

Historically, Hong Kong managers have typically used **Caymanian offshore** limited liability companies for retail and alternative fund structures. The intent of the **introduction of the OFC** in HK has been to offer an alternative fund structure for collective investment schemes in the jurisdiction to **increase Hong Kong's attractiveness** as an international investment fund hub. In **July 2018** it became possible in HK to set up a collective investment scheme in a corporate form, the OFC. Previously, the common fund structure offering was the Unit Trust.

### Private OFC

needs to be registered with the SFC but not seek its authorization

Exempted from HK profits tax only if it meets certain qualifying criteria

It cannot be offered to the public e.g. offered to professional investors

### Public OFC

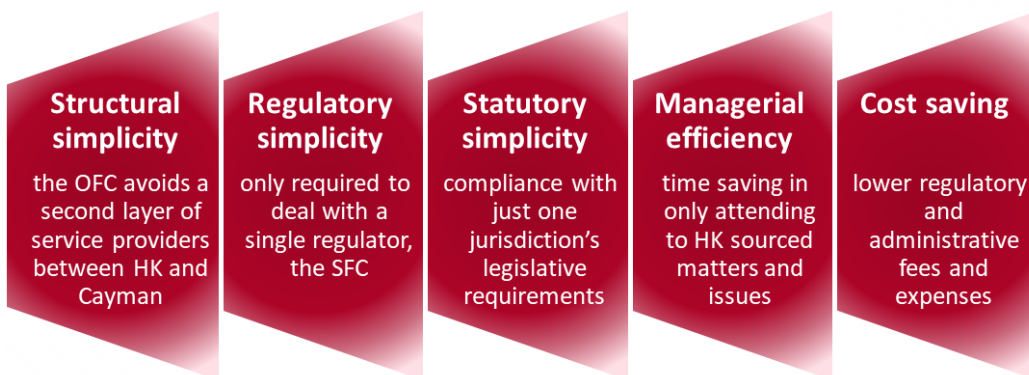
needs to obtain an authorization from the SFC

as an SFC authorized fund it will be exempted from HK profits tax

- Directors **do not need to be registered persons** with the HK Securities and Futures Commission (SFC) but must be approved by the SFC
- The OFC can contract and hold assets **in its own name** unlike a unit trust
- A Custodian must be appointed to safe keep and segregate the **company's assets**
- An OFC can make distributions **out of its capital**
- The OFC can be structured as an **umbrella fund**
- An **Investment Manager** must be appointed

## HONG KONG OFC vs CAYMAN EXEMPTED COMPANY (CEC)

For the Hong Kong manager, the OFC presents the following advantages from that of a CEC



## THE MARKET IS TALKING ABOUT IT



While the OFC initiative **started earlier** than the VCC (Variable Capital Company) in Singapore, the latter has gained popularity with a business-oriented approach.

OFC has continued to mature, relying on its recent **developments** and **future opportunities** with Mainland China to boost its competitiveness.

### Hong Kong OFC recent developments

- 11 Sep 20 ● All investment restrictions on private OFCs were **lifted**
- 11 Sep 20 ● SFC **Type 1 license holders** were permitted to act as custodian of an OFC
- 5 Oct 20 ● Consultation closed on the customer due diligence (CDD) requirements to be imposed on OFCs
- 23 Dec 20 ● OFC use of **multiple custodians** confirmed  
CDD: required to appoint a responsible person to perform (AML/CFT) functions.
- 24 Feb 21 ● Subsidy to cover 70% of set up expenses (date tbc)
- Q2 2021 ● Legislative mechanism to support re-domiciliation will be implemented to allow overseas corporate funds to migrate and re-domicile in Hong Kong as OFCs.

## BRETTEVILLE CONSULTING HONG KONG

Bretteville Consulting supports your Fund Structures strategy

- Market analysis of the OFC regime in Hong Kong
- Compliance infrastructure inclusive of the documentation of regulatory deliverables
- Health check on operations completeness of OFC statutory & regulatory obligations
- Operating model risk assessment and operational control KPIs
- Support to Fund Structures client journey

## CONTACTS



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