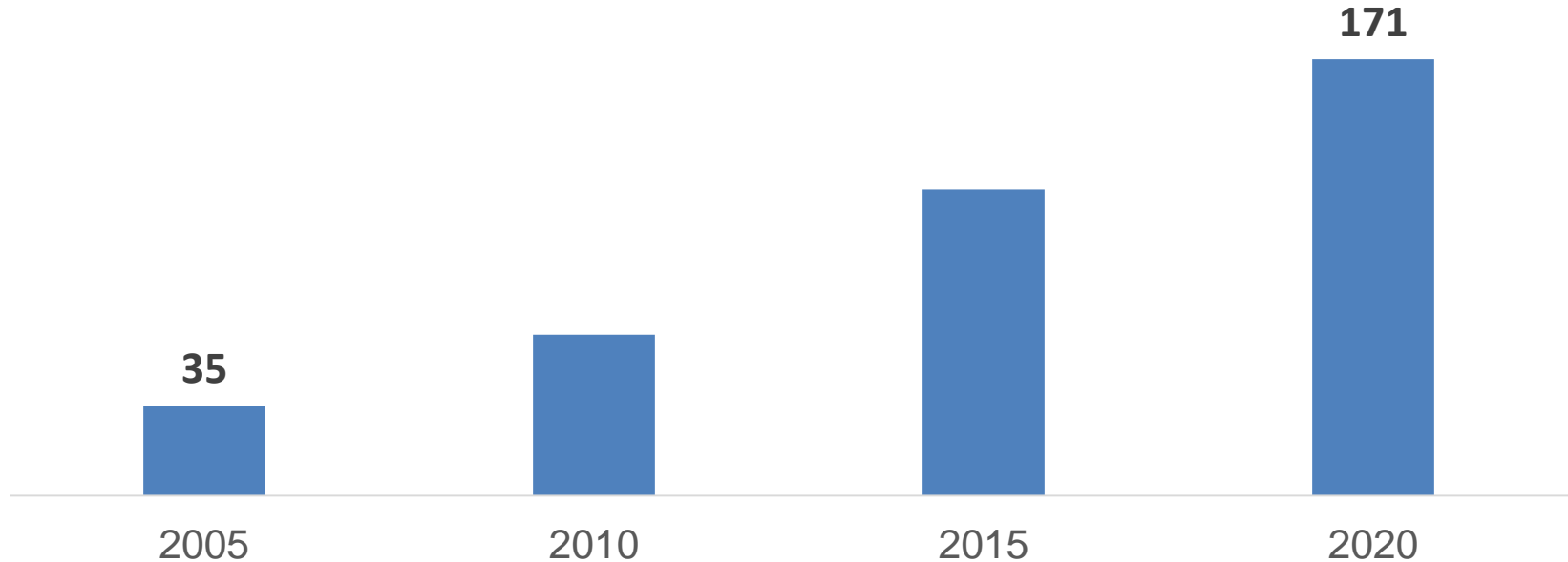
Global HNW wealth (US\$ trillion)



Source: Capgemini, PWMMA, SFC

Strong APAC wealth growth propelling AM & PWM development in HK

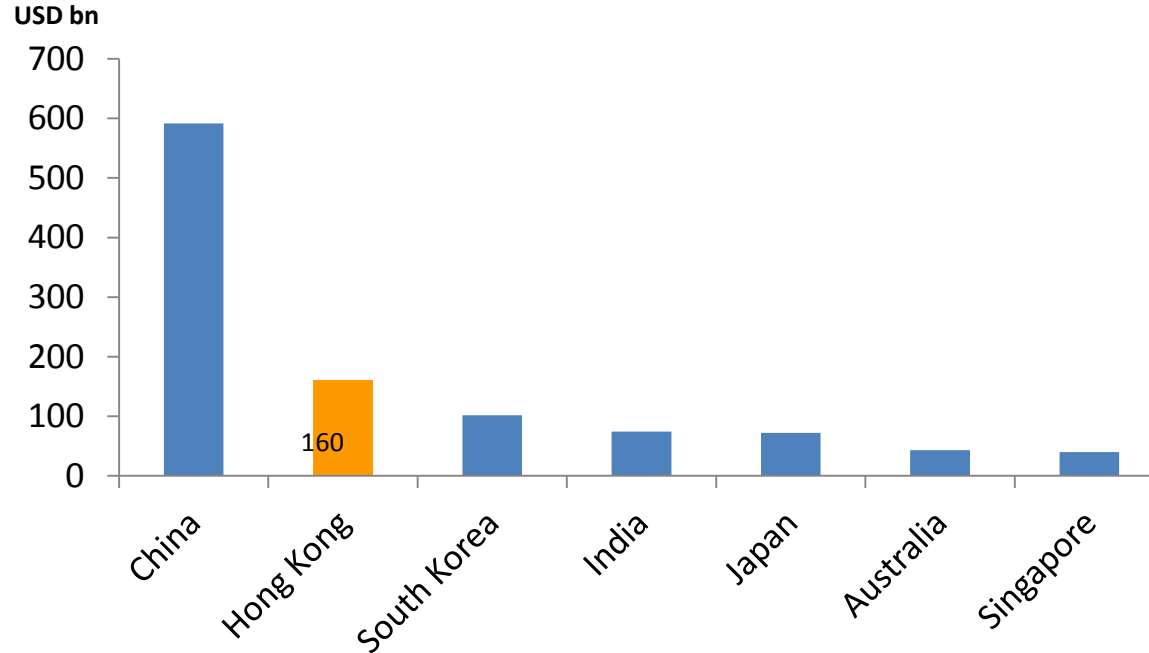
HK's PE capital under management (US\$ billion)



