

Asia Pacific IMRE News

Developments in the Asian landscape*

- 02 Alternatives investors look for more than returns
Asian investors seek risk management, controls and transparency
- 06 Meeting the challenges ahead
Topical China and Hong Kong tax issues
- 09 New Japanese 'independent agent' exemption
A big step forward for foreign-domiciled funds
- 11 Malaysia vies to maintain leadership in Islamic finance
Tax incentives play an important role
- 14 India's key regulatory and tax aspects
The regulatory and tax framework for Foreign Institutional Investors
- 18 Learning to use property derivatives
Accounting questions to consider

July 2008



Alternatives investors look for more than returns

Our recent global alternative investment survey revealed that investors in Asia Pacific see risk management, controls and transparency as a source of differentiation

Justin Ong
PricewaterhouseCoopers
(Singapore)
+65 6236 3708
justin.ong@sg.pwc.com

Darren Lim
PricewaterhouseCoopers
(Singapore)
+65 6236 3103
darren.kw.lim@sg.pwc.com

Asia has experienced rapid growth in alternative investments in recent years, fuelled by investors' search for increased alpha in emerging markets and by institutional players broadening their investment horizons to diversify geographical risk. Assets allocated to hedge funds, private equity and, increasingly, real estate and infrastructure funds have seen significant growth. This has led to alternative assets starting to become part of the investment mainstream.

But what are investor expectations in Asia for alternative investments? How are investible assets likely to be allocated across the different categories, including hedge funds, private equity, real estate, infrastructure and others? And – once an investor decides on asset allocation – is performance all that matters? Almost inevitably, the answer to the last question is a firm 'no', especially when investors and investment providers are dealing with a wider spectrum of sophisticated investment products in an increasingly litigious environment. Risk management, controls and transparency are fast becoming buzz words and perhaps more will be more so, in time to come.

Our recent global alternative investments survey,¹ conducted by PricewaterhouseCoopers² and the Economist Intelligence Unit (EIU), revealed a strong and growing appetite for alternative investments, especially in Asia. Researched between December 2007 and January 2008, this global survey of 226 institutional investors and alternative investment providers also revealed a strong desire among investors for better risk management, controls and transparency.

Robust growth expected in Asia

In Asia, investors expect to increase their asset allocation to alternative investments, particularly in private equity and real estate funds.

Private equity and real estate funds continue, and will continue, to attract investors seeking diverse cash flows and returns with minimal correlation with equity and fixed income markets. The survey also highlighted significantly greater satisfaction with the performance of private equity and real estate/infrastructure funds than with their more mature hedge fund counterparts. This supports the shift in allocation into private equity and real estate/infrastructure products expected in the next three years.

¹ Transparency versus returns: the institutional investor view of alternative assets www.pwc.com/transparency_briefing.

² PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

The growing importance of risk management, controls and transparency

Alternative investment providers, besides understanding and responding to the evolving trends in terms of asset

allocation, need to look beyond generating competitive returns to ensure their continued success in today's competitive environment – namely, in the areas of risk management, controls and transparency.

With the increased sophistication, knowledge and experience of allocating assets into alternative investments over the past decade, investors' expectations have developed beyond looking at returns with little regard to risk. Investors' concentration on risk management, controls and greater transparency from their service providers is expected to intensify, not only in more mature economies such as Europe and North America, but also in Asia. Larger alternative investment providers have developed robust middle- and back-office infrastructures to cope with investors' increasing demands, in particular, providing comfort over risk management monitoring, controls and reporting. Now, small- and medium-sized boutique alternative investment providers are beginning to experience similar demands from their clients.

In Asia, professional risk managers are beginning to see demand for outsourced risk management services. Some boutique alternative investment providers either cannot afford, or do not have a sufficiently large scale of operations, to possess and operate robust middle or back offices. Services offered by these risk managers range from valuation of over-the-counter (OTC) instruments to third-eye reconciliations, stress testing of portfolios, value-at-risk (VAR) analysis and reporting.

According to the survey, the rapid growth in hedge funds, private equity, real estate and infrastructure funds has shown that investor expectations are changing with regard to how they allocate assets, who they select, why they deselect them and what they expect beyond performance. Alternative investments are fast losing their 'satellite' status as destinations for small portions of investment portfolios. Murmurs of alternative investments becoming 'mainstream' are more common. While performance remains investors' top priority, transparency and risk management are fast becoming hot topics, as shown by the survey results.

So what do investors expect from alternative investments and their managers besides superior returns?

