香港信託人公會
Hong Kong Trustees' Association

Hong Kong Trust Industry Spotlight 2025

Navigating change and embracing growth

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Contents

Foreword

Welcome to the Hong Kong Trust Industry report, co-authored by the Hong Kong Trustees' Association (HKTA) and KPMG China. Much has transpired since our last report in 2021. The global economy has faced significant challenges, from the lingering effects of the pandemic to geopolitical uncertainties and market volatility. Yet, amidst these headwinds, the Hong Kong trust and fiduciary industry has continued to grow, reflecting the strength of its regulatory framework, the diversity of its client base, and the adaptability of its practitioners.

To gain insights into the changes that have shaped the industry over the past four years, we conducted in-depth interviews with nearly 30 senior industry executives alongside a digital survey of HKTA member institutions. Thanks to their input and insights, we not only have a clearer picture of the key trends, risks and opportunities of strategic interest to the Hong Kong trust industry, but we have also gained a deeper understanding of what will matter most as the industry strives to make progress over the next few years.

The trust industry remains a crucial segment of Hong Kong's financial services sector and there have been numerous changes to the industry and the broader financial services sector since the issuance of our previous report. Notably, the recent regulatory developments, such as the introduction of RA13 for depositaries of SFC-authorised collective investment schemes and the HKMA's Supervisory Policy Manual Module TB-1, are enhancing industry credibility and investor protection. We also delve into the transformative potential of the eMPF Platform, which is poised to reshape Hong Kong's pension system and bring changes to the landscape for pension trustees.

Beyond these regulatory shifts, landmark initiatives within the broader financial sector are also impacting the trust industry. These include the launch of Wealth Management Connect 2.0, the growth of the family office sector, and the increasing popularity of alternative investments, such as virtual assets.

While the industry has experienced growth, it also faces challenges. A growing talent shortage, rising regulatory compliance costs, and reduced investor appetite around ESG considerations are all key concerns.

This report addresses these challenges head-on, providing insights and recommendations to help industry participants navigate the path ahead. We extend our sincere gratitude to all survey respondents and interviewees for their contributions to this report. Their insights and perspectives have been instrumental in shaping our understanding of this dynamic and evolving industry.

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BBS, Chairman
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Vivian Chui

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Key findings at a glance

Despite macroeconomic headwinds, the Hong Kong trust market has demonstrated resilience, reaching HK$5,188 billion (US$667 billion) in assets held under trusts by the end of 2023. This represents a roughly **10%** increase from HK$4,719 billion (US$606 billion) in 2021 (when our previous report was issued).

Public funds and pension funds, including MPF and ORSO schemes, constitute the majority (**70%**) of assets held under trusts. Pension fund assets alone grew by **11%** from 2022 to 2023.

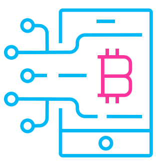
Recent regulatory developments, such as the introduction of RA13 for depositaries of SFC-authorised Collective Investment Schemes (CISs) and the HKMA's Supervisory Policy Manual Module TB-1, have enhanced industry credibility and investor protection. **64%** of surveyed trustees agree that the current regulatory regime is conducive to business, up from **51%** in 2021.

The launch of the eMPF Platform in June 2024 is reshaping Hong Kong's pension system, promising reduced administrative costs (estimated savings of HK$30-40 billion in the first 10 years of operation), enhanced transparency, and increased member engagement.

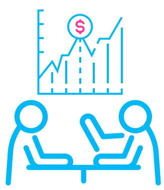
The Chinese Mainland remains a key growth driver for the trust industry, with **55%** of assets held under trusts located in the Chinese Mainland and Hong Kong. The development of the Greater Bay Area (GBA) is creating new opportunities, while Wealth Management Connect 2.0 is largely seen as a longer-term opportunity.

The rise of private wealth in Asia, particularly in the Chinese Mainland, is driving demand for private trusts and family office services. Hong Kong is well-positioned to capitalise on this trend, with approximately 2,700 single family offices operating in the city as of late 2023.

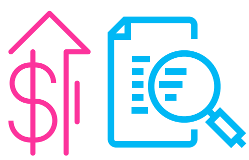
The growing adoption of virtual assets by trust clients presents both opportunities and challenges. **26%** of surveyed trustees report that their clients hold virtual assets, with **18%** of those clients allocating over **10%** of their total assets to this asset class.



The industry faces a significant talent shortage, particularly in areas such as legal and compliance, and trust and fund administration.



The increasing complexity of regulations and compliance requirements is driving up costs for trust companies, particularly smaller players. Almost two-thirds of survey respondents reported that their compliance costs had risen by at least **5-15%** over the past 12 months.



1 Current state of the industry

While often operating outside the spotlight, Hong Kong's trust and fiduciary industry plays a critical role in the city's success as a major international financial centre.

The industry is structured to meet a wide array of client needs, ranging from succession and estate planning to conventional retail products, investment funds and sophisticated bespoke trust structures (Figure 1). A diverse ecosystem of players – ranging from multinational banks, trust and corporate services companies, and legal firms to smaller specialised providers – stands ready to serve.

Hong Kong is also renowned as an international centre for trust-related businesses such as legal, tax, accounting, and professional services. This unique combination of expertise and infrastructure attracts a diverse clientele, including high-net-worth individuals (HNWIs) and family offices, as well as corporations, pension scheme providers, and charities. The industry also interacts with a variety of market players and regulators from different segments of the financial services sector.

Since the launch of our first report in 2013, Hong Kong has made significant strides in modernising its standing as a trust jurisdiction, implementing key regulatory changes that have raised the bar of Hong Kong trusts in terms of professionalism and credibility (more details on this in Chapter 2). This progress has also sparked discussions about further steps to solidify Hong Kong's leading position as a global trust centre.

Figure 1: The Hong Kong Trust industry at a glance

Corporate trusts, pension schemes, private trusts and charitable trusts

Custodians, fund and pension administration, professional trustees, wealth management, wealth and estate planning, family office services

Retail and universal banks, independent trust companies, insurers, private banks, legal, tax, accounting and professional service providers, company service providers

Trusts formed under Hong Kong law

Trust service providers based in Hong Kong

Offshore trust set up by Hong Kong service providers

Offshore trusts managed or administered in Hong Kong

Figure 2: Sector overview

Corporate Trusts

Corporate trust providers play a crucial role in Hong Kong's fund management industry, acting as custodians, trustees and fund administrators for a wide range of investment products. These entities offer core services like trust setup and administration, ensuring the proper management and distribution of assets according to the trust's terms. Their fiduciary responsibility is particularly crucial for safeguarding the interests of investors in both wholesale and retail investment products while adhering to stringent regulatory requirements.

The growing retail fund sector is driving demand for corporate trust services with a 3% year-on-year growth in 2023 of SFC Type 9 licensed corporations (authorised for asset management activities).

Pension Schemes

Since the introduction of the Mandatory Provident Fund (MPF) System in 2000, Hong Kong's pension schemes have served as a cornerstone of retirement protection for the city's workforce. Close to 100%[1] of Hong Kong's working population contributes to some form of retirement protection through MPF or ORSO (Occupational Retirement Schemes Ordinance) schemes.

Data from the SFC's 2023 Asset and Wealth Management Activities Survey reveals that pension funds continue to dominate as the largest asset category held under trusts, accounting for 38% of total managed assets.

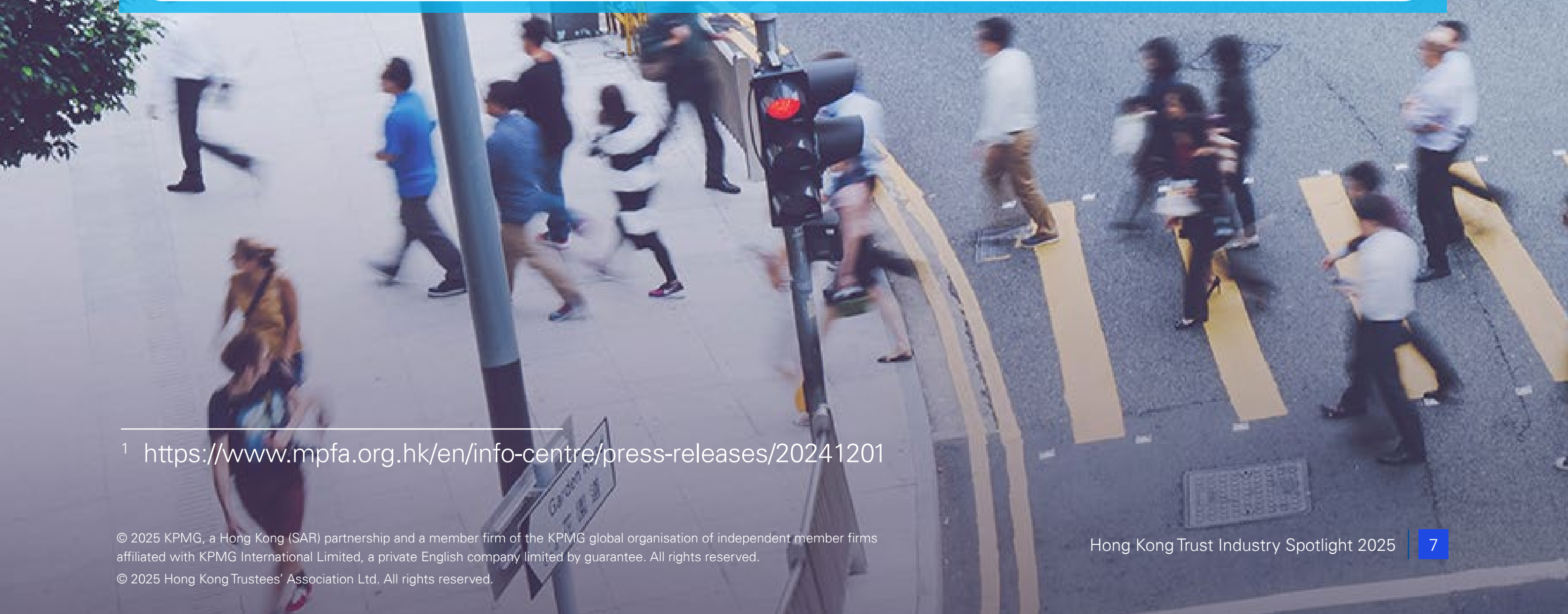
Private Trusts

Private trusts cater to the growing number of wealthy individuals and families in Hong Kong, the Chinese Mainland, and the broader Asian region.

This includes wealth and estate planning, succession planning, wealth management and family office services - a sector where the government has introduced a range of new incentives in recent years.

Charitable Trusts

Charitable trusts serve the burgeoning interest in philanthropy in Hong Kong. As of September 2024, the IRD recognised 10,699 charities as tax-exempt, including 441 charitable trusts. The sector continues to see steady expansion, with the number of charitable organisation increasing at a rate of 2% to 5% annually. However these registered charities represent only a small portion of the overall philanthropic landscape, as many private charitable and philanthropic endeavours in Hong Kong do not seek formal registration.



[1] https://www.mpfa.org.hk/en/info-centre/press-releases/20241201

Size of the Hong Kong trust market

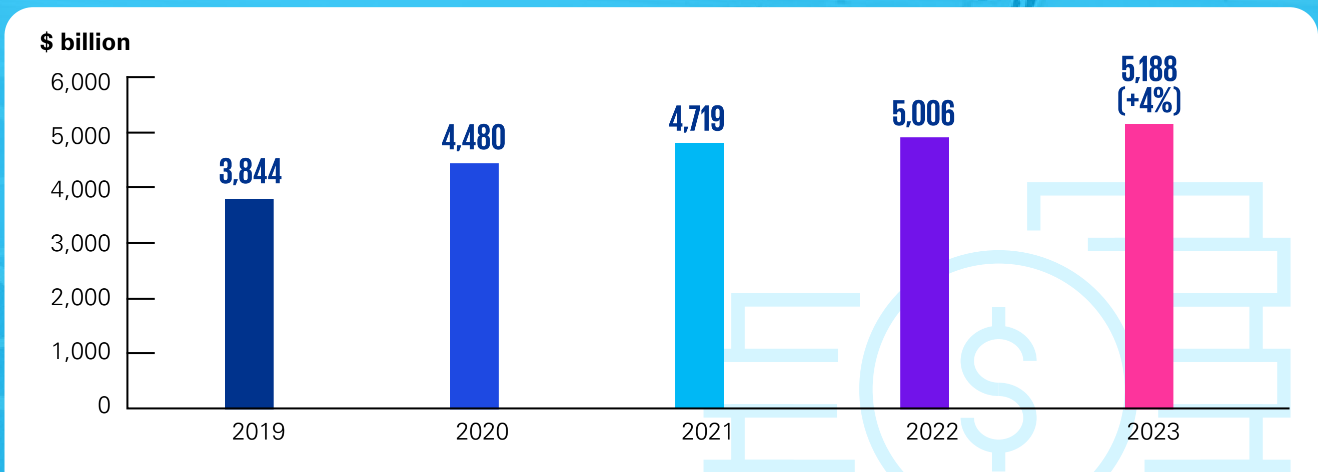
Strong performance amid macroeconomic challenges

> Despite the lingering effects of the pandemic and concerns about Hong Kong's standing as a global financial centre in recent years, the trust industry has continued to experience impressive growth.[2]

In the four years since the last edition of the Hong Kong Trust Industry Report, both the global economy and Hong Kong's financial sector have faced significant headwinds, and while there have been signs of recovery in Hong Kong's financial services sector during 2024, market indices such as the Hang Seng Index are lagging their previous valuations reported during our 2021 report. A similar story can be seen in the private wealth management industry – a key market for private trusts – where despite positive recent momentum, AUM remains below 2021 levels.