Sources: UBS, AVCJ

Hong Kong is the largest PE hub in APAC after Mainland China

Capital-under-management of PE funds (end-2019)

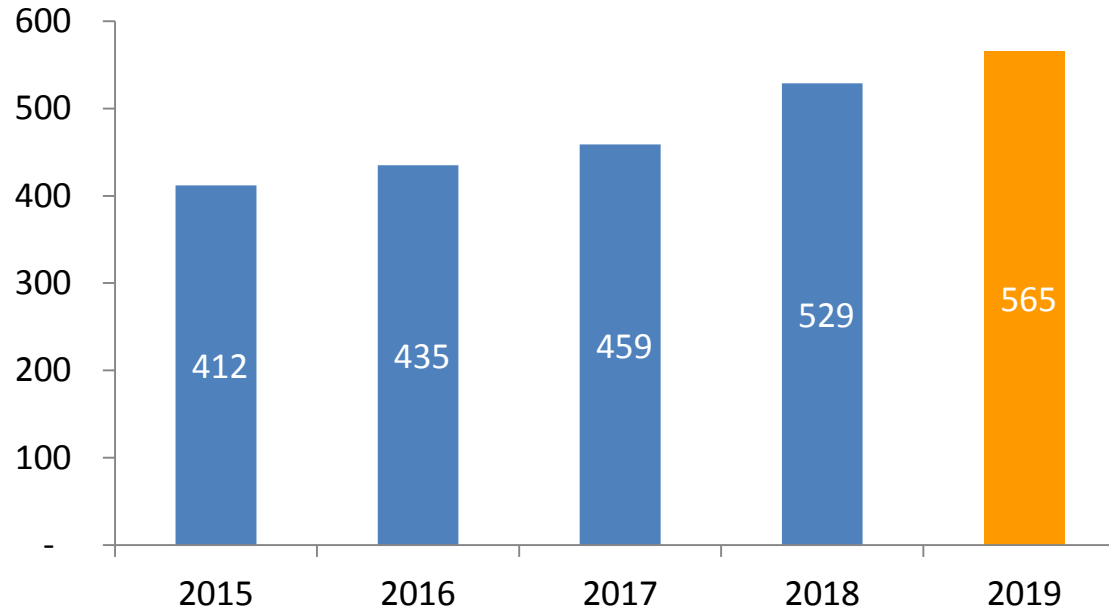


Note: Capital-under-management is the total fund amount currently managed by the PE firm either deployed or available to invest
Source: AVCI



