

# SFC extends the OFC Grant Scheme for three years

April 2024

## Background

To boost the adoption of Hong Kong's Open-Ended Fund Company ('OFC') structure, the Hong Kong Government introduced a grant scheme in 2021 to subsidise eligible costs incurred in the set-up/re-domiciliation of OFCs by Hong Kong-based service providers ('OFC Grant Scheme'). The OFC Grant Scheme was set to expire in May of this year, but in the 2024-25 Budget, it was announced that the Grant Scheme would be extended for an additional three years ('extended OFC Grant Scheme'). On 26 April 2024, the Securities and Futures Commission of Hong Kong ('SFC') published a [circular](#) which sets out the implementation details of the extended OFC Grant Scheme.

In this News Flash, we summarise the eligibility criteria and key features of the extended OFC Grant Scheme and highlight some key changes made to the original OFC Grant Scheme. We also share some insights into what it means for market participants.

## Summary of the extended OFC Grant Scheme

### Eligible applicants

There has been no change to the criteria for eligible applicants under the extended OFC Grant Scheme, which is open to any investment manager holding a Type 9 (Asset Management) licence from the SFC, which has successfully incorporated an OFC or re-domiciled a non-Hong Kong fund corporation in Hong Kong as an OFC on or after 10 May 2021.

### Grant amount

While the grant amount for each application remains equivalent to 70% of the eligible expenses capped at a maximum of 3 OFCs per investment manager, the maximum amount covered by the subsidy has now been reduced for private OFCs as follows:

<u>Original OFC Grant Scheme</u>	<u>Extended OFC Grant Scheme</u>
HK\$1 million per OFC	HK\$1 million per public OFC and HK\$500,000 per private OFC

For OFC grant applications that were submitted prior to 10 May 2024 the relevant cap remains at HK\$1 million per OFC.

## News Flash

### **Eligible Expenses**

While the SFC does not specify the exact scope and exclusions for expenses recoverable under the extended OFC Grant Scheme, it has stipulated that this should align with the original OFC Grant Scheme. Under the original OFC Grant Scheme, only expenses paid to Hong Kong-based service providers in relation to the incorporation of the OFC or the re-domiciliation of the OFC were recoverable. In particular, the following categories of expenses were not covered:

- (a) statutory fees such as registration or application fees to the SFC and expenses incurred in relation to an application to the SFC for the licensing or registration of an investment manager;
- (b) costs incurred in the establishment of a sub-fund under a pre-existing umbrella OFC and listing fees to the Stock Exchange of Hong Kong; and
- (c) audit fees paid to accounting firms in relation to the annual audit review.

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### **Application procedure**

The application period of the extended OFC Grant Scheme will commence on 10 May 2024 and end on 9 May 2027, on a first-come-first served basis. The SFC is expected to update the frequently asked questions on the OFC Grant Scheme setting out the details of the application process and application forms for the extended OFC Grant Scheme.

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### **What this means for market participants**

The extension of the OFC Grant Scheme is a welcome development, signifying the Government's continued support for the growth of the fund management industry in Hong Kong and its commitment to reinforcing Hong Kong's status as a global asset and management hub. The combination of the financial incentives through the extended Grant Scheme and the robustness of the Hong Kong's regulatory framework should continue to solidify Hong Kong's position as the market participants' preferred choice for global asset and management domicile.

With extensive experience in establishing and structuring funds, and together with our PwC colleagues in tax advisory, audit, risk assurance, corporate services and business strategy, we can advise you on all of the considerations above to take full advantage of the Scheme. Managers or sponsors in Hong Kong looking to set up funds using OFC structure will find that the Scheme vastly lowers the establishment costs.

Come speak to the experts from either our legal team or our wider PwC AWM team today if you'd like to find out more about the Scheme generally, or structuring specific OFC products.

## Let's talk

For a deeper discussion of how this impacts your business, please contact us.

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The materials contained in this document were assembled in 2024 and were based on the law enforceable and information available at that time.

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