Despite this challenging macroeconomic environment, the trust industry in Hong Kong has shown resilience and growth over the past four years – reflecting the diverse range of assets and geographical distribution of assets held under trusts, including everything from pension schemes and retail investments, to estate and succession planning. Data from the SFC's latest Asset and Wealth Management Activities Survey shows that assets held under trusts in Hong Kong amounted to HK$5,188 billion (US$667 billion) as at the end of 2023, up 4% from a year earlier.

Figure 3: Assets held under trusts



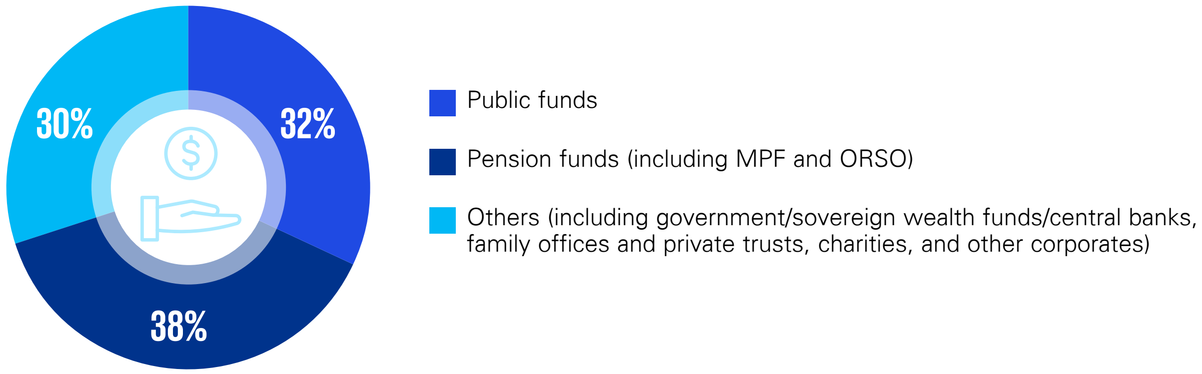
Source: SFC Asset and Wealth Management Activities Survey 2023

[2] Alan Au, JP, Executive Director (Banking Conduct), Hong Kong Monetary Authority

In terms of geographical distribution of investments held under trusts, 55% were located in the Chinese Mainland and Hong Kong (a 14% rise from the year before), while 18% were held in North America and 13% in Europe.

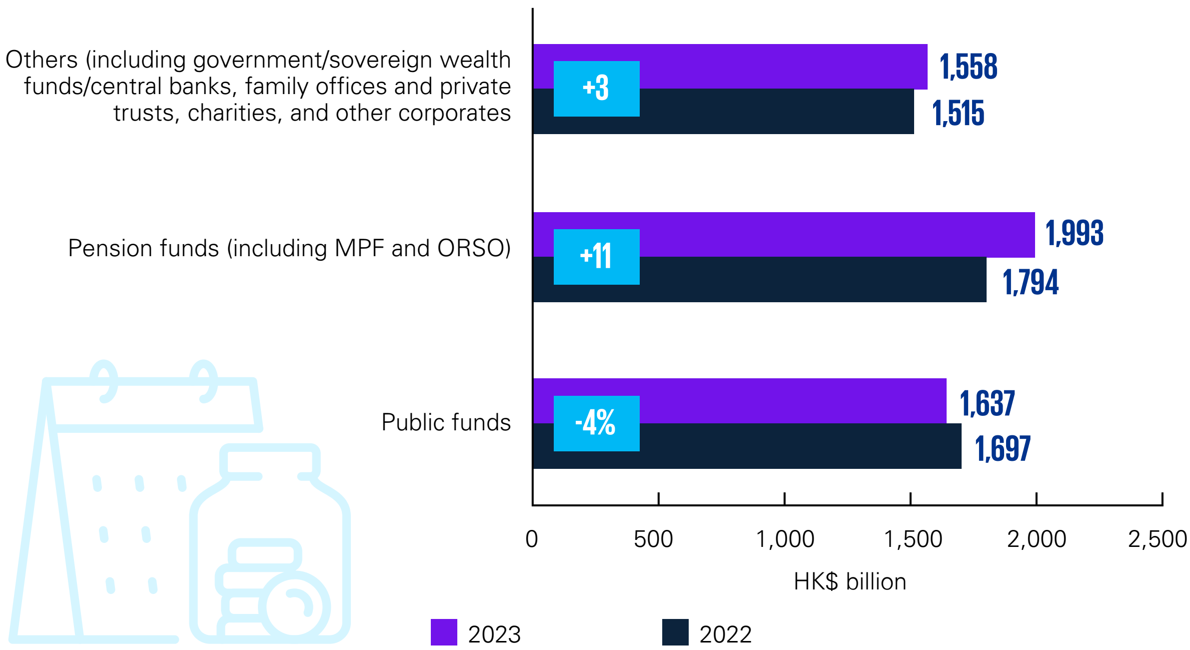
Public funds and pension funds such as MPF and ORSO schemes accounted for 70% of the assets held under trusts (Figure 4). Assets held under trusts by pension funds increased by 11% from 2022 to 2023, while those held by others including governments, sovereign wealth funds, central banks, family offices, and private trusts increased by 3% YoY (Figure 5).

Figure 4: Assets held under trusts, by client type



Source: SFC Asset and Wealth Management Activities Survey 2023

Figure 5: Assets held under trusts (HK$), by client type (year-on-year)



Source: SFC Asset and Wealth Management Activities Survey 2023

2 Key industry developments

It has been 12 years since the launch of our first report, following which we have witnessed a dramatic acceleration in the development and regulation of the trust industry. Before delving into the impact of recent developments and updates to the regulatory landscape in subsequent sections, we thought now would be a good opportunity to look back on the milestones that have shaped the industry so far.

A look back on the progress already made

1934

The Hong Kong Trustee Ordinance (HKTO) marked a pivotal shift in the territory's trust landscape, codifying trustee obligations while preserving common law principles. The legislation established clear statutory guidelines for trustee appointments, powers and duties, bringing much-needed clarity to Hong Kong's trust framework during its early colonial development.

1993

The Occupational Retirement Schemes Ordinance (ORSO) brought Hong Kong's voluntary workplace retirement schemes under formal regulation for the first time, requiring mandatory registration and compliance monitoring. This legislation protected employees' retirement benefits by establishing oversight of scheme funding, investments and administration before the Mandatory Provident Fund (MPF) era.

2000

The MPF's debut was a watershed moment in Hong Kong's social security system, and currently mandates both employers and employees to contribute 5% of employees' monthly income to retirement savings, capped at HK$1,500 monthly for higher earners. The scheme generated recurring fee income for trustees while requiring them to enhance their governance frameworks, system infrastructure and customer service capabilities.

2010

The Securities and Futures Commission (SFC)'s revision of the Code on Unit Trusts and Mutual Funds ushered in a new era of regulatory oversight. By introducing more robust operational guardrails and risk management protocols, these enhanced standards bolstered market integrity and investor protection in Hong Kong.

Milestone

- Early Foundations
- Modernisation and growth
- Expansion of the Ecosystem
- Recent Developments

Since 2013, the Hong Kong Trust Industry Report has provided insights into the industry's evolution and offered key recommendations to shape its growth and development.

2013

The landmark overhaul of the HKTO modernised the city's century-old trust laws. The sweeping reforms expanded what trustees could do with investments and delegation powers, while introducing statutory duty of care provisions and stronger beneficiary protections. By removing outdated restrictions on excessive income accumulation and introducing modern governance standards, the amendments brought Hong Kong's trust laws up to speed with leading financial centres, strengthening the city's appeal as a premier jurisdiction for trust business.

2018

When Hong Kong unveiled its open-ended fund companies (OFC) regime, it signalled a bold commitment to modernising its fund market infrastructure. The framework offers asset managers a versatile corporate structure for establishing funds domiciled in Hong Kong, streamlining operations while adhering to international best practices in fund governance and investor protection.

The Hong Kong Trustees' Association (HKTA)'s launch of its professional accreditation programme marked a milestone in raising industry standards and developing talent in the trust sector. This certification established clear competency benchmarks for trust practitioners, enhancing service quality and advancing Hong Kong's reputation for trust service excellence.

The introduction of the trust or company service provider (TCSP) licensing regime was a decisive step in strengthening regulatory oversight. The mandatory licensing framework, administered by the Companies Registry, enhanced due diligence standards and corporate governance, aligning Hong Kong with global anti-money laundering and counter-terrorist financing requirements.

2021-2025

Key developments covered in this report, include:

- The HKMA's Supervisory Policy Manual Module TB-1 "Regulation and Supervision of Trust Business" & Code of Practice for Trust Business (2023)
- RA13 licensing regime for depositaries of SFC-authorised CISs (2024)
- The debut of the e-MPF Platform (2024)
- Revisions to the Guidelines on Anti-Money Laundering and Counter-Terrorist Financing Requirements for TCSPs (2025)

In reviewing this progress, interviewees widely acknowledge the strengthening of Hong Kong's reputation as a leading jurisdiction for trust services in Asia.

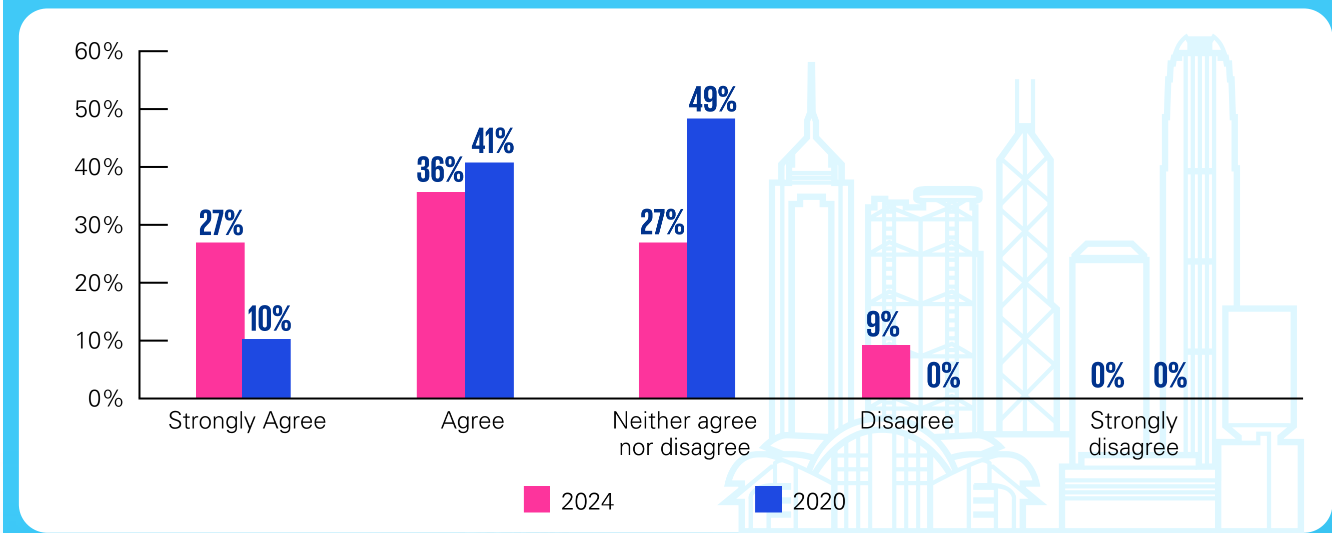
> **"The reforms since 2013, particularly those aimed at attracting funds to domicile in Hong Kong, have significantly boosted the city's asset management and trust industries.[3]"**