Steady growth in number of PE firms in Hong Kong

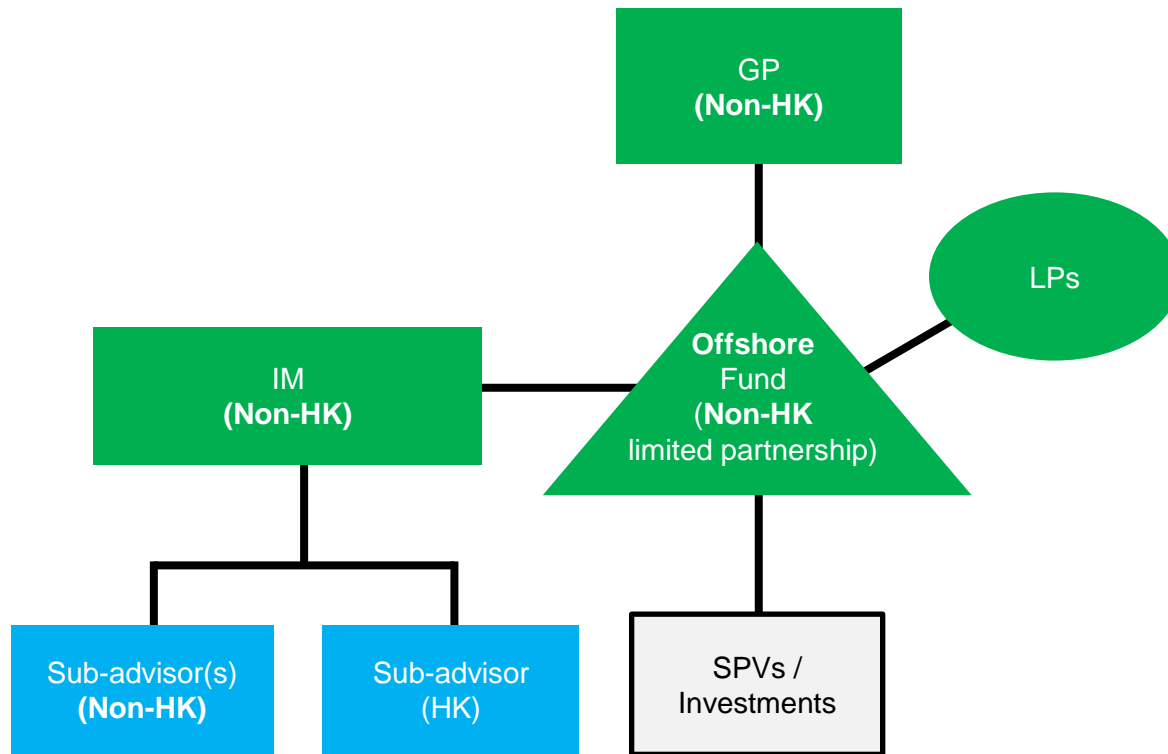
Total number of PE & VC firms in HK



*Note: The figures above cover private equity or venture capital firm with an office located in Hong Kong.
Source: AVCJ*



Typical offshore model for PE/VC funds



Emerging global trends pushing for onshorisation



Tax:

- BEPS calling for substance-form alignment



Regulatory:

- Onshoring in Europe



Cost:

- Substance requirements



We are determined to develop HK's private investment market



Fund level tax exemption

launched in 2019



New Limited Partnership Fund (“LPF”) law

launched in 2020



Carried interest tax treatment

launched in 2021



What is Limited Partnership Fund (“LPF”)?

GP

- HK private limited company
- Registered non-HK company
- Limited partnership (HK or overseas)
- Individual > 18 years old

LPs

- Natural person
- Corporation
- Partnership
- Unincorporated body

LPF

IM

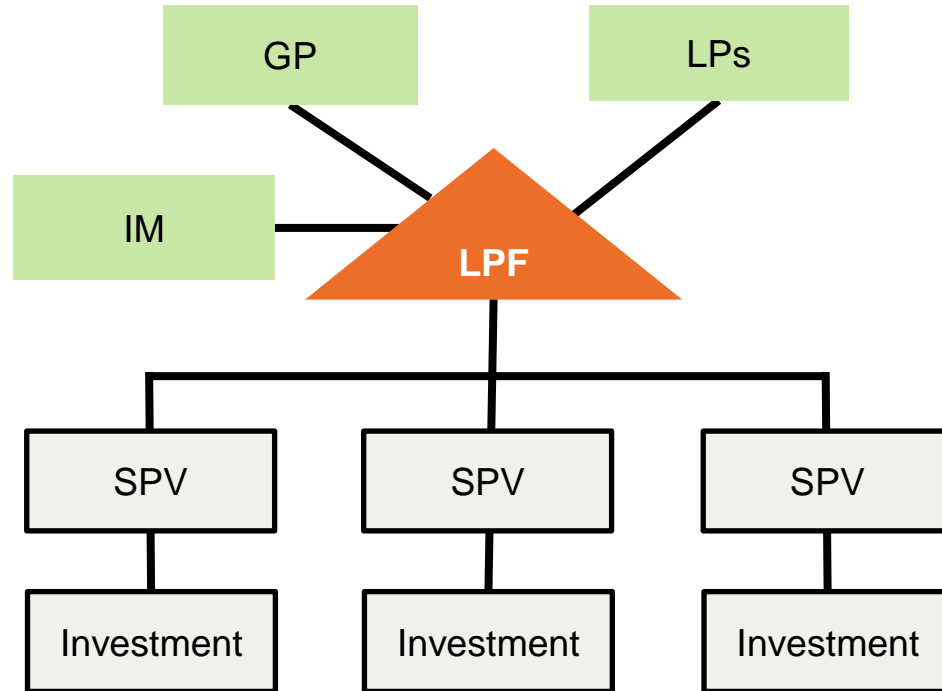
- company incorporated in HK;
- registered non-HK company;
- HK resident > 18 years old; or
- The GP itself