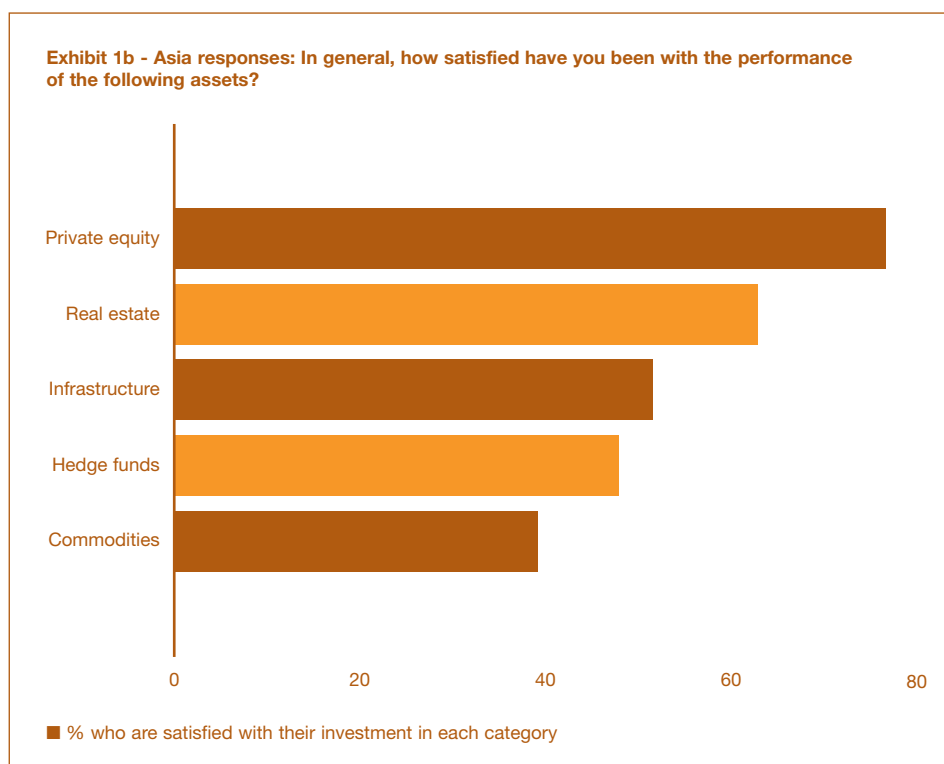
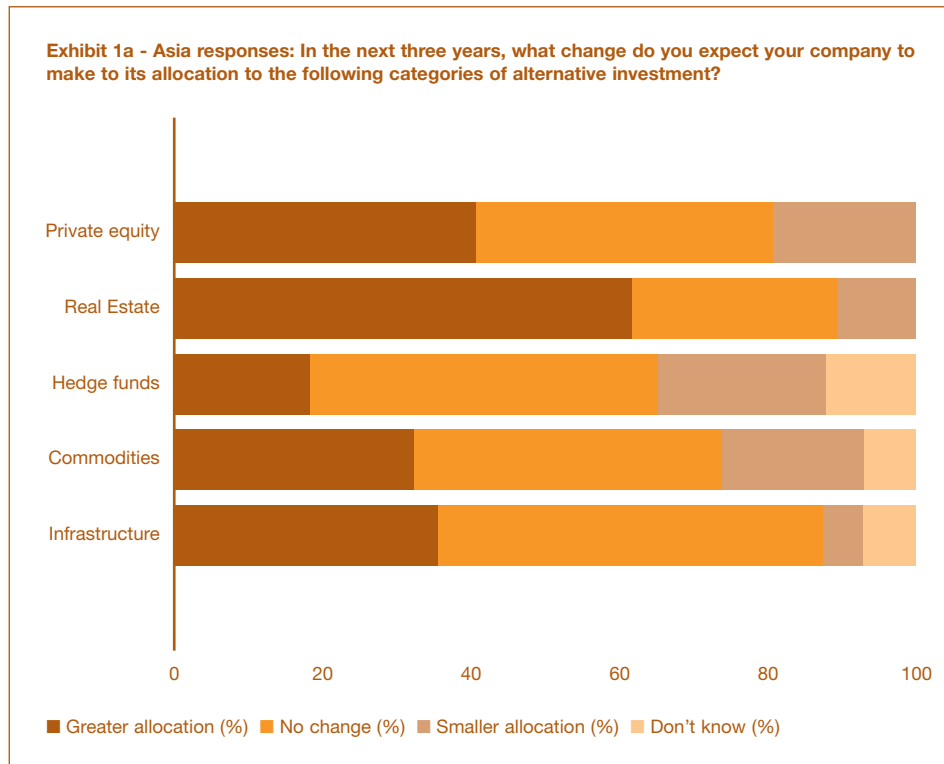
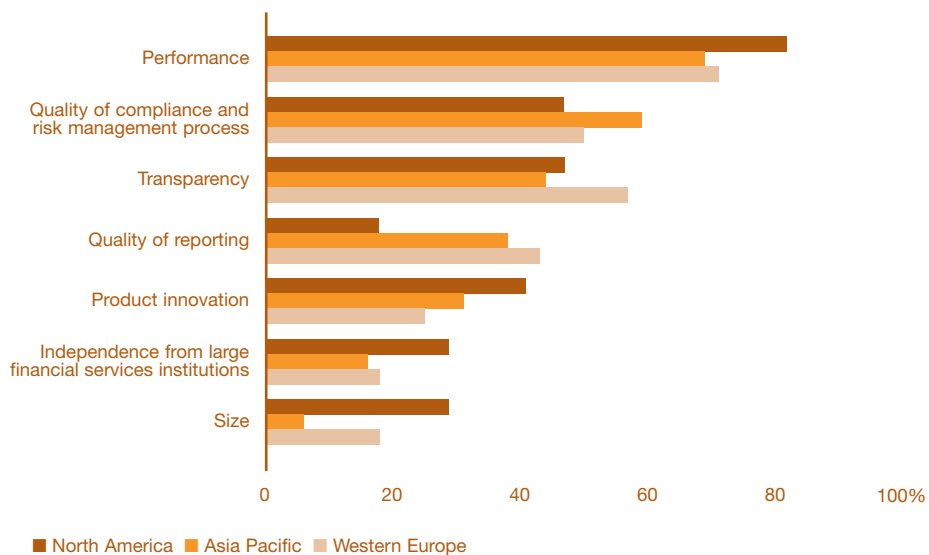


Exhibit 2a - What do you consider to be the main criteria for considering a third-party provider of alternative investments?



Please note that totals do not always add up to 100 because respondents could choose more than one answer.

Source: PricewaterhouseCoopers/Economist Intelligence Unit survey, January 2008

Adequate transparency of fee structure, qualified personnel, no conflicts of interests, risk management policies and monitoring, use of third parties and quality/timeliness of reporting are among a selection.