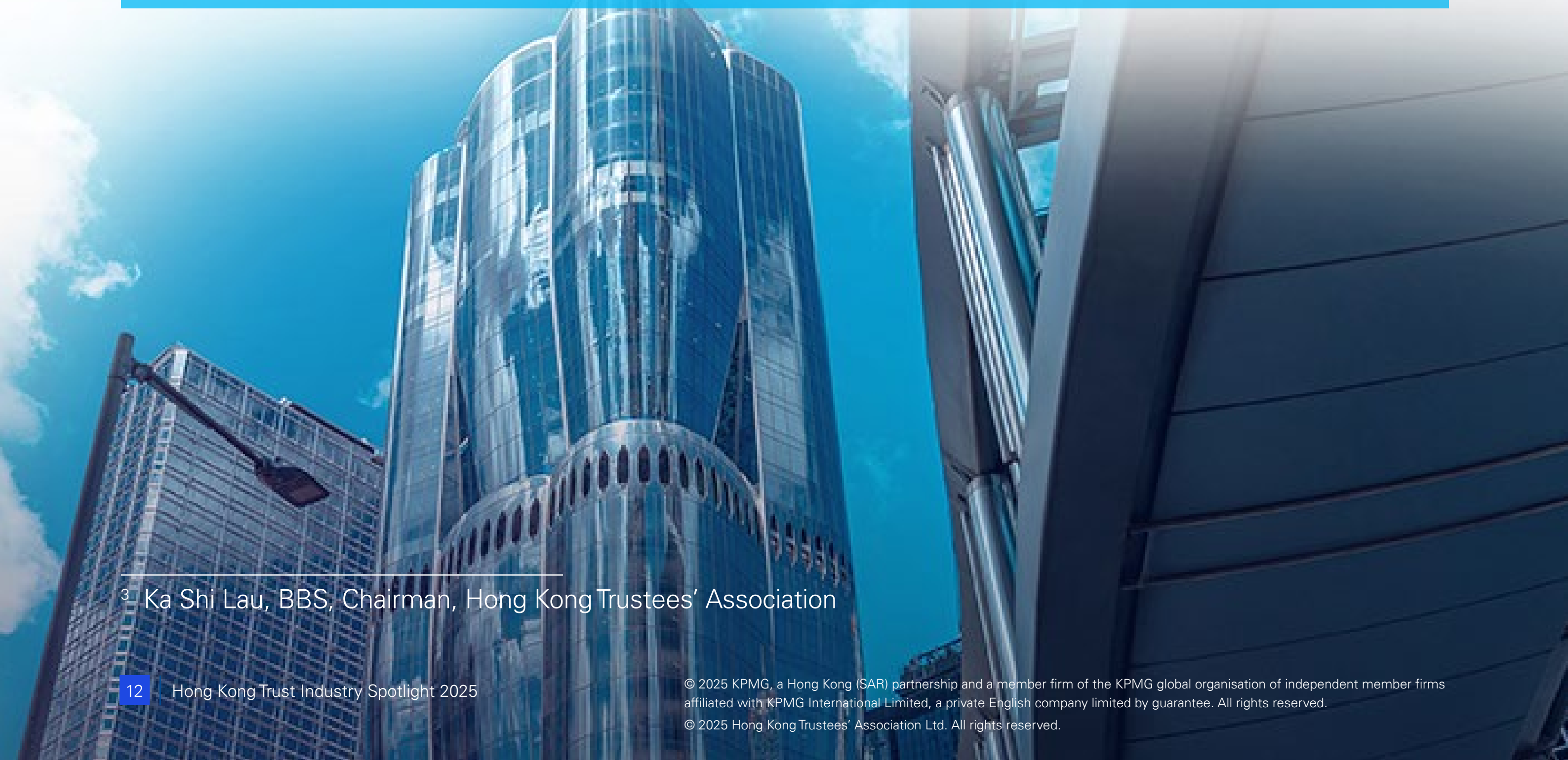
Recent milestones

While the full impact of recent reforms is still unfolding, our 2024 survey reveals growing optimism within the industry. A majority (64%) of respondents agree that the current regulatory regime is conducive to business, a notable increase from 51% in our 2021 report (Figure 6). This positive sentiment is attributed to industry developments that have provided greater visibility and credibility to trustees and improved protection for investors.

Key changes include the introduction of RA13 for depositaries of SFC-authorised CISs, the HKMA's Supervisory Policy Manual Module TB-1 "Regulation and Supervision of Trust Business" and Code of Practice for Trust Business, and revisions to the Guidelines (relating to AML and CFT) for the TCSP licensing regime. Additionally, the debut of the e-MPF Platform marks another significant development since our last report.

Figure 6: Is the regulatory regime in Hong Kong conducive to business?





[3] Ka Shi Lau, BBS, Chairman, Hong Kong Trustees' Association

Introduction of RA13 and heightened industry credibility

Collective investment schemes (CIS) structured under corporate trusts have flourished over the past decade, significantly benefiting the trust industry. However, the introduction in October 2024 of the new Type 13 Regulated Activity (RA 13) under the Securities and Futures Ordinance for depositaries of SFC-authorised CISs has changed the regulatory landscape for these previously unregulated corporate trustees.

RA 13 encompasses a wide range of CIS structures relevant to the trust industry, including unit trusts, mutual fund companies, real estate investment trusts, pooled retirement funds, and open-ended fund companies (OFC) authorised under section 104 of the Securities and Futures Ordinance (the SFO). Notably, MPF funds are carved out from the scope of RA 13 to minimise regulatory duplication, given that MPF-approved trustees are already subject to the MPFA's supervision.

Figure 7: RA13 licensing requirements at a glance

Financial requirements

Share capital of not less than HK$10 million and liquid capital which is not less than HK$3 million.

Financial Resources Return (FRR) Filing

A depositary licensed for RA 13 needs to submit monthly financial returns (FRR form) under the FRR and other periodic statutory returns required under the SFO.

Manager-in-Charge (MIC) Regime

Responsibility for core functions such as overall management oversight, key business lines, operations, and risk controls, must be assigned to designated senior personnel and management within depositaries.

Prior to the implementation of RA13, depositaries were not subject to any specific licensing requirements or direct, ongoing regulatory oversight of their function for public funds. As a result, many interviewees observed that corporate trustees were often perceived as a "silent partner" working behind the scenes of public funds, primarily fulfilling back-office functions. However, RA13 is already significantly altering this perception: "Trustees are now subject to more stringent oversight from the SFC, which will add a lot of credibility to the industry in the eyes of investors and the wider financial services industry. Trust services and fund management are intertwined aspects of the financial services industry, and RA13 will allow both parties to work hand in hand to better serve investors.[4] "

While the introduction of RA13 has been generally well-received, it represents a significant shift for corporate trustees who were previously not regulated by the SFC. Although the new regime aims to enhance professionalism and credibility within the sector, its implications are likely to vary across each service provider. Interviewees point out that many of the initial 19 licensed/registered depositaries are affiliated with large banking groups already familiar with SFC regulations due to their involvement in other areas of the financial services industry.

[4] Sam Yu, Chairman, Hong Kong Investment Funds Association

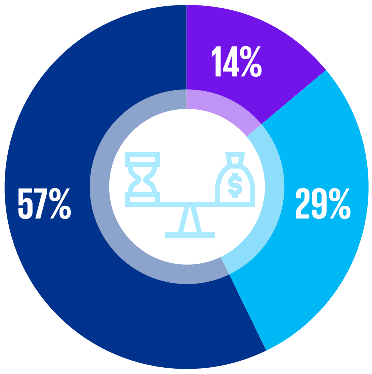
However, several newly licensed depositaries are subsidiaries of insurance companies that have not previously been subject to SFC regulation. "While these licensed trustees are legally prepared, compliance goes beyond just having the relevant policies and procedures in place. Moving forward, trustees will need to maintain their operational readiness to remain compliant with the new regulations. Although there will undoubtedly be some teething problems, trustees will emerge stronger and more reputable.[5]"

Having already received their RA13 license, most surveyed trustees are largely confident in their readiness, with just 14% indicating that more work needed to be done at the time of survey. Of the major pain points, complying with the financial resource rules, including the completion of the monthly FRR return, was the leading concern among respondents (Figure 8).

For its part, the SFC says that the introduction of RA13 aligns trustees and custodians of public funds in Hong Kong with international standards, ultimately enhancing investor protection. "Our goal was to extend regulatory oversight to public depositaries, which were previously unregulated. We have achieved this objective and effectively closed any existing regulatory gaps. The implementation process has been smooth, and the industry appears to be adapting well."

> **"Beyond the initial 19 licensed depositaries, new entrants have also expressed interest in becoming licensed for RA 13, a clear indication of the industry's growth potential.[6]"**

Figure 8: Challenges in implementing the appropriate procedures and internal controls to comply with RA13



- Governance and oversight requirements
- Client money and client securities rules surrounding scheme money and scheme securities
- Financial resources rules, including the completion and submission of the monthly FRR return

[5] Sophia Man, Partner, Baker & McKenzie
[6] Christina Choi, Executive Director (Investment Products), Securities and Futures Commission

The launch of the HKMA's Supervisory Policy Manual Module TB-1

Another key regulatory development for trustees was the implementation of the HKMA's Supervisory Policy Manual Module TB-1 (SPM TB-1) including the Code of Practice for Trust Business in 2023, applicable to banks and subsidiaries of locally incorporated banks that conduct trust business in Hong Kong. The module aims to enhance the protection of client assets, promote the fair treatment of customers and a customer-centric culture, and better align Hong Kong's trust sector with international standards and practices.

The SPM TB-1 covers a wide range of trust activities, including managing trust assets, handling administrative tasks for trusts, and connecting clients with trustees. It applies to trusts created for a range of purposes, such as wealth management for high-net-worth individuals and family offices, charitable endeavors, and estate planning. Banks and their subsidiaries operating in Hong Kong must adhere to both the SPM TB-1 and the Code of Practice for Trust Business. Other trustees conducting business in Hong Kong, while not strictly required, are encouraged to adopt the Code of Practice for Trust Business.

Two key factors drove the introduction of the SPM TB-1. Firstly, Hong Kong's private trust industry has experienced substantial growth in recent years, fuelled by increasing demand for wealth management solutions from high-net-worth individuals and family offices. Secondly, the global regulatory landscape for trust services has shifted towards greater transparency, accountability, and customer protection. The SPM TB-1 addresses these factors by introducing a more robust regulatory framework.

Figure 9: Key pillars of SPM TB-1 at a glance

Enhanced Customer Protection

The framework places a strong emphasis on treating customers fairly, requiring trustees to act in the interest of their clients, provide clear and transparent disclosures, and establish robust complaint handling mechanisms.

Robust Corporate Governance

The SPM TB-1 mandates a strong corporate governance structure for trustees, emphasising clear lines of responsibility, effective risk management frameworks, and adequate internal controls.

Fit and Proper Criteria

The framework introduces stringent fit and proper criteria for key personnel and relevant staff of the trustees, ensuring they possess the necessary skills, experience, and integrity to perform their roles effectively.

Ongoing Supervision and Enforcement

The HKMA has strengthened its supervisory oversight of the trust business for banks, conducting regular on-site examinations and off-site reviews to assess banks' compliance with the SPM TB-1. The HKMA has also signalled that it would take enforcement actions and other appropriate follow-up actions against banks which failed to meet the required standards.

As the HKMA notes, "The SPM TB-1 is another piece of the overall spectrum of regulation designed to support a sustainable and responsible trust industry in Hong Kong. Together with the new RA13 regime, it contributes to a more comprehensive regulatory landscape that will provide comfort and confidence to investors.[7]"

The HKMA acknowledges the potential regulatory overlap between the SPM TB-1 and the RA13 regime, particularity for banks and subsidiaries of locally incorporated banks that act as depositaries for SFC-authorised collective investment schemes. To minimise this overlap, an exemption has been provided for trust services related to SFC-authorised collective investment schemes. However, the industry will need to carefully navigate the interplay between these two frameworks to ensure compliance.

Despite initial concerns about increased compliance costs, the HKMA points towards continued industry growth since the SPM TB-1's implementation, suggesting that the framework is fostering confidence and attracting businesses. It notes that growth sectors such as family offices that are served by the trust industry, are well-served by the SPM TB-1's emphasis on strong governance and customer protection. "At a time when Hong Kong is aiming to attract more wealth both from the Chinese Mainland and internationally, regulations should not stifle innovation or discourage the use of trusts. Instead they are aimed at ensuring investor protection and maintaining Hong Kong's reputation as a trusted financial hub.[8]"

eMPF launches as Hong Kong's pension system matures

Pension Trusts, encompassing Hong Kong's Mandatory Provident Fund (MPF) System, have experienced the most significant growth among all trust industry categories in recent years, with an 11% year-on-year increase in assets under trusts between 2022 and 2023 according to the SFC. While ORSO schemes are part of this category, MPF is by far the largest growth driver and is becoming an increasingly important pillar of the retirement protection framework for Hong Kong's aging population, particularly as concerns mount over the performance of the local property market.

As of September 2024, the MPF market stood at a NAV of HK$ 1.3 trillion, marking a 143% increase over the past 10 years.[9] Meanwhile, as of November 2024, MPFA data showed a total of 12 trustees, 24 schemes, 379 constituent funds, and 318 pooled investment funds in the market.

eMPF comes online

The most significant development since MPF was launched in 2000 is the eMPF Platform, which came online in June 2024. With its centralised infrastructure, the online Platform promises to address several key challenges facing the MPF industry and its members. Firstly, it will reduce administrative costs, a significant concern for members. "The most immediate benefit is increased efficiency in managing and administering the schemes for both employers and employees, with the centralised platform handling scheme administration. This will lead to fee reduction, as trustees are legally obliged to lower their scheme administration fees after onboarding onto the eMPF platform.[10]"

The MPFA estimates that this fee reduction will save members HK$30-40 billion in the first 10 years of operation and cites it as an important step towards enlarging the retirement savings pool.