Investments in -

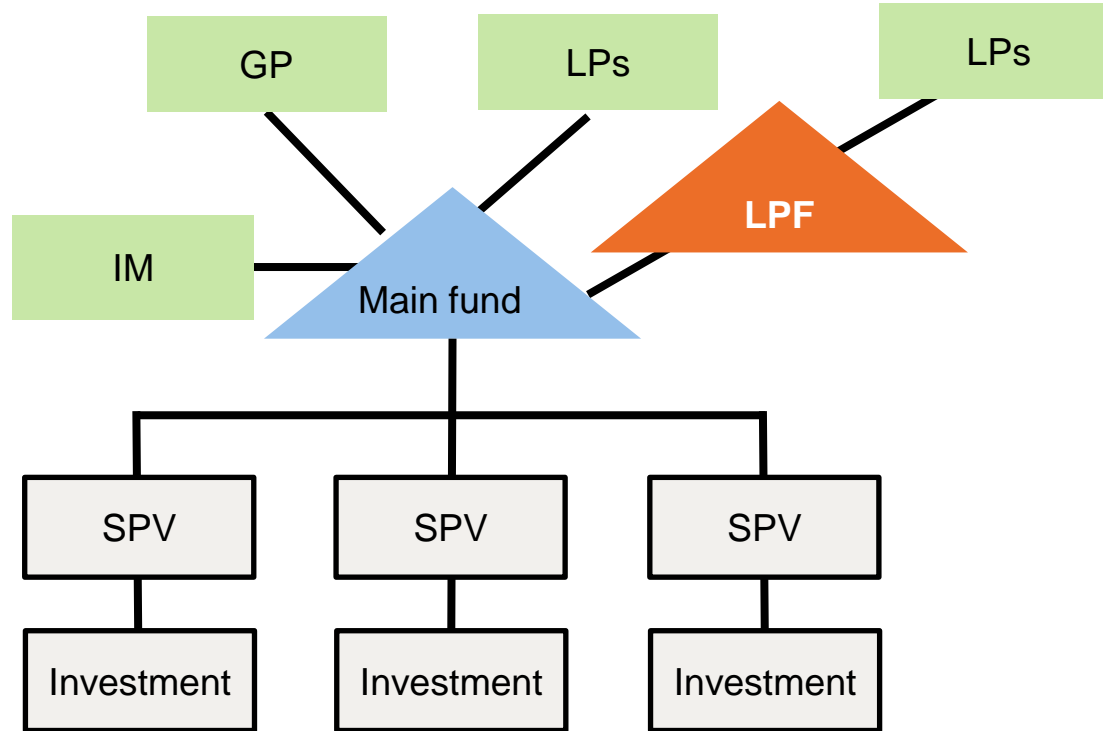
- ✓ PE
- ✓ VC
- ✓ RE
- ✓ Infrastructure
- ✓ Tech, healthcare, education
- ✓ Project
- ✓ Credit...

- GP must appoint an independent auditor
- GP must appoint a responsible person to implement AML measures
- Custodian is not mandatory if assets are properly kept

