

Licensing Obligations of Family Offices

As an international financial centre and asset management hub, Hong Kong is an obvious choice for family offices, which are typically set up to manage the financial affairs of high net worth families (e.g. asset management and estate planning). Family offices may either serve a single family or multiple families. The Securities and Futures Commission (the “SFC”) has published a circular dated 7 January 2020 (the “Circular”) on general guidance for family offices intending to carry out asset management and other services in Hong Kong.

1. General licensing requirements

There is no specific licensing regime for family offices. The licensing regime under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) is activity-based. If the services provided by a family office do not constitute any regulated activity (“RA”) or fall within any of the carve-outs¹ under the SFO, the family office is not subject to licensing requirement under the SFO.

2. Single family offices

In relation to single family office, the Circular provides the following examples to illustrate that single family office is not subject to the SFO’s licensing requirements:-

(i) No asset management services to a third party

Where the family appoints a trustee to hold its assets of a family trust, and the trustee operates it as an internal unit to manage the trust assets.



¹ Please refer to Schedule 5 to the SFO for details about the available carve-outs under the definitions of the types of RA. Paragraph 1.3 of the Licensing Handbook (Exemptions) provides general guidance on some situations in which the carve-outs may apply.

(ii) The intra-group carve-out

Intra-group carve-out refers to one of the exceptions under the definition of “securities or futures contracts management” in the SFO. Where the family office provides asset management services solely to its related entities², licence for Type 9 RA is not required.

Similarly, where the family office is a separate legal entity which is wholly owned by a trustee or a company that holds the family’s assets, it should be able to rely on the intra-group carve-out as full discretionary investment manager of the securities or futures contracts portfolio. In the said premises, it does not need a licence.

3. Multi-family offices

A multi-family office serves more than one high net worth family. In the event that a multi-family office provides services to clients who are not related entities, it will not qualify for the intra-group carve-out and a licence under the SFO may be required.

Where a multi-family office is granted full discretionary investment authority, its asset management activity would generally be similar to that of a licensed asset management company. Thus, it is likely that it needs to be licensed for Type 9 RA.

If the multi-family office has not been delegated full discretionary investment authority but only provides securities investment advice and executes securities transactions, it may need to be licensed for other types of RA, i.e. Type 1 RA (dealing in securities) and Type 4 RA (advising on securities). Where assets include futures contracts, it may need to be licensed for Type 2 RA (dealing in futures contracts) and Type 5 RA (advising on futures contracts).



² Related entities are defined as wholly owned subsidiaries, its holding company which holds all its issued shares, or other wholly owned subsidiaries of that holding company.

The explanatory summary is not, and should not be regarded as, a legal advice. Should you have any enquiries, please seek specific advice from legal advisers.

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