Secondly, eMPF seeks to enhance transparency and member engagement. By combining all MPF accounts onto a single online Platform, members gain a clearer view of their savings and investment performance. This increased transparency, coupled with educational initiatives and digital tools, will ultimately engage and empower members to make more informed decisions about their retirement planning.

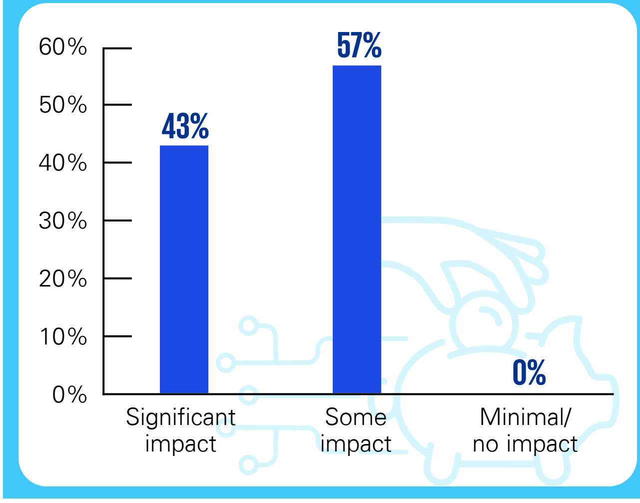
Thirdly, eMPF paves the way for full portability, enabling members to seamlessly transfer an even larger portion of their MPF between providers, fostering greater competition within the industry, encouraging providers to focus on improved fund performance and offer more value-for-money products and services to retain and attract members.

Potential impacts of eMPF on the trust industry

All pension-related survey respondents agree that the transition to eMPF will bring a wave of change for pension trustees and the MPF market landscape (Figure 10). The transition presents both opportunities and challenges, and most interviewees believe it will take a few years to fully assess the impact.

7-8 Alan Au, JP, Executive Director (Banking Conduct), Hong Kong Monetary Authority
9 https://www.mpfa.org.hk/en/info-centre/research-reports/monthly-reports/mpf-statistics-update
10 Cynthia Hui, Chief Operating Officer and Executive Director, Mandatory Provident Fund Scheme Authority

Figure 10: What impact do you expect eMPF to have on the market landscape?



While the centralised Platform promises greater efficiency and transparency for MPF members, with scheme administration fees set to shrink, many interviewees agree that trustees will need to adapt their business models and focus on value-added services beyond basic administration. "eMPF represents a significant shift in the market. With the elimination of scheme administration fees, the trust industry will need to explore new avenues for differentiation and place greater emphasis on its governance role to better serve MPF members. Attracting and retaining the right talent in this changing operational landscape will be important. Ultimately, adaptation is key for the industry to maintain its competitive edge and effectively meet the evolving needs of its members and employers.[11]"

Interviewees also note that long-term investment performance will come under more scrutiny as a result of e-MPF. "e-MPF's success will be measured not just by cost reduction, but by improved retirement outcomes. Trustees need to have a clearer value proposition to differentiate themselves from their competitors in terms of long-term investment performance and member education.[12]"

Several interviewees agree that the financial pressures exerted by eMPF will create fertile ground for consolidation. Larger players, with their existing resources and infrastructure, are well-positioned to acquire smaller competitors struggling to adapt to the loss of scheme administration fees. "Once eMPF is fully online, we may see an uptick in M&A activity within the pension sector. However, it's not just about outright acquisitions; there's also a more subtle shift happening. While the Platform handles the bulk of the scheme administration functions, the residual administrative functions not being taken up by the Platform could create a kind of 'quasi-acquisition' trend. Smaller firms, facing pressure, may begin outsourcing those functions to larger ones. This is going to continue to be a major focus of the industry in the coming years.[13]"

Amid all the potential industry changes that eMPF is expected to bring, the MPFA emphasises that trustees should prioritise their governance responsibilities.

> **"In the past, pension trustees focused heavily on administration. Now, the governance aspect is increasingly important. With the introduction of eMPF and RA13, the role of trustees is becoming more clearly defined. This presents an opportunity for trustees to dedicate more time and resources to better serve members' retirement savings needs.[14] "**

Revisions to the Anti-Money Laundering and Counter-Terrorist Financing guideline for TCSPs

Hong Kong is continuing to strengthen its fight against financial crime by proposing key amendments to its trust or company service provider (TCSP) licensing regime. Originally launched in 2018 under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO), the regime requires TCSPs to be licensed by the Registrar of Companies. A comprehensive review of the anti-money laundering and counter-financing of terrorism (AML/CF) guideline was recently published and took effect from March 2025. The revisions aim to align with the latest international standards set by the Financial Action Task Force (FATF), the global watchdog for money laundering and terrorist financing, while also making it clearer and easier for TCSPs to understand.

A core principle of the revised guideline is a robust, risk-based approach (RBA) to all anti-money laundering and counter-financing of terrorism (AML/CFT) activities. This means trust service providers (TSPs) must move beyond basic compliance checklists and develop a nuanced understanding of their risk exposure. This includes conducting thorough risk assessments of their institution and customers, considering factors like customer profiles, geographic locations, product complexity, and service delivery methods. These assessments should be documented, regularly reviewed, and used to tailor customer due diligence measures and ongoing monitoring efforts.

[11] Tak Chi Wong, Chief Executive Officer, Manulife Provident Funds Trust Company Limited
[12] Nelson Lee, Partner, Asset Managment, KPMG China
[13] Sophia Man, Partner, Baker & McKenzie
[14] Cynthia Hui, Chief Operating Officer and Executive Director, Mandatory Provident Fund Scheme Authority

The guideline also provides more detailed guidance for enhanced due dilligence (EDD) measures, especially in high-risk situations. These include scenarios involving politically exposed persons (PEPs), business relationships and transactions involving jurisdictions identified as high-risk by the FATF, and transactions with unusual characteristics. TSPs must obtain the required additional measures including senior management approval for establishing or continuing high-risk business relationships and implement enhanced ongoing monitoring procedures.

While adapting to these requirements may require investment and operational changes, it also presents an opportunity for TSPs to enhance risk management, strengthen client relationships, and build more sustainable and resilient businesses. As of November 2024, the Companies Registry (CR) has received 10,953 applications for a TCSP licence and granted 9,876 licences. Furthermore, the issuance of over 2,570 warning/advisory letters underscores the commitment to enforcement by the CR.

Figure 11: Statistics related to the TCSP licensing regime[15]

Item	Number							
	2018 (since March)	2019	2020	2021	2022	2023	2024 (up to 30 November)	Total
Applications for TCSP licences received	7,061	689	475	978	415	520	815	10,953
TCSP licences granted	6,150	824	485	725	533	429	730	9,876
TCSP licensees on register at the end of the period	6,147	6,839	7,161	6,711	6,835	6,945	6,783	N/A
Site inspections conducted	1,272	1,504	412	759	1,187	1,368	970	7,472
Interviews conducted	672	963	345	859	604	988	1,306	5,737
Warning/ advisory letters issued	267	389	214	482	584	262	372	2,570

Number of TCSP licensees	Type of service carrying on by the TCSP licensees			
	Trust service	Trust and company service	Company service	Total
On register as at 30 November 2024	331	1,978	4,474	6,783

[15] Companies Registry

3 Macro trends and growth opportunities

In this section, the focus is on some of the macro-opportunities and mega trends impacting Hong Kong's financial services industry and the opportunities they present to the trust industry.

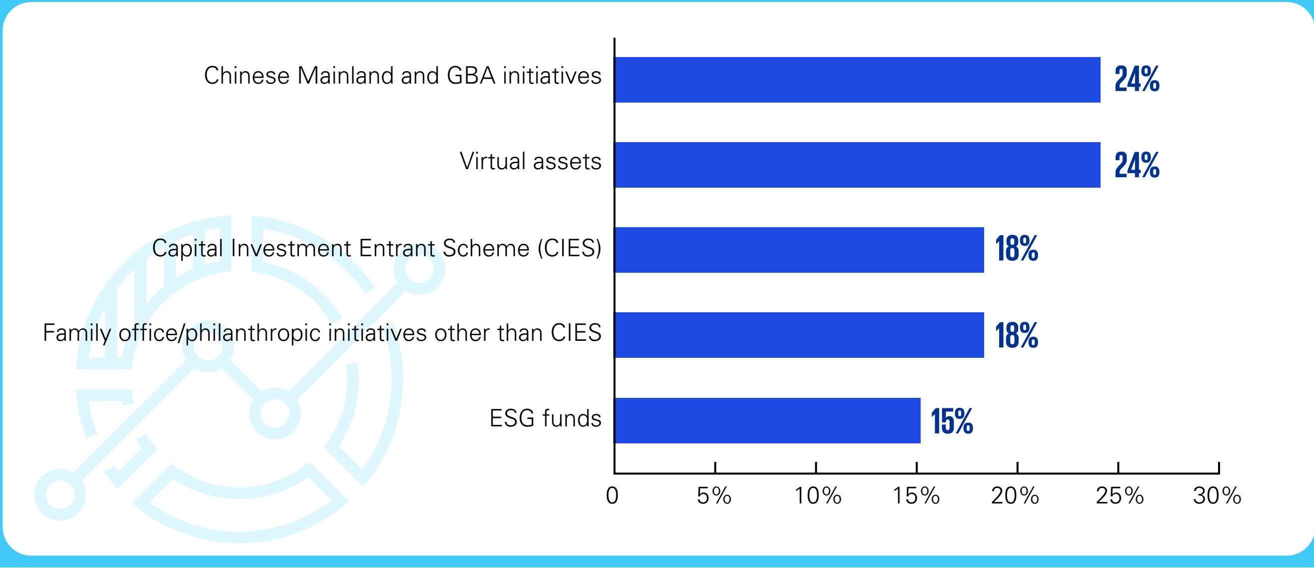
With Hong Kong's role as the major hub for asset and fund management in Asia, and recent regulatory developments in the trust industry that have raised the bar in terms of professionalism, survey respondents and interviewees agree that there will be significant growth opportunities for the industry in the years ahead.

A recurring theme in our discussions with industry leaders is the sheer scale of the Asian market. As the region's share of global wealth continues to climb, Hong Kong's deep expertise and strategic positioning in the trust industry place it in a prime position to capitalize on this upward trajectory.

Within Asia, the Chinese Mainland is projected to remain the most significant opportunity over the next 3-5 years. Survey respondents expect this growth to be amplified by government initiatives such as the Capital Investment Entrant Scheme and Family Office initiative (Figure 12).

> **"As recent initiatives to support the financial services industry bear fruit, the trust industry is a natural partner for asset managers, offering the governance, fiduciary oversight, and compliance expertise needed to serve new clients. By working together, both industries can capitalise on the recent government initiatives.[16]"**

Figure 12: Ranking of the most significant growth engines for the trust industry in Hong Kong over the next 3-5 years



[16] Joseph H. L. Chan, JP, Under Secretary for Financial Services and the Treasury, The Government of Hong Kong SAR

Increasing access to Chinese Mainland clients

Despite recent economic headwinds impacting the Chinese economy, interviewees remain largely optimistic about the market for trust services from Mainland clients. The consensus is that the Chinese economy will continue to grow, albeit at a slower pace, presenting significant opportunities, particularly with the continued opening up of China's financial services industry. Initiatives such as Wealth Management Connect, the ongoing development of the Greater Bay Area (GBA), and the rise of private wealth are seen as key growth drivers.

The ongoing development of the Greater Bay Area

Interviewees note the GBA initiative continues to present opportunities for the financial services industry and service providers along the value chain including the trust industry, with recent initiatives such as Wealth Management Connect making it easier for investors on both sides of the boundary to access each other's markets.

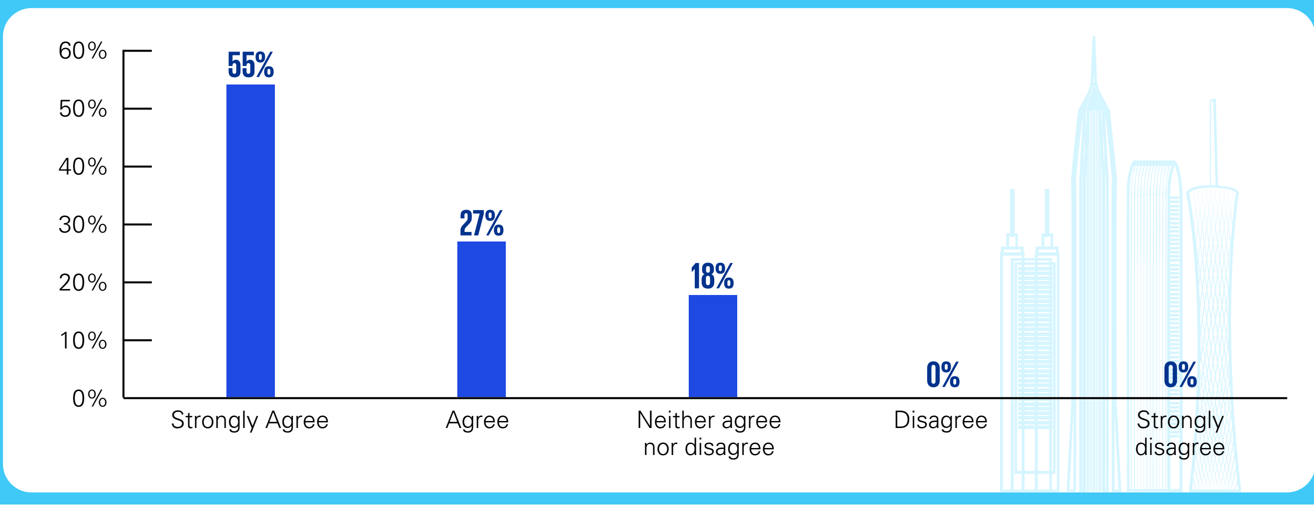
Since our last report, the size of the GBA market has grown from GDP US$1.6 trillion to nearly US$2 trillion.[17] This growth is driving demand for cross-border wealth management solutions, with interviewees noting that the GBA is fostering a new generation of wealth creators who are more entrepreneurial, tech-savvy, and globally oriented.

