



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
B9/219C

2 May 2023

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Regulation and Supervision of Trust Business

Pursuant to the circular issued by the Hong Kong Monetary Authority (“HKMA”) on 27 May 2022, authorized institutions (“AIs”) and subsidiaries of locally incorporated AIs (“AI subsidiaries”) that conduct trust business¹ in Hong Kong as a trustee² should comply with the Supervisory Policy Manual module TB-1 “Regulation and Supervision of Trust Business” (“SPM TB-1”), including the Code of Practice for Trust Business (“the Code”) by 1 June 2023. The HKMA will maintain and publish a list of trustees (the “List”), covering AIs and AI subsidiaries as well as other trustees within an AI group³ which carry on trust business in Hong Kong, and annually declare that they observe the Code. This circular highlights certain actions or attention required on AIs in this connection.

Trust business of AIs and AI subsidiaries

All AIs are required to complete and submit to the HKMA a **Form I** – “Form on trust business carried on in Hong Kong” to report whether they themselves and/or any of their AI subsidiaries carry on trust business in Hong Kong as a trustee² and if so, the particulars of the AI’s manager(s) as referred to in paragraph 2.2.1 of SPM TB-1 and/or the particulars of the AI subsidiary(ies). **All AIs should submit the completed Form I to the HKMA by 15 May 2023.**

¹ Trust business within the scope of the Code.

² Refers to a trustee, a prospective trustee, or a party by whatever name called performing the functions of a trustee.

³ Paragraph 6.1 of SPM TB-1 sets out that such other trustees refer to a holding company, subsidiary (for AIs incorporated outside Hong Kong) or affiliate, of an AI.

If an AI subsidiary carrying on trust business in Hong Kong as a trustee² is reported, the AI subsidiary should complete and submit via the reporting AI to the HKMA a **Form II** – “Form for notification of new appointment / cessation of existing appointment / change in responsibility of responsible officers of trust business” **by 15 May 2023**. AI subsidiaries should also use **Form II** to notify via the reporting AIs the HKMA of any new appointments, cessation of existing appointments and changes in the responsibilities of responsible officers within 14 days of the appointment, cessation or change.

AIs should notify the HKMA of any change in the information provided in Form I (including suspension or cessation of trust business in Hong Kong) using **Form III** – “Form for notification of changes relating to trust business carried on in Hong Kong” within 7 business days after the change takes place. The notification of new appointments, cessation of existing appointments and changes in the responsibilities of managers referred to in paragraph 2.2.1 of SPM TB-1 should be made within 14 days of the appointment, cessation or change.

Trust business of other entities within AI groups

For an entity that is a holding company, a subsidiary (of an AI incorporated outside Hong Kong) or an affiliate, of an AI (“associated AI”), if it (a) carries on trust business in Hong Kong as a trustee² and observes the Code, and (b) wishes to have its particulars included in the List, it should complete and submit via an associated AI to the HKMA:

- (i) the initial declaration on compliance with the Code using **Form A** – “Form for initial declaration on compliance with the Code of Practice for Trust Business”; and
- (ii) subsequently, an annual declaration on its compliance with the Code within 3 months after the end of each calendar year, using **Form B** – “Form for annual declaration on compliance with the Code of Practice for Trust Business”.

Such entity should notify the HKMA via an associated AI of any subsequent change in the information provided in Form A or Form B (including suspension or cessation of trust business in Hong Kong, or request for removal of particulars from the List), within 7 business days after the change takes place. If its declaration on compliance with the Code is no longer true, such entity should, within 7 business days after it becomes aware of the same, notify the HKMA via an associated AI. **Form C** – “Form for notification of changes relating to reporting trustee” should be used for such notifications.

The above-mentioned forms are available on the HKMA's Supervisory Communication Website (under "Notifications").

Reporting of specified matters

Paragraph 5 of SPM TB-1 sets out some reporting requirements. AIs should complete and submit the "Incident reporting form for securities, insurance and MPF businesses, and banking conduct-related issues" to report to the HKMA for the AI itself and/or its AI subsidiary any material non-compliance with any legal or regulatory requirements (including the Code), major incidents, and any other matters that may have material impact on the fitness or propriety of the trustee. AIs should put in place adequate policies, procedures and controls with their AI subsidiaries to ensure that the AI can include any aforesaid matter of its AI subsidiary in its reporting in accordance with the timeframes prescribed in the incident reporting form.

Should you have any questions on this Circular, please contact Mr Kevin Sham at 2878 1594 or Ms Sandi Cheung at 2878 8831.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)