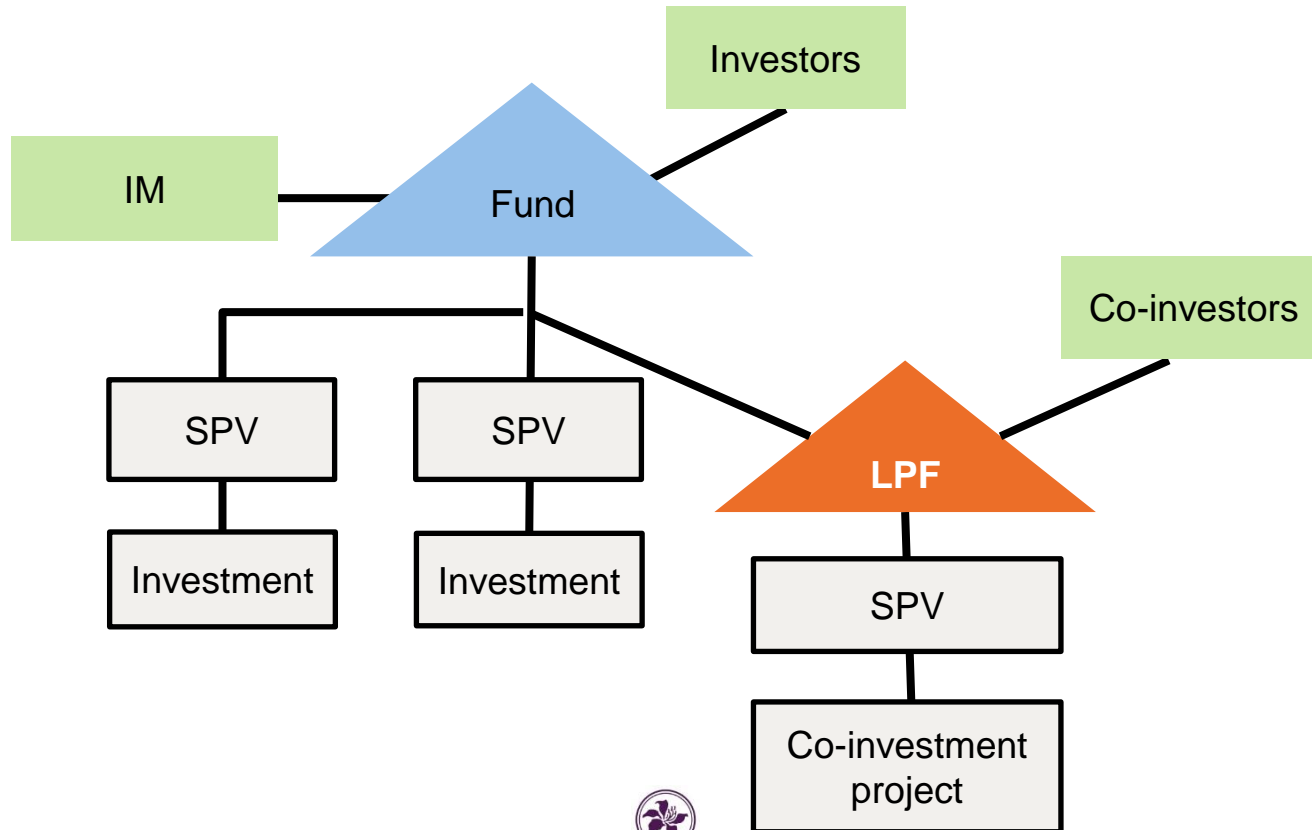
LPF as main fund



LPF as feeder fund

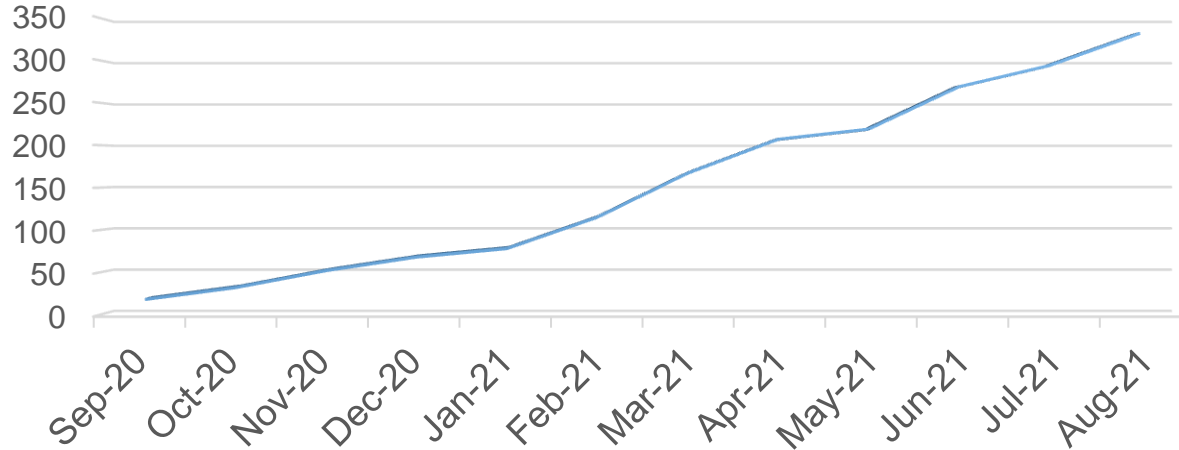


LPF as co-investment vehicle

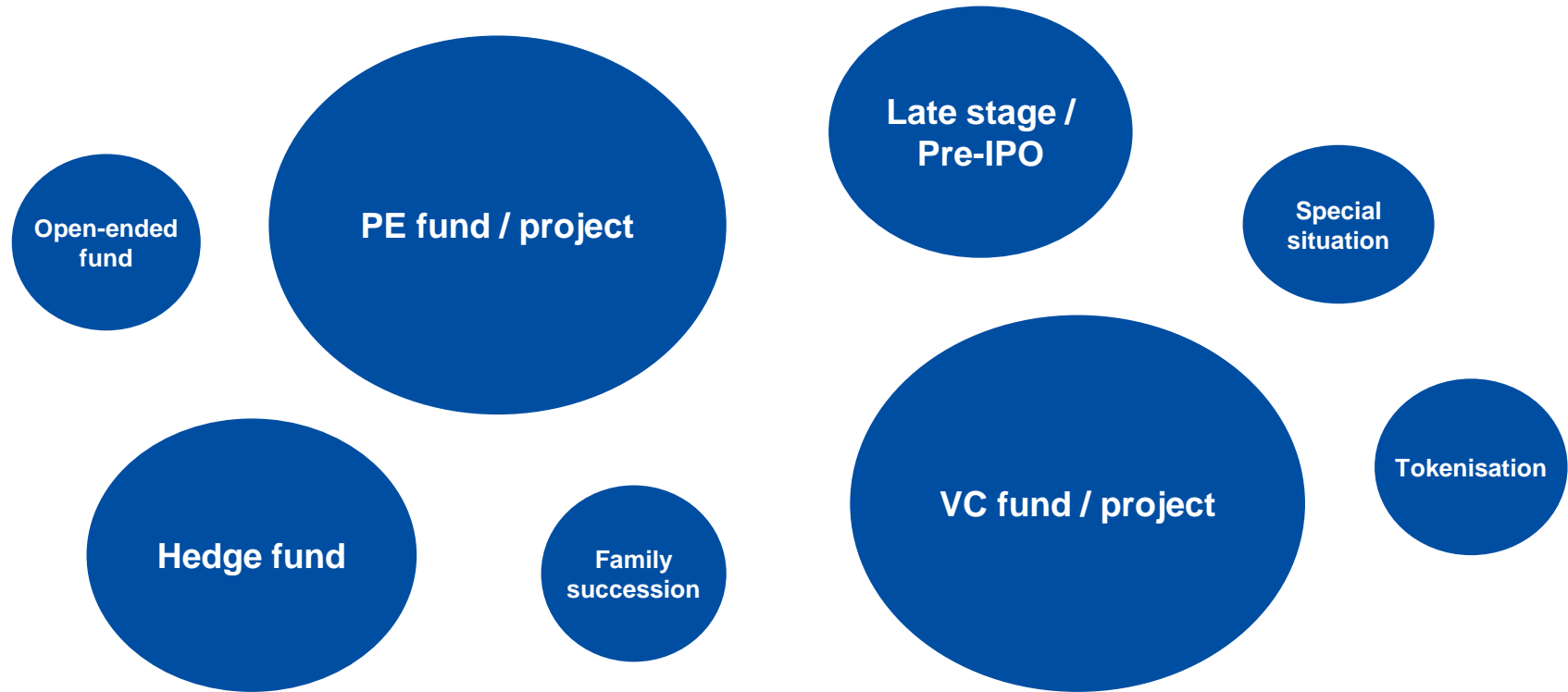


Solid start with **332** LPFs registered in 1 year (as of 31 Aug 2021)

Cumulative number of registered LPFs



Major fund types



Major LPF users

**IMs with Mainland nexus
(market / investor)**

Local IMs

Global IMs



Key reasons behind using LPF

**More likely to enjoy
DTA benefits**

**Much cheaper set up &
maintenance cost**

**Investors prefer
onshore structures**

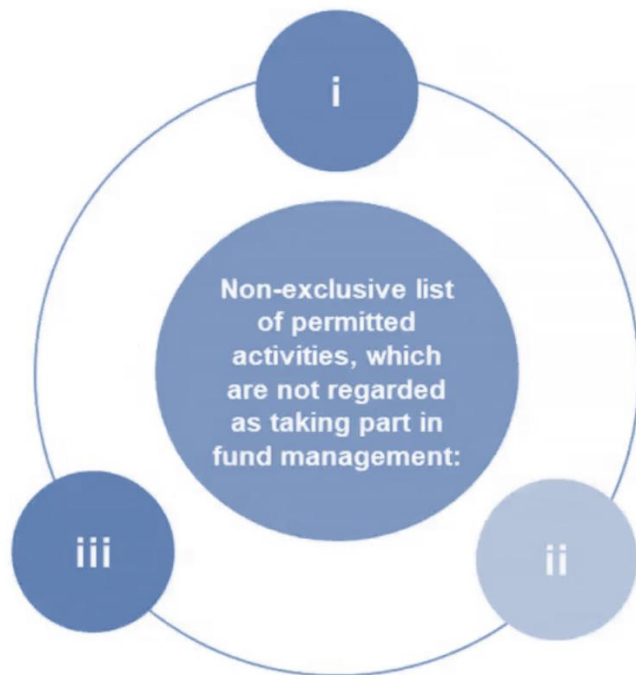
**To survive international
challenges, ES rules,
tax/regulatory
challenges**



Features of LPF



Comprehensive safe-harbour protection of investors' limited liability



- i. Calling / attending meeting of partners
- ii. Serving on a board / committee of the fund or GP; or as a director of any fund investee company
- iii. Taking part in a decision about change of partner / IM / investment scope / term; approving amendment to LPA










Extensive freedom of contract

Covers, without limitation:

- investment scope
- admission and withdrawal of partners
- powers, rights and obligations of partners
- capital contributions and withdrawal, distribution of proceeds, and clawback obligations
- frequency of financial reporting
- custodial arrangement
- life of the fund
- fund dissolution procedures



LPF vis-à-vis typical offshore fund vehicles (1)

		LPF	Typical offshore LP vehicle
	Regulatory approval	Not required	Not required
	Minimum capital requirement	No	No
	Restriction on investment scope	No	No
	Freedom of contract	Yes (very broad)	Yes
	Prescribed LP safe harbour activities	Yes (very broad)	Yes
	Public access to LP information	No	No
	Separate legal personality	No	No



LPF vis-à-vis typical offshore fund vehicles (2)