Interviewees agree that this trend will continue to present opportunities for Hong Kong trust companies to develop specialised expertise in cross-border structuring, tax optimisation, and international estate planning. "Hong Kong is uniquely positioned to serve as a hub for trust services within the GBA. Its common law legal system, strong regulatory framework, and experience in managing complex cross-border transactions make it an ideal jurisdiction for setting up trusts and other wealth management structures.[18]"

However, the industry's success in capitalising on these opportunities hinges on its ability to adapt its services to meet the evolving needs of Mainland clients. One key challenge is the lack of familiarity with trust concepts among many Mainland Chinese investors. "The concept of trust is still relatively new in China. Many investors are unfamiliar with the legal and practical implications of setting up a trust, and they need to be educated about the benefits and potential risks.[19]"

> **"Unlocking the full potential of the GBA market will require a concerted effort to demystify the trust concept among Mainland clients.[20]"**

Figure 13: The Chinese Mainland market is a key growth driver for my organisation



[17] Statistics of the Guangdong-Hong Kong-Macao Greater Bay Area | HKTDC Research, https://research.hktdc.com/en/article/MzYzMDE5NzQ5
[18] Ka Shi Lau, BBS, Chairman, Hong Kong Trustees' Association
[19] Lorretta Ma, Executive Committee Member, Hong Kong Trustees' Association
[20] Vivian Chui, Head of Securities and Asset Managment, Hong Kong, KPMG China

The Wealth Management Connect (WMC) scheme, while intended to boost cross-boundary investment, presents a mixed bag for Hong Kong trustees. The scheme's "closed loop" nature requires marketers to be based in the Chinese Mainland and limits opportunities for Hong Kong trust professionals to promote the trust concept to mainland investors. "Currently WMC is a closed loop and the marketer needs to be based in the Mainland. Furthermore, there are only a handful of intermediaries that can fulfil this role for trust companies.[21]"

Enhancements to Wealth Management Connect

Despite its current limitations, interviewees agree that WMC represents a significant step towards integrating the financial markets of the Chinese Mainland and Hong Kong that will present immediate spillover benefits and longer-term opportunities for the trust industry as it continues to evolve.

Wealth Management Connect 2.0

While initially focused on retail investors, the scheme has undergone substantial enhancements in recent years. The launch of WMC 2.0 in February 2024 brought several key improvements, including an increase in the individual investor quota from RMB 1 million to RMB 3 million, lowered entry requirements for GBA residents, and the inclusion of qualified securities companies alongside banks. The range of eligible investment products also expanded to encompass all non-complex Hong Kong-domiciled, SFC-authorised funds focusing on Greater China equity, along with funds rated from low to medium-high risk. This nearly doubled the number of available funds offered by Hong Kong banks.

Despite these enhancements, WMC's current form remains primarily focused on retail customers, positioning it as a longer-term opportunity for the trust industry. However, the scheme is already generating indirect benefits. Firstly, it has created a new channel for Chinese Mainland investors to access a wider range of investment products and services offered in Hong Kong, including those structured under corporate trust companies.

> **"WMC has opened up a new avenue for Chinese Mainland clients to diversify their wealth portfolios internationally. They're now able to access a wider range of investment products and services in Hong Kong, including those offered by trust companies.[22]"**

Looking ahead, WMC is expected to continue evolving, potentially incorporating new asset classes and investment products. However, its current limitations, including restrictive investment quotas, limited product scope (particularly the lack of access to alternative investments and private equity), and operational and marketing complexities, hinder its full potential for the trust industry.

Regulators acknowledge the industry's feedback and are committed to making WMC a more robust and comprehensive scheme over the longer term. "Investor protection remains the top priority as we continue to enhance and expand Wealth Management Connect, necessitating a phased approach to enhancements.[23]"

21-22 Laurence Li, Former Chairman, Financial Services Development Council
23 Alan Au, JP, Executive Director (Banking Conduct), Hong Kong Monetary Authority

Attracting private wealth

Several key trends in the private wealth landscape are driving demand for private trusts and trust services in Hong Kong. In particular, the increasing intergenerational transfer of wealth and the rise of new wealthy individuals – not just in the Chinese Mainland but across Asia.

Hong Kong's trust industry is ideally situated to capture some of this growth, and the government and regulators have been working to attract private wealth to the city through a range of incentives. Among these, the New Capital Investment Entrant Scheme (CIES) and tax incentives for family offices have been especially successful in putting Hong Kong on the map as a dynamic location for investment. The government's efforts in attracting this wealth appear to be bearing fruit. In the latest Global Financial Centres Index 36 Report[24], Hong Kong recaptured its position from Singapore as the third leading global financial centre and the top financial centre in the Asia-Pacific region, establishing it as the region's go-to hub for UHNWIs and investment.

The introduction of the new CIES in early 2024 has been widely welcomed as a positive step in attracting capital and family offices to Hong Kong. Under this programme, applicants are required to invest a minimum of HK$30 million in permissible assets. Successful applicants can bring their spouse and children, and after seven years will be entitled to apply for permanent residency.

The new CIES is just one of a suite of measures introduced in recent years to enhance Hong Kong's attractiveness as a destination for family offices. These measures have been successful in attracting interest from family offices and high-net-worth individuals from regions including the Chinese Mainland, ASEAN countries, the Middle East and Europe. As one interviewee noted "Hong Kong is rolling out the red carpet for global wealth. The industry needs to step up now and be proactive in serving these clients, or risk missing out on a major opportunity.[25]"

[24] https://www.longfinance.net/publications/long-finance-reports/the-global-financial-centres-index-36/
[25] Arion Yiu, Partner, Asset Managment, Hong Kong, KPMG China

Family Office developments

The growth in family offices is widely acknowledged as a positive development for Hong Kong's trust industry. Family offices and trust companies share a natural synergy, as investors in family offices seek sophisticated solutions for managing their wealth, encompassing not just investments but also areas like estate planning, philanthropy, and family governance. Trusts are often an important building block for family office structures. Many single family offices are owned by trust structures, while others manage wealth that is held in trust structures. In addition, TCSPs in the jurisdiction of the trust or the family office typically provide fiduciary and support services.

Since our last report, Hong Kong has revamped its family office regime to strengthen its position as Asia's leading wealth management centre. InvestHK established Family Office Hong Kong (FOHK) in 2021 as a dedicated one-stop platform for setting up family offices.

According to recent data from InvestHK,[26] Hong Kong's family office sector has shown significant growth, with approximately 2,700 single family offices operating in the city as of late 2023. More than half of these offices manage wealth exceeding US$50 million. The uptake of the family office regime has been notable. Since June 2021, InvestHK's FOHK team has handled over 650 inquiries about establishing family offices, primarily from the Chinese Mainland, ASEAN countries, the Middle East, Europe, and the Americas. The government further enhanced its approach in May 2023 by introducing tax concessions for family-owned investment holding vehicles (FIHVs) managing assets above HK$240 million.

This commitment was reinforced in the 2024/25 Budget and through the issuance of a consultation paper on broadening tax regimes for funds, carried interest, and family offices in November 2024. These proposals, which include improvements to the unified fund exemption (UFE), the FIHV tax concession, and the carried interest tax concession, have been widely welcomed by the asset and wealth management industries.

> **"New family offices that come to Hong Kong will increase the demand for trust services related to estate and succession planning, asset management, and tax-efficient solutions.[27]"**

Amid these positive developments, interviewees have highlighted key opportunities for the trust industry to capitalise on the family office regime. It is noted that trust companies have an opportunity to proactively market their expertise as part of holistic solutions encompassing tax compliance, governance, estate planning, and philanthropy. As one interviewee noted, "Family offices are searching for a variety of investment options, including unique or alternative private investments. These might potentially operate under fund structures where depositaries can play a key role.[28]"

Furthermore, interviewees note that trust professionals should develop expertise in advising families on "soft" issues like succession planning, family disputes, and wealth distribution. By becoming trusted advisors on both financial and personal matters, Hong Kong's trust professionals can solidify their position as essential partners for family offices. "The Single Family Office regime has led some families to consider establishing a new structure for managing their family investments, and many will consider establishing a family trust at the same time.[29]"

26 https://www.ird.gov.hk/eng/ppr/archives/24042401.htm
27 Jason Fong, Global Head, Family Office, InvestHK
28-29 Karmen Yeung, Head of Private Enterprise, Hong Kong, KPMG China

Embracing virtual assets

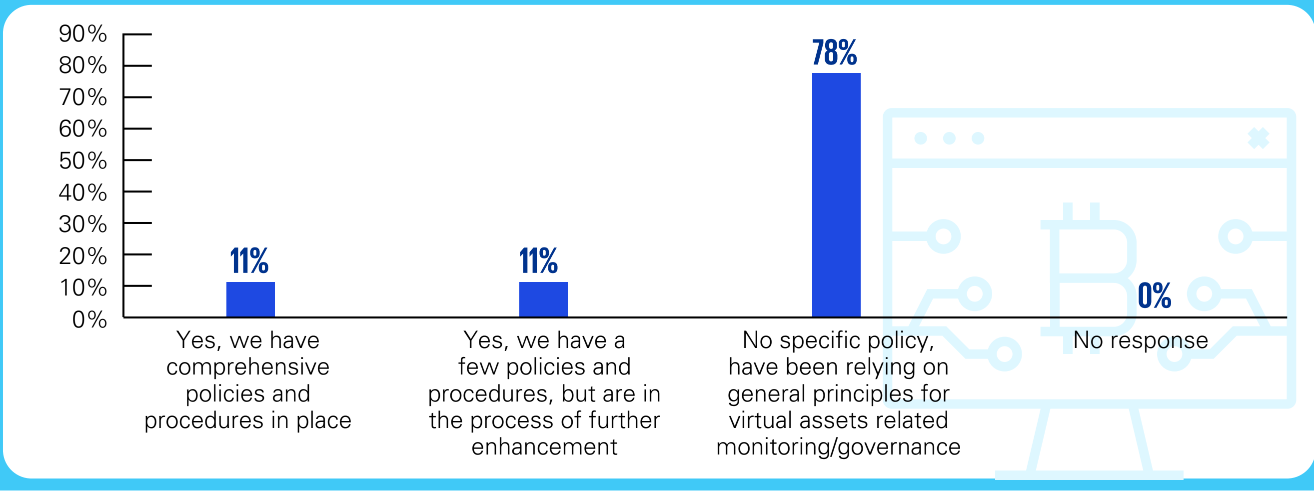
Since our last report was issued, Hong Kong has embarked on a journey to establish itself as a leading hub for the virtual asset sector. The introduction of a licensing regime for virtual asset trading platforms in 2023 and the issuance of circulars providing guidance on tokenisation by the regulators, alongside the landmark listing of Asia's first spot virtual asset ETFs in April 2024 have fostered a dynamic and rapidly evolving ecosystem. This increase in activity is reflected in the growing adoption of virtual assets by trust clients. 26% of survey respondents report that their clients hold virtual assets, with 18% of those clients allocating over 10% of their total assets to this asset class.

As one interviewee noted: "Trustees need to adapt to more clients wanting exposure to virtual assets as well as an increasingly diverse virtual asset landscape, from blue chip tokens to more esoteric meme coins.[30]" While adapting to this new landscape will take time, the Hong Kong government's proactive approach to regulation has fostered a more favourable environment for trustees. Interviewees highlighted the importance of the regulatory framework, particularly the clarity provided by the SFC in 2023 regarding AML processes and controls. This clarity has alleviated concerns surrounding fraud and risk, enabling trust companies to confidently explore opportunities in the virtual asset space. "The regulatory clarity on AML from the SFC in 2023 was critical in allowing us to move forward with confidence. We have been actively engaging with technology providers and custodians to develop secure and compliant custody solutions for digital assets. Our aim is to provide our clients with the same high level of trust and fiduciary responsibility that they have come to expect from us in the traditional asset realm.[31]"

However, interviewees also note that the global regulatory framework for virtual assets remains complex and fragmented across jurisdictions, creating a "regulatory vacuum" that some crypto operators exploit by leveraging traditional trust structures to project an appearance of compliance while masking potential risks. While traditional trust concepts, such as control, security, and fiduciary responsibility, remain relevant in the context of virtual assets, they require adaptation to the unique characteristics of this emerging asset class.

