

Hong Kong's Limited Partnership Regime for Funds

July 2020

On 9 July 2020, the Hong Kong Legislative Council passed the Limited Partnership Fund (LPF) Bill, allowing funds to be set up as Hong Kong registered limited partnerships with effect from **31 August 2020**.

Legalities, Governance and Key Features of the HK Limited Partnership Funds

An LPF is not a legal person in itself; it is a registration scheme

It can be used for private equity, venture capital, real estate, infrastructure, hedge funds, etc.

It has at least two partners – one general partner (GP) and at least one limited partner (LP)

The partners have the freedom to contract

The LPF regime currently does not yet cater for inward re-domiciliation of funds

A typical Hong Kong Limited Partnership Fund and its key players

The General Partner



- The GP is either a HK private company; a non-HK company registered with the HK Companies Registry; a natural person; or a limited partnership (HK or foreign).
- The GP has unlimited liability, as well as ultimate responsibility for management and control of the LPF.
- If the GP has no legal personality, an authorised representative (AR) must be appointed by the GP to be responsible for the management and control of the LPF.

The Investment Manager (IM)



- The GP must appoint an IM (which can be the GP itself) which is a HK resident, a HK incorporated or registered non-HK company.
- An IM will carry out the day-to-day investment management functions of the LPF.
- If the IM carries out regulated activities in HK, it should obtain the requisite licence(s) from the HK Securities and Futures Commission (SFC).

The Limited Partner(s)



- The LP(s) is either a natural person, a corporation, partnership, or an unincorporated entity.
- The LP(s) will not have day-to-day management rights nor control over the underlying assets held by the LPF.

The Responsible Person (RP)

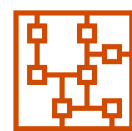


- The GP must appoint a responsible person (which can be the GP itself) to carry out the obligations under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (“the Ordinance”).
- The RP can be a HK authorised institution, an SFC licensed corporation, an accounting professional or a legal professional defined under the Ordinance.

Key compliance obligations of a Hong Kong LPF

- It has to be constituted by a limited partnership agreement and must have a registered office in Hong Kong
- It has to be registered with the Registrar of Companies and has an obligation to file an annual return
- It requires the appointment of a local auditor
- There are requirements for proper custody arrangements for the assets and record keeping

Advantages of the LPF Regime



Can enjoy the “unified tax exemption” subject to requirements being met



Allows for a “fund for one” and provides a reasonable and balanced disclosure framework



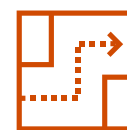
Flexible in operations and allows freedom of contracts amongst its partners



Safe harbour activities for limited partners



No capital duty on the capital contributed by partners. No stamp duty on the contribution / transfer / withdrawal of LPF interests



Aligns the domicile of the fund with commercial substance

PwC Insights

The LPF Bill introduces a new registration regime for LPFs to be established and operational in Hong Kong. The LPF regime gives market players more flexibility in structuring the fund vehicle and operations, and more importantly in aligning the domicile of the fund with commercial substance under the current international tax and regulatory environment. A Hong Kong domiciled fund with substance in Hong Kong would set a good foundation for the fund to enjoy tax treaty protection.

With the unified tax exemption and open-ended fund company regime already in place, and the anticipation of the carried interest tax concession consultation to be launched soon, the introduction of an LPF regime is another key milestone towards building a more extensive asset and wealth management ecosystem in Hong Kong.



How PwC can help

Our dedicated team brings together senior and experienced subject matter experts and trusted specialists who can support you every step of the way to successfully set up of an LPF.



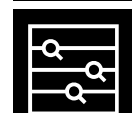
Provide market intelligence for market entry



Provide Day 1 compliance assistance



Support your Hong Kong Companies Registry filing



Audit your LPF



Assess and advise on licensing requirements of the IM



Advise on internal control governance and risk management policies and procedures



Tax planning and structuring for the LPF and its investments



Tax review and compliance for your LPF

Contact us and learn more.



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