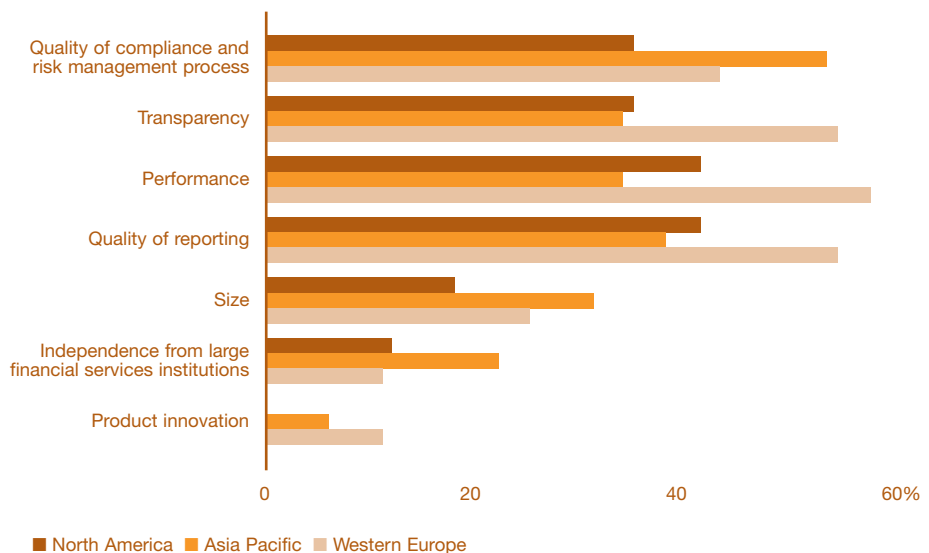
Selection and deselection of investment managers

Interestingly, Asian alternative managers believe there is a lack of focus on risk management when times are good, yet when markets plunge the spotlight is switched on. The survey revealed that the majority of the survey respondents globally, including Asia, still considered performance as their top selection criterion for alternative managers. Significantly, respondents from Asia placed greater emphasis on the quality of compliance and risk management than their peers elsewhere. Just under 60% of the respondents from Asia viewed quality of compliance and risk management as key criteria when considering third-party alternative investment providers vis-à-vis their North American (47%) and Western European (50%) counterparts.

When deselecting an investment manager, risk management, controls and transparency assume far greater importance across the globe.

It is also interesting to note that size matters to Asian investors when deciding if an alternative manager should be deselected. About 31% of respondents from Asia, compared to 18% from North America and 25% from Western Europe, considered size as a key deselection criterion. This predominantly comes from the fact that Asian alternative funds are generally smaller in size than their Western counterparts. Therefore, the risk of becoming a substantial investor in a shrinking alternative fund is greater in Asia than elsewhere in the world.

Exhibit 2b - What do you consider to be the main criteria for de-selecting a provider?



Please note that totals do not always add up to 100 because respondents could choose more than one answer.

Source: PricewaterhouseCoopers/Economist Intelligence Unit survey, January 2008

Quality of reporting

At present, the breadth and depth of reporting leaves much to be desired. Best practice from developed markets is starting to find its way into emerging markets, but Asian alternative managers must do much more to rise to the challenge and to gain deeper investor trust and acceptance. Managers also need to enhance their operational infrastructure and risk management processes to stay in the game, especially as investor due diligence starts to bring this into focus.

One of the key survey findings suggested that while information provided on investment strategy and performance is satisfactory, there is a lack of confidence in reporting. This is the case in the areas of: back-office operations, reporting potential conflicts of interest, management fee structure, valuation techniques and the use of third-party administrators, and monitoring thereof.

Only a minority of the respondents in Asia (less than 20%) consider the quality of reporting in the above areas as excellent or good. Investors are taking a keen interest in the quality of policies and procedures for back-office operations, valuation techniques and the capabilities of third-party administrators. Investors also seem to expect a higher level of disclosure of conflicts of interest and fee structures.

The survey also revealed that only a minority of Asian respondents believe their investment providers are good at operational risk management. Overall, less than 40% of respondents believe that their hedge fund and private equity managers have good risk management policies and practices. In particular, investors appear least confident in the

areas of IT security (only 5% and 19% of hedge funds investors and private equity investors, respectively, gave a positive response), and segregation of roles and responsibilities (21% and 23%). The results may be attributable to the fact that Asian alternative managers, with the exception of real estate/infrastructure fund managers, are generally small- to medium-size enterprises (SME) with limited resources dedicated to back-office infrastructure. Clearly, while this may have been acceptable practice as the industry sought to establish itself in the early days, there needs to be a significant change in behaviour and focus going forward.

Similarly, the survey findings showed only a minority of the respondents from Asia Pacific believe that their alternative investment providers are good at financial risk management, with the main areas of weaknesses around valuation and stress testing of portfolios. Only between 5% and 27% of respondents believed that their alternative investment providers were strong in valuation, the use of VAR and stress testing. Respondents tended to have less confidence in their hedge fund investment providers' financial risk management capabilities than in private equity managers' capabilities (excepting the use of VAR).

Are investors themselves prepared for this shift?

Despite the growing calls for increased transparency and risk management, it is surprising that investors themselves have not done much internally to monitor the risks in alternative investments. In Asia, 56% of investors in alternative assets had not made any changes to their internal risk

management frameworks as a result of increased exposures to alternatives. This is a concern, as the recent crisis in financial markets has shown that where risk management is lacking, great dangers lurk with painful lessons waiting to be learnt.

To this end, investors' knowledge of risk management needs to be enhanced – only then can they demand better reporting from their alternative investment providers and push the industry to the next level.

Where to next?

Risk management, controls and transparency are clearly areas for improvement for Asian alternative investment providers. The sooner they realise that investors are now focusing on such areas when considering deselection of their investment providers, the better. Alternative investment managers must move with the times to ensure their continued relevance in an increasingly transparent world; if not, they risk being marginalised as investor demand for governance means only the serious organisations will remain in business.

Meeting the challenges ahead

An update on topical China and Hong Kong tax issues for the investment management industry

Matthew Wong

PricewaterhouseCoopers (China)
+86 21 6123 3052
matthew.mf.wong@cn.pwc.com

Florence Yip

PricewaterhouseCoopers
(Hong Kong)
+852 2289 1833
florence.kf.yip@hk.pwc.com

Tempted by strong economic growth and the promise of high returns, funds have been flocking to invest in China over the past number of years. In addition to investing in the equity markets, a noticeable trend has been for Asia-focused hedge funds to also invest in China's credit markets, reflecting the growing importance of the Asia Pacific region to the hedge fund industry worldwide. With its location in the Greater China region, its relatively simple tax regime and its new double-tax agreement (DTA) with China, Hong Kong is emerging as one of the most popular jurisdictions through which to route investments in China.