Interviewees emphasise that simply operating as a regulated trustee does not equate to the oversight provided by a licensed crypto custodian. Enhanced due diligence and specialised expertise are crucial for trust companies to effectively assess the risks associated with digital assets and distinguish between genuine regulatory compliance and misleading marketing tactics. This will be a significant concern for the industry moving forward, given that almost 80% of survey respondents currently have no specific policy or general principles for virtual asset related monitoring or governance in place.

Figure 14: Has your organisation developed related policies and procedures specific to the unique process and areas in relation to virtual asset management?



As the market matures and regulatory frameworks become more standardised, interviewees note that the trust industry may need to define its role more clearly. Bundling custody services with other offerings, such as estate planning or wealth management, could cater to the growing demand for holistic digital asset solutions.

As Hong Kong's regulators continue to work on creating a comprehensive regulatory framework for virtual assets, they are also collaborating with industry stakeholders to develop best practices and standards. The HKMA sees trust professionals as well-positioned to play an important role in this evolving landscape. "Trust professionals are experts in asset holding. They should be thinking about how they can add value and provide useful input to the development of the virtual asset sector.[32]"

[30] James Harte, Chief Operating Officer, HexTrust

[31] Andrew Law, Chief Executive Officer, BOCI-Prudential Trustee Limited

[32] Alan Au, JP, Executive Director (Banking Conduct), Hong Kong Monetary Authority

4 Challenges to overcome

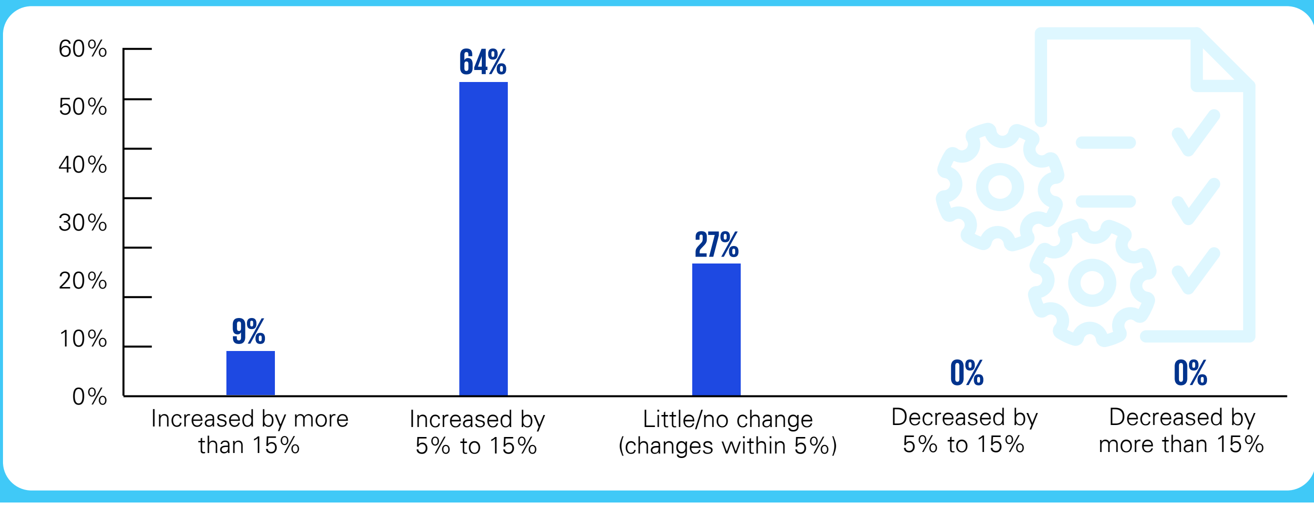
Despite widespread optimism among interviewees, there is also broad acknowledgment that a number of key challenges lie ahead, such as rising compliance costs facing trustees, the need to attract new talent into the industry and overcoming ESG fatigue.

Rising compliance costs and industry consolidation

Recent years have witnessed a wave of new regulations impacting the trust industry, adding to a complex web of compliance obligations between different regulators. While these changes have helped to ensure the integrity and stability of the industry, they also come at a cost.

Almost two-thirds of survey respondents noted that their compliance costs had risen by at least 5 – 15% over the last 12 months (Figure 15). Meeting the capital adequacy requirements of RA13, for example, involves significant upfront and ongoing costs, including licensing fees, annual levies, and professional indemnity insurance. Interviewees point out that trustees have to invest quite a lot in full-time employees and systems. Implementing robust compliance infrastructure, including systems for customer due diligence, transaction monitoring, and reporting, requires significant investment in technology and human resources, potentially posing a struggle for smaller trustees. At the same time, regulators can be anticipated to step up their scrutiny of the trust industry in the coming years to ensure compliance with the new regulations, which can potentially lead to fines and penalties for non-compliance, further adding to the cost burden. "With all the new regulation in recent years, some smaller players may need to streamline or rethink their operations, or even consider exiting the market.[33]"

Figure 15: What was the change in compliance costs for your organisation in the last 12 months?



[33] Sophia Man, Partner, Baker & McKenzie

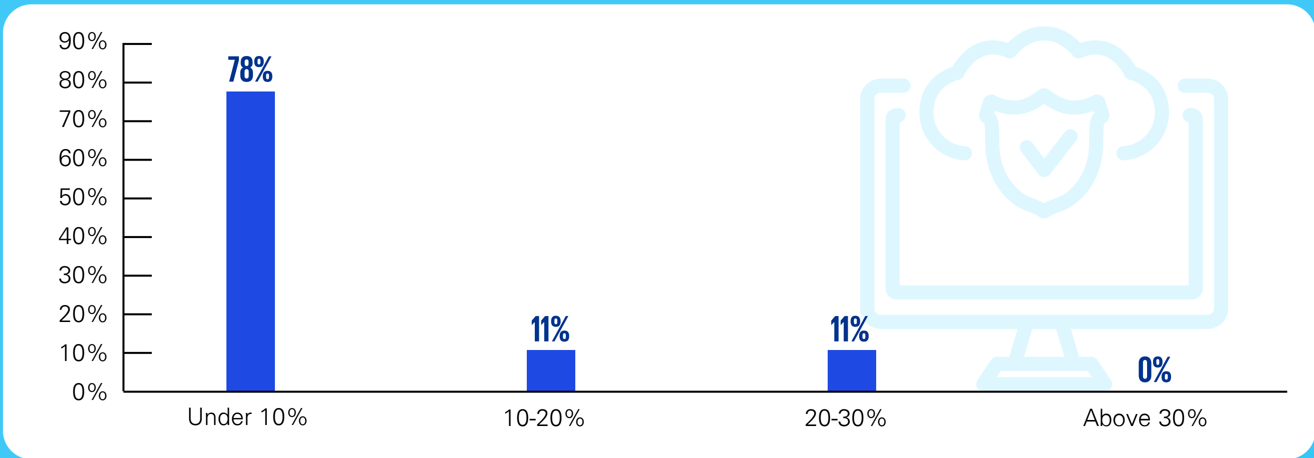
The rising tide of compliance costs is particularly challenging for smaller trust companies, which often lack the resources and economies of scale of their larger counterparts. These firms may struggle to attract and retain talent, invest in technology, and absorb rising costs while facing fee pressure from clients and competition from larger players.

While the majority of firms say their compliance costs have increased in recent years, it is worth noting that market players continue to allocate significant portions of their IT budgets to RegTech solutions (Figure 16). At the same time, there are new technologies on the horizon that are offering novel compliance solutions that trustees should be aware of.

One promising area is the use of AI-powered solutions to automate compliance tasks and enhance monitoring capabilities. Many retail funds that operate under unit trust structures, for example, are using AI-powered phone monitoring applications that can ensure compliance with regulations related to product sales and customer interactions. These applications can analyse conversations in real-time, identify potential compliance breaches, and provide alerts to compliance teams, reducing the need for manual review. "AI is increasingly being used to verify whether relationship managers have provided all the necessary information to the client before making a sale. Furthermore, if the relationship manager inadvertently says something misleading, the system will alert them.[34]"

While many trustees reported not currently using this technology in their own operations, they were broadly supportive of its development and use by fund managers and noted its growing traction in the wider financial services industry, highlighting the need for trustees to develop a better understanding of AI-powered compliance solutions.

Figure 16: What percentage of your organisations' overall IT budget is allocated for RegTech



[34] Miles Wen, CEO and Co-Founder, Fano AI

Attracting talent

There is widespread agreement among industry participants that Hong Kong's trust sector faces a multifaceted talent shortage that requires targeted action. In fact, one of the most significant challenges raised by interviewees for this report is that the pace of attracting new professionals is not keeping up with the speed of industry development.

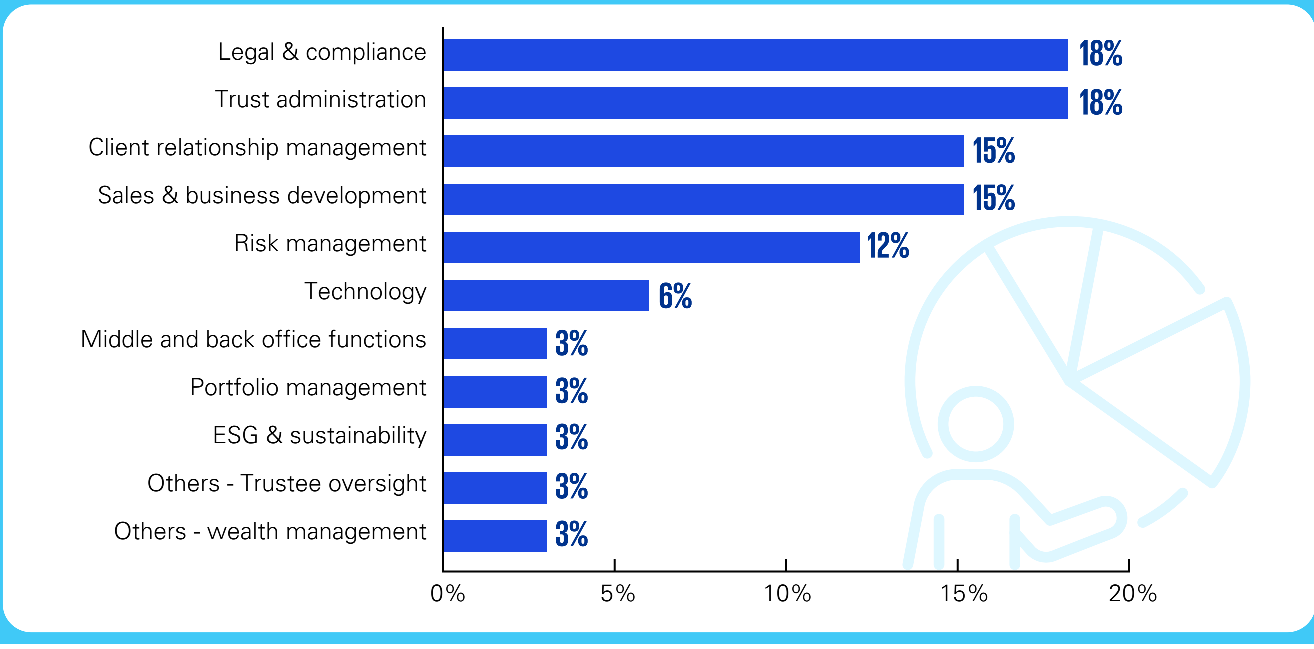
Firstly, the industry struggles to attract new graduates. In particular, insufficient understanding and awareness of trust work is widespread, with the industry often seen as "mystery" lacking the dynamism of newer, high-profile sectors such as fintech. This perception poses a challenge to positioning the trust sector as a viable and rewarding career option. As one interviewee explained, "The Trust industry may not be seen as appealing as some of the emerging high tech sectors, making it difficult to attract graduates. Many graduates are also unaware of the career development opportunities available to them. To address this, greater transparency and openness are needed to reshape perceptions.[35]"

Secondly, retaining experienced professionals is increasingly difficult as the industry faces a wave of retirements. This comes at a time when the sector is already struggling to replenish its talent pool. Thirdly, the skill set required for trust professionals is becoming more diverse and practitioners often need a multidisciplinary skillset. Beyond expertise in the traditional trust law, the industry requires knowledge across domains such as tax, compliance, and investment management.

The rise of family offices and the increasing complexity of cross-border transactions have further amplified the need for professionals with specialised, multi-disciplinary knowledge. "There are knowledge gaps, particular glaring in cross-border tax issues. It's a very complex area and highly multidisciplinary.[36]"

Survey results identify 'legal and compliance' and 'trust administration' as the leading skills gaps currently facing the industry (Figure 17). While the need for specialised, client-facing and compliance related skills remains more urgent, survey respondents report relatively lower talent gaps in middle and back-office functions as well as specialised knowledge in areas such as ESG.