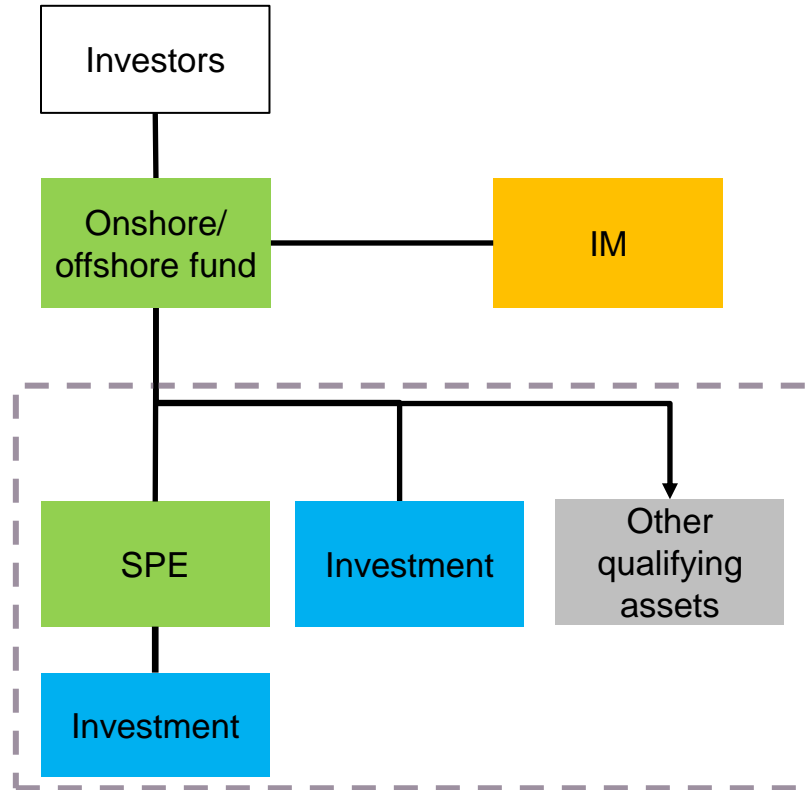
	LPF	Typical offshore LP vehicle
Registration fee	US\$390 (HK\$3,034)	>US\$4,000
Annual return filing fee	US\$13 (HK\$105)	>US\$1,000
Custodian	Not mandatory	Mandatory custodian appointment
Audit	Local (HK) auditors appointment	Local auditors appointment
Accounting standards	No specified requirements	IFRS or GAAP in non-high risk jurisdictions



LPF is less costly and burdensome to set up and maintain



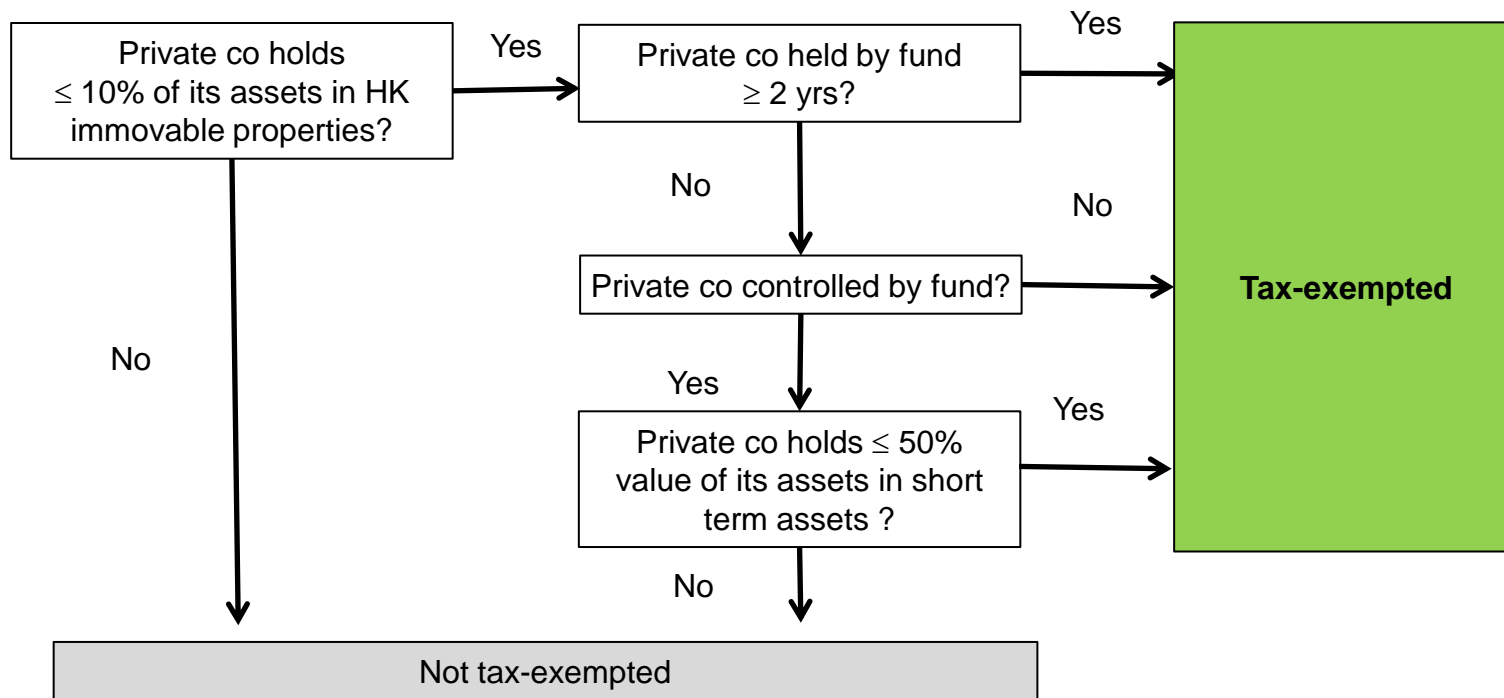
Unified fund exemption regime (UFR)