With the above in mind, this article highlights some of the more important recent China and Hong Kong tax and developments affecting hedge funds investing in these jurisdictions.

China – opportunity and uncertainty

Notwithstanding the recent volatility in the stock markets and 'credit crunch' in the US and Europe, China is expected to continue to provide attractive investment opportunities to international investors going forward, and a strong economic infrastructure together with on-going reform has strengthened Chinese financial markets. In spite of this, the China tax and regulatory environment remains extremely challenging for investors.

New China Corporate Income Tax law (CIT)

The new CIT became effective on 1 January 2008 with the aim of unifying and consolidating the separate income tax laws applying to foreign-invested enterprises (FIEs) and domestic companies in China. The new CIT has also, however, created a new set of tax issues and considerations for foreign funds investing in China. Some of these are touched on below.



Listed equity markets

In the past, China offered a relatively simple and favourable tax regime for foreign investors trading in listed equities (with the exception of the 'A' share market). As early as 1993, a PRC (People's Republic of China) tax ruling was issued to offer tax exemption on dividend income and capital gains derived from investment in B shares and foreign shares. It is not entirely clear, however, whether this favourable ruling will continue to apply under the new CIT.

Qualified Foreign Institutional Investors (QFII)

China's State Administration of Foreign Exchange (SAFE) increased the QFII quota from US\$10 billion to US\$30 billion in December 2007 and the number of QFII licences granted to MNC financial institutions as of 15 April 2008 was 54.

Many QFIIs may have made significant unrealised capital gains from the bullish 'A' share market in the past two years. Yet, although the QFII scheme was

introduced in 2002 and despite extensive lobbying from industry, the PRC authorities have not yet clarified how QFIIs are to be taxed in China.

The QFII industry group last met with PRC tax authorities in Beijing in April 2007. The group is trying to lobby for a temporary tax exemption for QFII's portfolio investments in 'A' shares until the tax treatment for QFIIs is made clear. However, in anticipation that the PRC tax authorities may eventually decide to tax QFIIs, it also raised a number of issues for clarification, including whether QFIIs without a taxable presence in China will be subject to PRC withholding tax on income and capital gains, whether the QFII or its underlying customers will be treated as the taxpayer in China, whether QFIIs in treaty locations (e.g. Hong Kong, Switzerland, the US) will be entitled to claim capital gains tax protection under the relevant DTAs and whether tax will be applied retrospectively if it eventually is introduced.

Despite the lack of clarity in the income tax treatments for QFIIs, Circular Caishui [2005] No. 155 exempts QFII capital gains from 5% business tax.

Distressed debt

There is strong demand for investment in distressed debt in China, where the size of the non-performing loans (NPL) market is significant. In spite of this, recent surveys show that many Chinese NPL auctions targeted at foreign investors may fail because of a price expectation gap between the PRC asset management companies and foreign investors.

A preferential taxation framework for foreign investment in the China NPL market was introduced in a tax circular (Guoshuifa [2003] No. 3) in 2003. If foreign investors satisfy certain conditions, gains on the disposal of NPLs may be recognised on a cost recovery method under a total portfolio basis, and disposals of the NPLs by the foreign investors will be exempt from PRC business tax. However, a number of important issues related to offshore

NPL holding structures were not addressed in this circular, including permanent establishment (PE) issues, the nature of the proceeds recovered from NPLs (business profits/capital gains/interest income), how the taxable profit should be computed, the withholding tax treatment under tax treaties, reporting obligations, etc. The thin capitalisation rules under new CIT may also create uncertainty on the tax-deductibility of funding costs incurred by the NPL holding vehicle. Consequently, much uncertainty still surrounds the tax regime governing the distressed debt market in China.

Without clear official tax guidelines to deal with the above tax uncertainties, overseas hedge funds investing in the China NPL market should consider precedent cases and market best practice to ensure they adopt the most tax efficient investment structures for their circumstances.

China and Hong Kong – a new double-tax agreement

The New China–Hong Kong DTA

The new China–Hong Kong DTA became effective on 1 January 2007 in China and on 1 April 2007 in Hong Kong. The DTA is a comprehensive treaty with 27 articles.

Withholding tax on dividends and interest

Under the DTA, withholding tax on dividends paid from China to Hong Kong residents can be reduced to 5% in certain circumstances. Under the new CIT and its detailed implementation rules, a 10% withholding tax is imposed on the repatriation of dividends by FIEs in the PRC to foreign investors. In Circular Caishui [2008] No. 1, however, the PRC tax authorities have stated that distributions of pre-2008 retained earnings by FIEs will be exempt from withholding tax. Therefore, Hong Kong residents will not need to rely on treaty protection from withholding tax in respect of such distributions. Withholding tax will apply to distributions of 2008 and subsequent years' profits, however, and the dividend withholding tax provision in the DTA will provide some protection for Hong Kong investors in respect of these distributions as a result. A 7% rate of withholding tax applies to

interest payments from China to most Hong Kong residents (a 0% rate applies on interest payments to the Hong Kong government and certain tax exempt institutions). The reduced withholding tax rates on dividends and interest in the DTA are among the lowest provided in PRC double tax treaties, particularly in the Asia Pacific region.

Capital gains

Under the capital gains tax article, a full tax exemption in the PRC is available on capital gains derived by a Hong Kong investor from the disposal of shares in a PRC-based company, provided that the Hong Kong investor had a shareholding of less than 25% in the 12 months prior to disposal and, for the three years prior to disposal, the assets of the PRC company were not mainly composed, directly or indirectly, of immovable property (such as real estate) situated in the PRC. Since there is no capital gains tax in Hong Kong, the main benefits of this article will be realised by Hong Kong taxpayers.