Figure 17: Roles / functions where the talent gap is most critical



[35] Elisa Ng, Vice Chairman, Hong Kong Investment Funds Association
[36] Carolyn Butler, HKTA Education Sub-Committee Co-Chairperson, Hong Kong Trustees' Association

The role of HKTA accreditation and the updated TTC programme

Interviewees also note that unlike professions such as accounting or law, the trust industry lacks a clear and established educational pathway. Most professionals acquire their expertise through on-the-job training, which can create bottlenecks in the development of talent and limit the industry's capacity to grow. However, efforts to address this challenge are underway.

The HKTA has taken proactive steps to enhance education, recognition, and skills within the trust sector. The HKTA Accreditation Programme, launched in July 2018, is the first educational initiative in Hong Kong dedicated exclusively to the trust industry. It aims to systematically develop talent, establish minimum professional standards, and create opportunities for career progression. Participants with relevant industry experience who successfully complete the programme are awarded the designation of Certified Trust Practitioner (CTP), a mark of professionalism and competency in the field.

Experienced professionals with over 10 years of industry experience can achieve CTP accreditation through the Experienced Practitioners Exemption (EPE) route. Meanwhile, those with less experience or individuals new to the industry can pursue the Trust Training Certificate (TTC) course. Developed in partnership with the Hong Kong Securities and Investment Institute (HKSI Institute), the TTC course provides an alternative pathway to CTP accreditation for practitioners with at least two years of relevant working experience.

The TTC course has been particularly well-received due to its flexibility and alignment with industry needs. Its units are recognised by regulatory bodies such as the SFC, The Law Society, and the MPFA for continuing professional development/training. Furthermore, the TTC course is eligible for subsidies under the WAM Programme (Pilot Programme to Enhance Talent Training for the Asset and Wealth Management Sector), which has helped to reduce financial barriers for participants.

Recent updates to the TTC programme have been made to better address the evolving needs of the trust industry. The revamped TTC 2.0 curriculum provides a comprehensive overview of the different types of commercial trusts available, filling gaps in existing training resources. It also modernises the syllabus to reflect the latest industry practices and regulatory developments, incorporating e-learning modules to enhance accessibility and engagement. (More details on TTC 2.0 can be found in the appendix).

However, interviewees highlighted the need for enhanced industry promotion of the TTC programme to showcase the career transition opportunities available, particularly to young professionals outside the trust sector. Increased employer support for staff participation in the programme was also suggested. Interviewees highlighted the potential for further government support, stating, "More financial subsidies to assist those wanting to pursue the TTC course would provide a much-needed boost to address the talent gap.[37]"

Attracting Chinese Mainland and international talent

The Top Talent Pass Scheme (TTPS), launched in late 2022, also represents a significant step forward in addressing Hong Kong's talent challenges and by extension the trust industry. The scheme offers a streamlined residency pathway for high achievers, including individuals with an annual income of at least HK$2.5 million or recent graduates from the world's top 100 universities. "TTPS is just one part of a wider strategy that involves grooming more local talent, while also attracting professionals from around the world to meet the increasing demand for talent in the financial services sector.[38]"

The TTPS initiative has successfully drawn new recruits to Hong Kong, with a substantial proportion of participants coming from the Chinese Mainland. This influx of talent presents a valuable opportunity for the trust industry, with the HKTA considering adapting its training materials to accommodate this growing pool of Mainland professionals.

However, attracting international talent requires more than just residency pathways. Hong Kong's inherent strengths – such as its competitive tax regime, vibrant lifestyle, and status as a global financial hub – make it an appealing destination for professionals worldwide. To fully capitalise on these advantages and address talent shortages in the trust industry, it is critical to position the sector, and Hong Kong in general, as an exciting and rewarding career choice. As one interviewee remarked, "The government has made a lot of affirmative statements about Hong Kong's benefits. This continued PR effort, together with additional residency qualifications linked with the family office regime, will be important in attracting international talent and should be a long-term focus.[39]"

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[37] Michael Shue, Former Vice Chairman, Hong Kong Trustees' Association
[38] Joseph H. L. Chan, JP, Under Secretary for Financial Services and the Treasury, The Government of Hong Kong SAR
[39] Deirdre Fu, Partner, Wealth Planning and Tax, Withers

ESG investment: Overcoming misalignment between ambition and reality

As environmental, social, and governance (ESG) considerations gain prominence globally, trustees in Hong Kong face increasing pressure to integrate these factors into their investment and decision-making processes. The trust industry recognises the growing obligation, with 100% of survey respondents confirming their fiduciary obligation in this area.

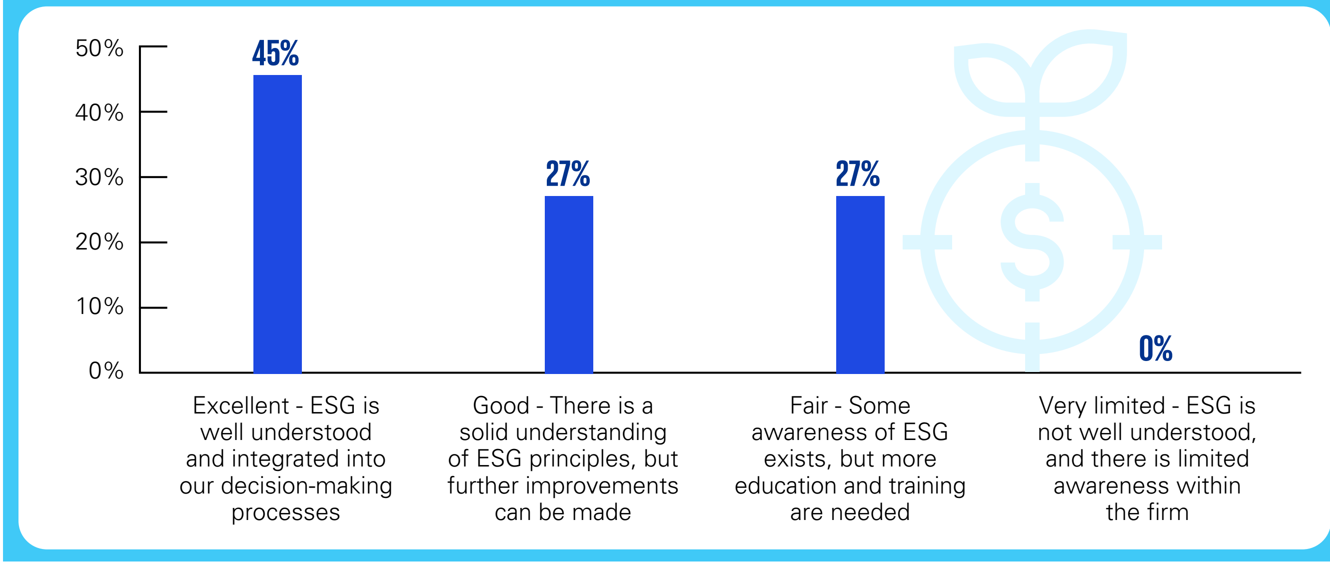
However, interviewees report a misalignment between this fiduciary duty and the investment preferences of many investors, particularly younger generations, who remain sceptical about the financial performance of ESG-related investments. In particular, interviewees note one key obstacle is the perception of ESG as a "slow burn" investment strategy with a lack of tangible, immediate returns.

This decline in interest mirrors trends in ESG investment globally. Investors withdrew a net US$40 billion from ESG funds in 2024 according to research from Barclays,[40] with many funds hit by the poor performance of sectors related to ESG, such as clean energy. Interviewees also note that the lack of standardised ESG data and reporting frameworks has further complicated matters, making it challenging for trustees to accurately assess and compare the ESG performance of different investment options. Finally, while surveyed trust companies report excellent to fair knowledge of ESG principles (Figure 18), the subjective nature of ESG adds another layer of complexity, as what constitutes "good" ESG performance can vary widely across jurisdictions.

Hong Kong is taking decisive steps to address these challenges. Beginning in 2025, significant advancements in ESG reporting and climate-related disclosure have been made for listed companies on the HKEX.[41] The new code will bring welcomed clarity for financial institutions and trustees by setting out clearer ESG metrics and reporting standards. Key modifications include new requirements for climate-related governance disclosures, mandatory reporting of climate-related risks and opportunities that could affect company cash flows and access to finance, and comprehensive disclosure requirements for greenhouse gas emissions across Scopes 1, 2, and 3.

However, the introduction of these new standards is not a panacea. While the institutional appetite for ESG investments in Hong Kong is growing, with the number of ESG funds authorised by the SFC increasing to 219 by the end of 2023 (a 24% increase from the previous year), trustees must still proactively engage with their beneficiaries. Educating them about the evolving ESG landscape, addressing their concerns, and demonstrating the long-term value creation potential of ESG-integrated investments will be crucial. As one ORSO scheme trustee emphasised, "We're not just talking about ESG, we're putting it into action. We recently introduced a dedicated ESG fund to give our members a real choice to align their investments with their values. It is a collaborative effort, balancing the expertise of our consultants with the perspectives of our management, and ultimately, prioritising the retirement needs of our members over the long term.[42]"

Figure 18: How would you rate the overall level of ESG knowledge and awareness across your organisation?



[40] Financial Times: https://www.ft.com/content/cf9001ab-e326-4264-af5e-12b3fbb0ee7b

[41] https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/April-2023-Climate-related-Disclosures/Conclusions-Apr-2024/cp202304cc.pdf

[42] Thomas Chu, Chairperson, CLP Group Provident Fund Sub-Committee

5 Looking ahead

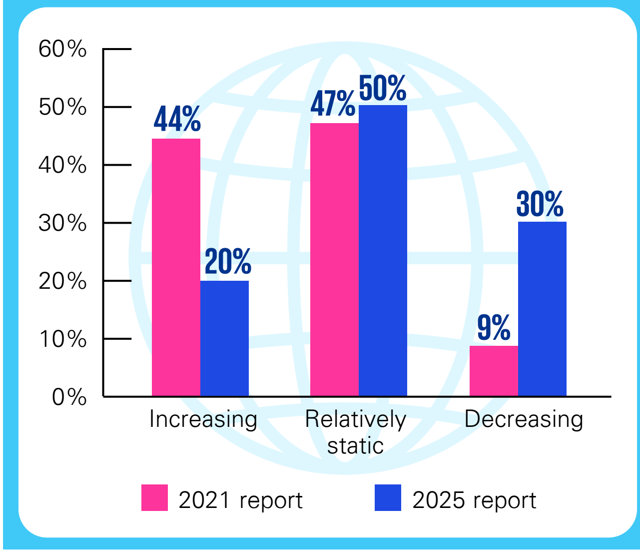
Despite the challenges it faces, the future of Hong Kong's trust industry remains bright. While industry players are under pressure to grow their business under increasingly stringent compliance, reporting, and regulatory requirements, they are also looking forward to the benefits that will arise from increased industry credibility.

Emerging opportunities in the wider financial services industry, such as greater connectivity with the Chinese Mainland, the family office sector, and emerging asset classes like virtual assets, offer significant potential for growth. However, several key areas require attention to ensure the industry's continued success in this evolving landscape.

Hong Kong's role as a trust jurisdiction

While Hong Kong's trust industry has continued to grow since our previous report, our survey indicates a potential decrease in Hong Kong-domiciled trusts since 2021 (Figure 19). Interviewees attribute this shift to perceptions of political risk, highlighting a preference for offshore trust structures (in jurisdictions such as Jersey and the British Virgin Islands) administered within the HKSAR.

Figure 19: Change in the proportion of asset value held by trusts domiciled in Hong Kong compared to offshore trusts in the past three years.



Interviewees note that the prevalence of offshore domiciled trusts, particularly among wealthy families, is a recognised reality in the trust industry. Clients often choose to domicile their trusts in jurisdictions like the British Virgin Islands, the Cayman Islands, or Jersey, driven by historical precedent and perceived advantages in confidentiality and asset protection.

Despite a potential uptick in the use of offshore trusts, there is a general consensus that this trend does not pose a major concern for the Hong Kong trust industry. Interviewees note that Hong Kong-based trust professionals possess the expertise and experience to manage trusts domiciled in various jurisdictions, including offshore locations. "The focus for Hong Kong is on strengthening its value chain of trust services, ensuring it remains a competitive and attractive centre for trust administration regardless of where the trusts are domiciled.[43]"

Interviewees also note that recent regulatory developments in Hong Kong, such as RA13 and the amendments to the TCSP licensing regime, are enhancing the jurisdiction's appeal as a trusted and well-regulated option for trust domiciliation. This is likely to attract clients seeking greater transparency and accountability, potentially leading to a shift towards more Hong Kong domiciled trusts in the future.

[43] Alan Au, JP, Executive Director (Banking Conduct), Hong Kong Monetary Authority

Competition with other jurisdictions

While Hong Kong remains one of the leading jurisdictions for trust administration in Asia, it faces strong competition from other jurisdictions, most notably Singapore. Singapore was identified by survey respondents as by far the biggest competitor to Hong Kong, with respondents noting a perception among some clients that Singapore offers less political risk than Hong Kong. This perception, coupled with Singapore's proactive efforts to attract family offices and high-net-worth individuals will continue to present an ongoing challenge for Hong Kong's trust industry.