- Fund definition - Collective Investment Scheme
- Fund managed by Specified Person or being a Qualified Investment Fund
- Investments in qualifying assets, including private company shares, are fully tax-exempted (regardless of whether held by a SPE)



UFR – investment in private companies



Favourable tax regime for PE platform

GPs

- Tax exemption on carried interest

Fund

- UFR for onshore and offshore funds

SPEs

- Tax exemption at fund and SPEs level

Investments

- Wide tax treaty network covering c.90% AP's deal flow
- Highly competitive DTAs with Mainland China and India

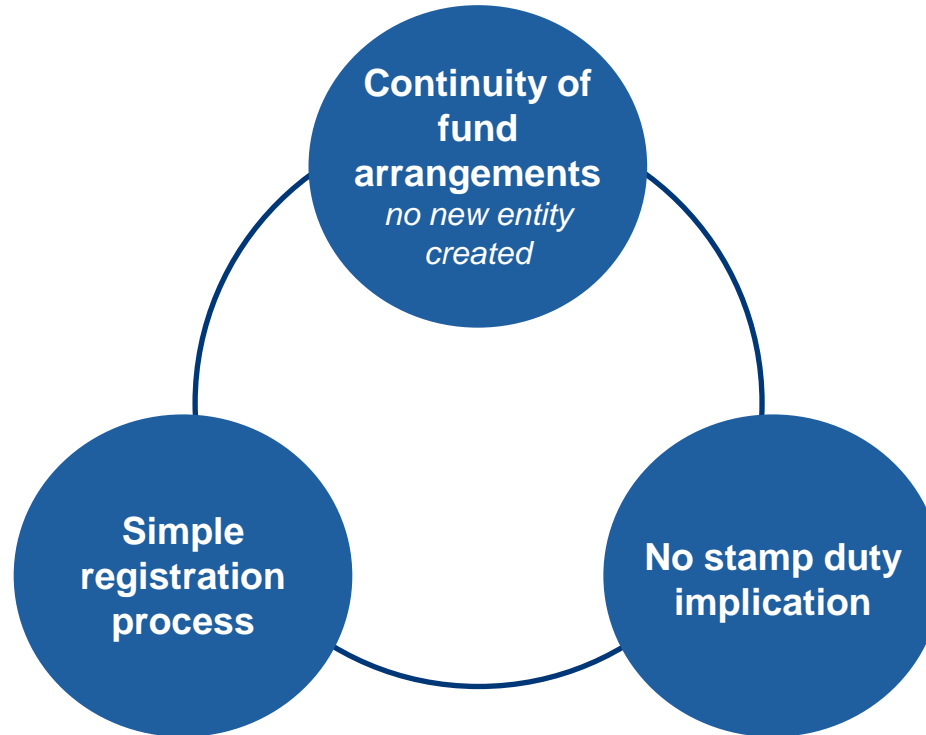


Tax exemption for carried interest now available

Any person (**Eligible Carried Interest Recipients**) providing **Investment Management Services (“IMS”)** in Hong Kong to an **HKMA-Certified Investment Fund (or the ITVF Corporation)**, and deriving **Carried Interest** from **Qualifying Transactions** would be eligible for tax exemption, provided that the **Substantial Activities Requirements** are met.



We will provide certainty for re-domiciliation of offshore limited partnerships into LPF



LPF re-domiciliation targeted to launch within 2021

2020

- 31 Aug 2020
- LPF regime became effective

2021

- Feb 2021
- Announced in the Budget

- Jul 2021
- Legislative proposal introduced into LegCo

- Target implementation within 2021



Anson Law



**Hong Kong Monetary Authority
Market Outreach Division**

ansonlaw@hkma.gov.hk



Anson focuses on financial market outreach and promotion, covering the asset and wealth management sector, including traditional and alternative asset managers, family offices and institutional investors. Prior to taking up his current role, Anson spearheaded development of Hong Kong's private equity and venture capital fund market, including the mapping out of Hong Kong's Limited Partnership Fund regime, broadening of tax exemption to cover onshore funds, etc. Anson also worked at HKMA's Direct Investment team and Risk & Compliance Department, where he was responsible for Exchange Fund's PE and real estate investments and investment operational and business risk compliance matters respectively. Before joining the HKMA, Anson was a member of the HKSARG Administrative Officer grade and served at various policy bureaux including Financial Services and the Treasury Bureau, where he closed the railway merger deal and advised on various public infrastructure financing projects; and Chief Secretary for Administration's Private Office, etc., where he acquired extensive experience in policy formulation.