Service PE issues

As with the majority of DTAs entered into by China, the new China – Hong Kong DTA originally stated that if a service project in China continues for a period or periods aggregating more than six months within any 12-month period, foreign companies would be considered to have created a permanent establishment in China.

Recently, the issue of PE exposure for foreign funds and fund managers has become a particularly hot topic in China because of tax ruling No. 403, which was issued in April 2007. This ruling set out the PRC government's interpretation and method of counting 'six months in any 12 month period' for the purpose of allowing tax treaty protection for overseas fund managers sending employees into China to work on China deals. Essentially, the China approach meant that one day could equal one month for this purpose, and thus having just spent one day per month in China over a six-month period could be constituted as six months, which would create a service PE exposure in China. Clearly, these developments caused widespread concern among foreign funds investing into China.

The PRC and Hong Kong tax authorities disagreed over this interpretation in the context of the China–Hong Kong DTA and after some negotiation signed the Second Protocol to the DTA on 30 January 2008. This clarified that the 'six month period' is now replaced with '183 days'. Accordingly, provided the employees of a Hong Kong fund manager or advisor spend less than 183 days within a 12-month period in the PRC, there should not be a service PE exposure for the Hong Kong entity. Although China has concluded more than 80 tax treaties with other jurisdictions, only five DTAs count the six-month period by using the 183-day rule in determining whether there is a service PE in China (namely, the treaties with Hong Kong, India, Nepal, Sri Lanka and Thailand). Compared to most of its other treaties, therefore, it appears that China's DTA with Hong Kong offers relatively good protection for Hong Kong investors as regards the service PE issue.

Looking ahead

Although China will continue to offer excellent growth and investment opportunities in 2008 and beyond, its tax and landscape will change significantly during 2008 with the developments discussed above. Foreign funds would, therefore, be well advised to be proactive in conducting an operational tax and regulatory risk review on their China-focused investment structures to ensure they are prepared to meet the challenges ahead.

New Japanese 'independent agent' exemption

The new exemption should be a big step forward for foreign-domiciled funds such as hedge funds investing into Japan

Under Japan's domestic laws, non-Japanese residents may have been deemed to have a Permanent Establishment (PE), and as such a taxable presence, if they conduct business through an independent agent in Japan. In the hedge fund context, many foreign funds seek to limit their exposure in this regard by ensuring that advisors or managers with authority to bind the foreign fund are located outside Japan, and that they do not have any Japanese presence themselves.

On 13 December 2007, the governing political party in Japan, the Liberal Democratic Party, released its proposed 2008 Tax Reform package (2008 tax proposals), in which it recommended the introduction of an independent agent exemption from the definition of a PE under Japan's domestic law.

Following the release of the 2008 Tax Proposals, the Ministry of Finance released draft national tax laws in January 2008. The draft Bill was submitted to the Diet for review and passed the Diet on 30 April 2008.

Taxation of non residents in Japan

In the absence of a PE, a non resident investor in Japanese securities is generally only subject to tax on:

- 1) Dividends and interest on a withholding tax basis at rates of up to 20%;
- 2) Capital gains realised on the disposal of certain securities.

However, where a non-resident investor has a PE in Japan, the investor is subject to tax on all Japan-sourced income at full domestic rates. For corporate entities the full domestic rate includes local taxes, and increases the corporate tax burden to approximately 42%.

Under Japan's domestic law, an 'agent PE' exists if a person or entity located in Japan either:

- 1) Has, and habitually exercises, the authority to conclude contracts for a non resident; or
- 2) Habitually performs important activities in Japan with respect to the conclusion of contracts exclusively or almost exclusively for the non resident.

Akemi Kitou

PricewaterhouseCoopers (Japan)
+81 3 5251 2461
akemi.kitou@jp.pwc.com

Daniel Lutz

PricewaterhouseCoopers (Japan)
+81 3 5251 6640
daniel.lutz@jp.pwc.com

While many of the double-taxation treaties Japan has concluded with other countries include an independent agent exemption, prior to the 2008 tax reform no such exemption existed under Japan's domestic law. As such, prior to the 2008 tax reforms, a non resident investor who was a tax resident of a country with which Japan had not concluded a double-taxation agreement may, therefore, have been subject to the risk of PE taxation as a result of the actions of an agent, even if independent, located in Japan.

Impact on fund managers in Japan

The 'agent PE' standard in Japan was very broad and could be applied to many kinds of investment-related activities. In particular, it meant a fund manager could not trade in Japan on behalf of a foreign fund.

Where significant PE exposure arose for a foreign fund—due to commercially necessary activities undertaken by a sub-advisor or manager in Japan—then the high tax burden associated with a PE in Japan, combined with the typical pass-through form of offshore fund vehicles, meant that the appetite of foreign fund investors for investments into Japan was reduced.

To mitigate the PE risk associated with the role of a Japanese advisor, many offshore fund investors located their fund manager or portfolio manager in jurisdictions such as Hong Kong or Singapore. They would then have the Japanese advisor or sub-advisor undertake only research and support functions under a service level agreement with the offshore fund manager. Such an approach can, however, be complicated and commercially burdensome.

Further, this approach limited the role of fund managers or advisors located in Japan, leading at times to a migration

of key personnel and employment opportunities to more tax- and regulatory-friendly regions such as Singapore and Hong Kong.

Details of new independent agent exemption

While the tax law reform Bill did not amend the national tax laws for the implementation of the independent agent exemption, the Cabinet Order, which was issued with the passage of the 2008 Tax Reforms, amended the existing Corporate Tax Law Enforcement Order (CTLEO) 186 and Individual Income Tax Law Enforcement Order (ITLEO) 290, which define an Agent PE for Japanese domestic tax law purposes.