To strengthen Hong Kong's position as a preferred trust jurisdiction in Asia, our survey findings serve as a call to action to the industry as a whole. One key area for improvement is addressing the perception of political risk. This perception, whether accurate or not, needs to be addressed through open dialogue and clear communication about Hong Kong's commitment to the "One Country, Two Systems" framework and its stable common law legal and regulatory environment.

Strengthening Hong Kong's charitable sector

Maintaining a competitive edge in the philanthropic sector will also be important in developing Hong Kong's trust industry. Interviewees note that Hong Kong's philanthropic sector is brimming with potential, but outdated regulations and a fragmented regulatory framework are hindering its growth and impact.

A key issue identified is the restrictive nature of Section 88 of the Inland Revenue Ordinance, which governs charitable donations. The current framework limits the scope of charitable giving, discouraging sophisticated donors who seek greater flexibility and control over their philanthropic endeavours. By expanding the scope of charitable giving, interviewees note that Hong Kong could attract a broader range of donors, including high-net-worth individuals and family offices, while enabling more impactful and innovative approaches to philanthropy.

Another pressing concern is the outdated and overly cautious approach to investment regulations for charities. Allowing charities including social enterprises to invest in a broader range of assets could generate greater returns and enable them to achieve their missions more effectively.

As Hong Kong's philanthropic sector expands in complexity and impact, establishing a more robust regulatory framework will be important. At present, the sector relies on a patchwork of regulations, increasing the risk of mismanagement, and potentially undermining public trust. Interviewees believe that establishing a dedicated Charity Commission would provide a cohesive framework for governance, transparency, and accountability.

The Hong Kong government has already taken positive steps towards promoting the city as a global philanthropic hub, as evidenced by initiatives outlined in the Policy Statement on Developing Family Office Businesses in Hong Kong. However, a more comprehensive approach, including the establishment of a dedicated Charity Commission, would represent a significant step towards unlocking the sector's full potential and aligning with the government's vision of establishing Hong Kong as a "wealth for good" centre. "Modernising the legal framework governing charities and expanding the scope of permissible investments could unlock significant growth and social impact.[44]"

[44] Brent York, Global Head of Trust & Fiduciary Services, HSBC Global Private Banking

Addressing gaps in the regulatory regime

While the trust industry welcomes recent regulatory reforms aimed at elevating industry standards and expanding the scope of regulated trustees, several notable gaps persist. Interviewees highlighted the fragmented regulatory regime as an ongoing challenge, contributing to escalating compliance costs and inadequate oversight for certain segments of the trust industry. The regulatory framework governing professional trust companies serving private wealth, for instance, requires refinement to address its current fragmented state.

Currently, the Trust or Company Service Provider (TCSP) regime focuses exclusively on Anti-Money Laundering (AML) and Know Your Customer (KYC) requirements, neglecting broader governance, operational, and fiduciary standards. Similarly, while the SPM TB-1 provides comprehensive guidelines for trustees, its application is confined to banks and subsidiaries of locally incorporated banks. Other trustees are merely encouraged to adopt these standards voluntarily. Different standards of practices may exist among trust companies operating in the private wealth sphere, which could impact Hong Kong's reputation as a global hub for trust and wealth management.

Continuing to address regulatory gaps to boost the trust industry while closely monitoring common practices in other peer jurisdictions to stay ahead of – or at least on par with – the competition will be key to Hong Kong's growth and credibility as a preferred trust centre.

Figure 20: Current regulatory regime of the Hong Kong trust and financial industry at a glance

Authority	Responsibilities
Mandatory Provident Fund Schemes Authority (MPFA)	Supervises MPF industry participants (trustees and intermediaries); regulates MPF products (schemes and funds); sets standards and provides guidance for promoting good governance among trustees; acts as the Registrar of Occupational Retirement Schemes.
Securities and Futures Commission (SFC)	Regulates securities and futures markets; licenses intermediaries including trustees/depositaries ; supervises market operations and authorises investment products.
Hong Kong Monetary Authority (HKMA)	Regulates and supervises banks and subsidiaries of locally incorporated banks that conduct trust business in Hong Kong under the framework of the SPM TB-1. Examples of covered activities include managing assets held in trusts, administration services for trusts set up for wealth management for high-net-worth individuals and family offices, charitable purposes, estate planning, and introduction/ referral of trustees to clients.
Insurance Authority (IA)	Oversees insurance companies and intermediaries; regulates agents, brokers, and insurers.
Companies Registry	Administers the Companies Ordinance; registers companies, provides public access to records, and acts as licensing authority for TCSPs

Legislative changes to enhance Hong Kong as a trust centre

Given the ongoing competition with other jurisdictions (outlined earlier in this chapter), interviewees identified several legislative opportunities to further enhance Hong Kong's trust industry. The HKTA plans to engage with the regulators to explore the feasibility of these initiatives, aiming to solidify Hong Kong's position as a leading trust jurisdiction, including:

Provision of non-charitable purpose trusts

Purpose trusts established for a specific aim aside from direct charitable or family benefit can broaden the appeal of Hong Kong's trust regime. These vehicles are often used to hold specific assets (e.g., shares in a family business) for strategic, long-term goals, without the requirement of having a designated beneficiary. Purpose trusts differ from traditional trusts in their focus on achieving specific objectives rather than benefiting individuals.

Legislative provisions introduced to the Hong Kong Trustee Ordinance to recognise the validity of purpose trusts under Hong Kong law could:

- Attract clients from jurisdictions where such trusts already exist.
- Offer greater flexibility for individuals and corporations.

Introduction of a VISTA-Like Trust Regime for family Businesses

Traditional trusts can deter clients unfamiliar with the concept, particularly business owners that are hesitant to relinquish control of their companies. To address this, some jurisdictions, such as the British Virgin Islands, have introduced innovative structures like VISTA trusts.

In jurisdictions with VISTA-like frameworks, trustees have greater flexibility to defer to the existing management of family businesses without compromising the core benefits of a trust structure. For Hong Kong, introducing a VISTA-like trust regime could enable family business owners to maintain a certain level of operational control without overshadowing the trustee's fiduciary responsibilities. Furthermore, it would allow Hong Kong to stay competitive with other major offshore centres offering specialised trust structures.

Clarification of Hong Kong's Tax Position on Trusts

Although Hong Kong generally follows a territorial system of taxation, some ambiguity remains regarding the taxation of trust income generated outside versus inside Hong Kong. This uncertainty can cause international families and businesses to hesitate when considering Hong Kong as a trust domicile. "A key concern for international family offices and business considering Hong Kong trusts is the uncertainty on tax positions of Hong Kong trusts. To adress this concern, changes in legislation together with clear guidlines should be in place to clarify how the trust income and distribution be taxed.[45]"

A common grey area is whether a trust structure, with a Hong Kong-based legal owner, would face taxation on income generated both within and outside of Hong Kong. The answer is often unclear and depends on several factors including the nature of the trust and the nature and location of the assets. To address these concerns, clarification on the tax treatment of trust income, distributions, and underlying assets would reassure international families and businesses considering Hong Kong as a trust domicile.

[45] Sandy Fung, Partner, Tax, KPMG China

6 Appendix

Trust Training Certificate 2.0 details:

The original programme was launched in 2018

The programme has been developed by the HKTA in conjunction with the HKSI institute to bridge industry knowledge gaps

The course is structured in 2 parts, Part A and Part B. Each part comprises of 7 units and 3 hours of class per unit. The total course consists of 14 units and 42 hours of in-class time.

The programme was updated to a broad based syllabus in 2024 for current relevancy

Part A : An introduction and fundamental concepts of trusts (7 Units)
Unit 1: Introduction to Trusts
Unit 2: Types of Trusts and when appropriate
Unit 3: Other Estate Planning Vehicles
Unit 4: Trusts Compared to Other Estate Structuring Vehicles
Unit 5: Trustees and Compliance
Unit 6: Trusts and Compliance
Unit 7: Trust Jurisdiction Comparison

Part B (Stream 1): Private Trusts (7 Units)
Unit 8: Other Trust Vehicles in Detail
Unit 9: The Contents of Trust and Drafting
Unit 10: Testamentary Issues & Avoiding Testamentary Disputes
Unit 11: International Taxation
Unit 13: Family Offices
Unit 17: Trusts and Issues for PRC Nationals
Unit 19: Collective Investment Schemes – Part 1 Private Arrangements

Part B (Stream 2): Collective Investment Schemes ("CIS")/ Retirement Schemes (7 Units)
Unit 11: International Taxation
Unit 17: Trusts and Issues for PRC Nationals
Unit 18: Trusts for Security arrangements, commercial and employee benefit needs
Unit 19: Collective Investment Schemes – Part 1 Private Arrangements
Unit 20: Collective Investment Schemes – Part 2 Public Offering Arrangements
Unit 21: Hong Kong Mandatory Retirement Scheme – MPF
Unit 22: Hong Kong Retirement Scheme Trusts – ORSO

Glossary

AML	Anti-Money Laundering
AMLO	Anti-Money Laundering Ordinance
AUM	Assets Under Management
CFT	Counter-Financing of Terrorism
CIES	Capital Investment Entrant Scheme
CIS	Collective Investment Scheme
CR	Companies Registry
EDD	Enhanced Due Diligence
ESG	Environmental, Social, and Governance
FATF	Financial Action Task Force
FIHV	Family-owned Investment Holding Vehicle
FRR	Financial Resources Return
GBA	Greater Bay Area
HKEX	Hong Kong Exchanges and Clearing Limited
HKMA	Hong Kong Monetary Authority
HKSI	Hong Kong Securities and Investment Institute
HKTA	Hong Kong Trustees' Association
HNWIs	High-Net-Worth Individuals
IA	Insurance Authority
IRD	Inland Revenue Department
KYC	Know Your Customer
MPF	Mandatory Provident Fund
MPFA	Mandatory Provident Fund Schemes Authority
OFC	Open-Ended Fund Company
ORSO	Occupational Retirement Schemes Ordinance
PEPs	Politically Exposed Persons
RA13	Type 13 Regulated Activity
RBA	Risk-Based Approach
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance
SPM TB-1	Supervisory Policy Manual Module TB-1
TCSP	Trust or Company Service Provider
TSP	Trust Service Provider
TTPS	Top Talent Pass Scheme
UFE	Unified Fund Exemption
WAM	Wealth and Asset Management
WMC	Wealth Management Connect

About the HKTA

The Hong Kong Trustees' Association Limited ("HKTA") was established in 1991 by members of the trust and fiduciary services sectors to represent the trust industry in Hong Kong, particularly in the areas of legislation and education. It is a not-for-profit company limited by guarantee and incorporated in Hong Kong. HKTA currently has about 200 corporate and individual members, and represents thousands of people working in the trust, pensions, private banking, asset servicing, legal, accounting and other professional services fields.

Our Mission:

- Represent the trust industry in promoting high standards of professionalism, corporate governance and regulatory compliance;
- Contribute towards advancing the status of Hong Kong trust professionals and that of the industry internationally;
- Represent the industry to the government, the media, local and international professional bodies and the public in promoting Hong Kong as an international trust and fiduciary services centre;
- Promote quality standards for the industry by the issuance of Best Practice Guides applicable to corporate trusts, pension schemes, private trusts and charitable trusts; and
- Contribute towards enhancing the education and knowledge of practitioners in the trust industry through relevant trust accreditation and training programmes.
- Contribute towards enhancing public education on trust fraud

About KPMG China

KPMG in China has offices located in 31 cities with over 14,000 partners and staff, in Beijing, Changchun, Changsha, Chengdu, Chongqing, Dalian, Dongguan, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Hefei, Jinan, Nanjing, Nantong, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Taiyuan, Tianjin, Wuhan, Wuxi, Xiamen, Xi'an, Zhengzhou, Hong Kong SAR and Macau SAR. It started operations in Hong Kong in 1945. In 1992, KPMG became the first international accounting network to be granted a joint venture licence in the Chinese Mainland. In 2012, KPMG became the first among the "Big Four" in the Chinese Mainland to convert from a joint venture to a special general partnership.

KPMG is a global organisation of independent professional services firms providing Audit, Tax and Advisory services. KPMG is the brand under which the member firms of KPMG International Limited ("KPMG International") operate and provide professional services. "KPMG" is used to refer to individual member firms within the KPMG organisation or to one or more member firms collectively.

KPMG firms operate in 142 countries and territories with more than 275,000 partners and employees working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such. Each KPMG member firm is responsible for its own obligations and liabilities.

Celebrating 80 years in Hong Kong

In 2025, KPMG marks "80 Years of Trust" in Hong Kong. Established in 1945, we were the first international accounting firm to set up operations in the city. Over the past eight decades, we've woven ourselves into the fabric of Hong Kong, working closely with the government, regulators, and the business community to help establish Hong Kong as one of the world's leading business and financial centres. This close collaboration has enabled us to build lasting trust with our clients and the local community – a core value celebrated in our anniversary theme: "80 Years of Trust".

80 years of trust

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