The amendments made by the Cabinet Order exclude from the definition of an agent:

“the person who conducts independently operations relating to the business of a non-resident or a foreign corporation provided in the subsequent items one through three [relating to categories of Agent PE], and who conducts operations in the ordinary course of its business”

The revised Enforcement Orders will apply to PE determinations made on or after 1 April 2008.

Form of 'independent agent' exemption

The exemption is broadly in line with Article 5 of the Organisation of Economic Co-operation and Development's (OECD) Model Tax Convention on Income and on Capital (Model Tax Convention), and is broadly consistent with many other taxation systems of OECD member countries.

Under the Model Tax Convention, for an agent to be independent, the agent must be both legally and economically independent, and must provide services to the non resident in the ordinary course of its business.

This approach to an independent agent exception does not provide any safe harbour for certain activities conducted by an agent in Japan, notably such as those found in Singapore, Hong Kong, the US and the UK, but rather requires a case-by-case analysis as to the independence of each agent.

From a foreign fund perspective, depending upon the level of guidance provided by Japan's tax authorities on the interpretation of this amendment, this type of approach might leave a level of investor uncertainty. Importantly, the OECD principles generally require that the local agent is both legally and economically independent from the non resident, and when providing the services, it is acting in the ordinary course of its business.

Concluding remarks

The proposed independent agent exception was one of the many recommendations put forward by the FSA in its plan released on 21 December 2007 for 'Strengthening the Competitiveness of Japan's Financial and Capital Markets'. The implementation of this proposal represents a positive step forward for Japan's financial services sector and, in particular, the hedge fund and fund management industries. The changes do not eliminate the taxation risks or the need to manage these risks; however, they do generally align Japan's taxation policy in this respect, with the OECD and international global market.

Further details regarding scope and application of the independent agent exemption are expected to be released some time in summer 2008, following continuing discussions among government agencies, industry bodies, advisors and other interested parties.

Malaysia vies to maintain leadership in Islamic finance

Tax incentives have played an important role in establishing Malaysia as an international centre for Islamic finance, and are maintaining its competitiveness at a time of growing competition

The days when Malaysia was striving to establish Islamic finance's value proposition and to carve out a niche for itself are long gone. The country has emerged as a leader of what today is a viable segment of an increasing number of capital markets around the world. Expanding from its early accomplishment, in 2002, of issuing the first global sovereign sukuk bond³ and, in 2007, the largest-ever corporate sukuk, worth US\$4.8 billion, Malaysia continues to be one of the main countries issuing sukuks. It currently accounts for almost two-thirds of the US\$80 billion world sukuk market.⁴

Other world-leading Islamic innovations from Malaysia include the first listed real-estate investment trusts (REITs), the first rated residential mortgage-backed securities and the first exchange-traded fund. These accomplishments show Malaysia continuing to strive to raise the bar globally – both for product innovation and 'end-to-end' Shariah-compliant services.

With demand for Islamic financial products growing globally, Malaysia has set its sights on positioning itself as a leading international Islamic financial centre. To coordinate this, it established an initiative in 2006 to promote Malaysia as an international Islamic financial centre (the MIFC initiative). In order to achieve this, the government has used tax policy as a powerful incentive.

As early as 2001, Malaysia had the foresight to align the tax treatment of Islamic products with levies on conventional products. Consequently, Malaysia's current taxation regime is quite comfortable with Islamic financing methods. Since then, in line with its policies of converting at least 20% of the nation's assets to Islamic finance by 2010 (currently the level is roughly 12%), the government has introduced specific tax exemptions to encourage participation in Islamic instruments and to spur Islamic finance nationally. Some of its earliest tax exemptions included tax deductions granted on Islamic private debt securities, and tax exemptions on interest income earned by non-resident companies from specific Islamic securities or debentures.

To compete with Middle Eastern tax-free rivals, Malaysia's 2007 and 2008 budgets have introduced a string of incentives and exemptions. These are carefully crafted to boost international participation in specific Islamic sectors such as banking and takaful,⁵ funds, REITs and capital markets.

Jennifer Chang

PricewaterhouseCoopers (Malaysia)
jennifer.chang@my.pwc.com
+603 2173 1828

Charlini Yogeswaran Thambaiya

PricewaterhouseCoopers (Malaysia)
charlini.yogeswaran.thambaiya@my.pwc.com
+603 2173 1430

³ A sukuk is a bond that is compliant with shariah law.

⁴ Source: Securities Commission, Malaysia.

⁵ The mutually cooperative form of insurance, where policyholders support one another in line with Islamic principles.

Successful tax incentives

Some of the major tax incentives that have contributed to the success of the Malaysian Islamic financial industry are as follows:

Islamic banking and takaful business

Specific exemptions have been granted to the Islamic banking and takaful business. Among them are:

- Income tax exemption for international Islamic banks and Islamic banking units, as well as international takaful companies and takaful units until year of assessment (YA) 2016;
- Withholding tax exemption on any profits paid out by an Islamic bank to non resident customers;
- Stamp duty exemption on instruments executed pertaining to Islamic banking and takaful activities in foreign currencies until 31 December 2016;
- Stamp duty exemption on instruments executed pertaining to Islamic securities issued in all types of currencies as approved by the Securities Commission (SC) under MIFC guidelines until 31 December 2016;
- Stamp duty exemption of 20% on instruments used in Islamic financial products approved by the Shariah Advisory Council of the central bank, or the SC, up to 31 December 2009;
- Tax deduction on expense incurred in establishing an Islamic stock broking firm until 31 December 2009;
- Tax exemption until 31 December 2009 in respect of income derived from an approved branch, or investee company, of a company resident in Malaysia.

Currently, banks and insurance companies in Malaysia are taxed on a worldwide basis at a rate of 26% (to be reduced to 25% with effect from YA 2009). This means that licensed

Malaysian banks and insurance companies will be subject to income tax on income received from overseas, including income from the foreign branches of Malaysian banks.

So, how does the MIFC incentive affect foreign and local banks, takaful and re-takaful companies? Upon approval, the MIFC incentives will effectively transform what would have been a 26% tax position on worldwide income to a completely tax-free position until YA 2016. This applies to all income received from Islamic transactions in foreign currencies from both non-residents as well as Malaysians (i.e. on worldwide Islamic foreign currency income). Such a wide breadth of tax-free income has attracted many a bank and takaful company to apply for this status. To date, eight takaful companies and 14 banks have obtained licences to operate within the ambit of MIFC. UNICORN International Islamic Bank Malaysia Bhd, the first international Islamic bank in Malaysia, which recently received its licence, has already secured several mandates from clients in Indonesia, the Middle East and Singapore to achieve its aggressive first-year revenue, which is estimated to be US\$14 million.

True to the aim of being an international platform, as well as promoting inbound Islamic investments, the local banks have been encouraged to expand their operations regionally and globally. To this end, any profits earned by the newly established branches overseas or remittances of new subsidiaries overseas will be tax-free until 31 December 2009.

With specific regard to the takaful business, the recent Budget seeks to level the tax playing field with conventional insurance business. As an illustration, consider a takaful company that is based on the Musyarakah principle. Unlike a conventional insurance business, which makes profits from premiums earned after

expenses and claims, the takaful business earns its profits from fees for services rendered (i.e. services akin to fund management services) and shares any surplus profits made with its participants (i.e. the insured). Previous tax treatments sought to tax all profits of the takaful business without excluding the portion of the profits that were to be shared with the participants. However, the current tax treatment as announced in the 2008 Budget allows a deduction on profits distributed to the participant. This adjustment and others have brought the treatment of takaful and conventional businesses into line.

Islamic funds and fund management

Recognising the importance of the fund manager in promoting and growing the fund management industry and attracting funds from customers, exemptions have been provided on management fees until YA2016, for local and foreign companies managing approved Islamic funds for both local and foreign investors. This incentive may well result in a shift from conventional fund management to Islamic fund management.

Islamic capital markets

As mentioned, Malaysia is now among the most established Islamic capital markets worldwide. Some of the key incentives that have driven this are:

- Tax deduction on expenses incurred on the issuance of Islamic securities based on Ijarah (leasing), Istisna' (progressive sales), Mudharabah (profit-sharing), Musharakah (profit-and loss-sharing) and other Islamic products approved by the SC until 2010;
- Withholding tax exemption on interest received by non resident companies in respect of debentures issued in ringgit or Islamic securities issued in any currency, other than convertible loan stock, as approved by the SC;



- Withholding tax exemption on interest received by non resident individuals in respect of Islamic securities, other than convertible loan stock, issued in any currency other than ringgit, as approved by SC.

These incentives attract foreigners to invest in Malaysia and ensure that Islamic securities remain competitive.

Other areas

Albeit the apparent success of the various incentives offered, further tax incentives have been provided as follows:

- Tax deduction on pre-commencement expenses of an Islamic stockbroking business, so long as the business starts operating within two years of SC approval;
- Tax relief not exceeding RM5,000 (US\$1,515) per annum to individuals on Islamic finance courses approved by Bank Negara Malaysia, the central bank, or the SC.

The notion of an Islamic stockbroking business is another Malaysian innovation. These incentives were devised in order to turn this concept into reality.

Additionally, in order to realize the MIFC's goals, the government acknowledged the immediate need to compete for a critical mass of experts in Islamic finance, especially since such experts are not likely to be taxed in the Middle East. Even countries such as Singapore are beginning to provide tax exemptions to such experts on a selective basis. Therefore, in addition to the tax relief for individuals on Islamic finance courses, the 2008 Budget removed tax on income received by verified non resident experts in Islamic finance. This incentive is vital to the success of MIFC.

Defending a position of strength

Malaysia acknowledges that merely providing fiscal incentives without an enabling environment to attain these incentives will not prove sufficient to attract investors to achieve the MIFC's goals. Consequently, the MIFC Secretariat was recently established as a one-stop centre for all MIFC incentives, so simplifying bureaucratic procedures and streamlining the various Islamic tax incentives under a single authority.

With various Middle Eastern countries competing to become the world's leading Islamic centre, competition between different jurisdictions is tough. Malaysia is in a strong position, with a comprehensive Islamic regulatory system, as well as its continual development, refinement and innovation of Islamic concepts and financial instruments. As it defends its current position as one of the leading Islamic centres, tax incentives have an important role to play.

India's evolving tax and regulatory regime

There have been several improvements in the tax and regulatory framework for Foreign Institutional Investors, although there is still a need for greater certainty

Sunil Gidwani

PricewaterhouseCoopers (India)
+91 22 6689 1177
sunil.gidwani@in.pwc.com

Vijayashree Ranganathan

PricewaterhouseCoopers (India)
+91 22 6689 1124
vijayashree.r@in.pwc.com

As one of the fastest growing economies in the world, India needs foreign investment inflows to sustain the pace of growth. In the period since the liberalisation of regulations in the 1990s, many significant measures have been introduced to attract the Foreign Institutional Investor (FII) capital flows that are essential for the growth of the Indian capital markets.

Several government regulatory and tax initiatives to encourage foreign capital have been introduced during the past year. Significant improvements are being made, although areas of ambiguity remain.

More often than not, tax is the key consideration for FIIs. The tax regime for FIIs is impacted by several factors, such as the nature of income earned by an FII, existence of tax treaties between India and the country where an FII is based, whether an FII has a permanent establishment (PE) in India and so on.

Below we outline significant tax aspects and recent key regulatory changes of which FIIs should be aware.

Regulatory aspects

The Securities and Exchange Board of India (SEBI) issued a press release on 25 October 2007, wherein certain regulatory amendments relating to Participatory Notes (PNs) and FII registration norms were introduced. The move was intended to moderate capital flows through PNs. The amendments in the press release were notified by SEBI on 29 May 2008. The notification also brought out amendments regarding criteria for registration as FII/sub accounts, as well as changes in application procedures.

The market regulator ruled with immediate effect that FIIs and their sub-accounts could not issue or renew PNs with underlying as derivatives. They have to unwind current positions by 31 March, 2009. SEBI also banned all PN issuances by sub accounts of FIIs. FIIs currently issuing offshore derivative instruments (ODIs) with notional value of PNs outstanding (excluding derivatives), at less than 40% of their assets under custody (AUC) in India are now allowed to issue further ODIs only at the incremental rate of 5% per annum of AUC. Those FIIs with notional value of



PNs outstanding (excluding derivatives) exceeding 40% of their AUC, can issue PNs only against cancellation/redemption/closing out of existing PNs of at least an equivalent amount.

An asset management company, investment manager, advisor or institutional portfolio manager set up and/or owned by non resident Indians is now eligible for registration as an FII, subject to the condition that it does not invest proprietary funds.

FII's have also been made responsible and liable for acts of omission and commission of all their sub accounts, irrespective of whether they exercise discretion in respect of funds of the sub account or not. This appears to indicate that the registration of sub-accounts under third-party FII's may be permitted.

Additionally, the scope of FII investments in Indian securities has been widened to include investment in units of schemes floated by Collective Investment Schemes.

SEBI has also recently decided to permit all classes of investors—in other words, retail and institutional—to sell securities short. It has also put in place

a fully fledged securities lending and borrowing scheme under the framework of the 'Securities Lending Scheme 1997' in order to provide a mechanism for stock borrowing so that securities sold short can be settled. Seeking to remove ambiguity regarding the tax treatment of lending/borrowing, the revenue authorities issued a circular in February 2008, clarifying that lending would not constitute a transfer and so would not attract capital gains tax. It also clarified that lending/borrowing transactions under the scheme would not be liable to securities transaction tax. There are, however, further tax issues that remain unclarified.

In a move to provide investors with a larger range of risk mitigation products and create more activity in the Indian onshore markets, SEBI issued a press release in November 2007, approving the introduction of seven new derivative products. These are: mini-contracts on equity indices; options with longer life/tenure; volatility index and futures and options contracts; options on futures; bond Indices and futures and options contracts; exchange-traded currency (foreign exchange) futures and options; and introduction of exchange-traded

products to cater to different investment strategies.

Tax aspects

The taxability of an FII depends on the characterisation of income in its hands. It is essential to determine the character of the income before examining the taxability of the FII. As per the provisions of the Income Tax Act 1961 (ITA), the profits arising from transfer of a 'capital asset' are treated as 'capital gains'. However, if shares or securities are classified as stock-in-trade, then the profits from transferring them are treated as business income.

Currently, Indian income tax law lacks clarity regarding the method of application of the criteria or principles that determine whether the income from sale of securities should be classified as business income or capital gains. The Central Board of Direct Taxes has, however, issued a circular for tax officers, offering some guidance on these issues.

The Authority for Advance Rulings (AAR) had initially in 2004 delivered some rulings, where it judged investment income earned by FIIs to be business income. Thereafter, in the

Indian tax provisions do contain treaty override provisions which may offer protection against this exposure. Notably, the important international financial centre of Hong Kong has not signed a tax treaty with India.

case of Morgan Stanley, the AAR ruled that trading in derivatives needed to be treated as business income. In cases where income is characterised as business income, one needs to examine whether the FII in question has a PE in India. If so, then the FII would be liable to normal rates of tax on such income in India. However, in early 2007, the AAR held in the well-reasoned Fidelity ruling that, being an FII, Fidelity held the shares as capital assets and not as business assets. The AAR observed that the circumstances and framework of FII regulations—including those laid out by SEBI, the Reserve Bank of India and the tax law—unmistakably point out that an FII is not registered to trade in securities.

If Indian securities are held as capital assets, then under the Indian income tax provisions, short-term capital gains on the sale of listed securities are chargeable to tax at 15.84% in the case of a corporate FII. Long-term capital gains on the sale of listed securities are exempt, provided the transactions have been subject to Securities Transaction Tax. Treaty protection could be availed in order to claim exemption from capital gains tax.

If the Indian securities are held as trading assets, then the income from sale of securities could be chargeable as business income at 42.23%. Treaty protection could be availed in order to claim exemption from tax on business profits where the fund is held not to have a PE in India.

Another important tax issue relates to the taxability of the management fee paid by the fund to its investment manager. In terms of the provisions of the ITA, income earned by a non resident is subject to tax in India if the income is received, or is deemed to be received, in India or the income accrues, or arises or is deemed to accrue or arise, in India. Further, income shall be 'deemed to accrue or arise in India' if the income arises directly or indirectly from a 'business connection' in India, or in the case of 'fees for technical services' (FTS), payable by a person not resident in India, if the said fees are payable in respect of services utilised in a business or profession carried on by such non resident person in India or 'for the purpose of making or earning any income from any source in India'. For this purpose, FTS is defined as any consideration for the rendering of any

'managerial, technical or consultancy services'. Therefore, the management fee/advisory fee paid by a fund would probably fall within the meaning of the term FTS under the ITA.

The question is whether management fees paid by a fund to its investment manager—both of which are non residents as per Indian tax provisions—would be taxable in India on the basis that the fees classify as FTS and are paid by the investing fund for the purpose of making or earning any income from any source in India. While these provisions have been the subject of some judicial precedents, as well as a legislative amendment in the 2007 budget, the issue may yet be open to different interpretations in the context of the fund management industry.

Indian tax provisions do contain treaty override provisions, which may offer protection against this exposure. Notably, the important international financial centre of Hong Kong has not signed a tax treaty with India. A recent press release from the Indian Government reports that India has signed a tax treaty with Luxembourg. However, the Indian Government has yet to notify the said treaty and



therefore it is not in force as at the time of writing. Given the time-consuming nature of Indian tax litigation, one needs to carefully structure operating models to mitigate this exposure. Additionally, the FII registration requirements may impact the structure and need to be considered.

Indian tax law contains a provision requiring companies to pay a Minimum Alternate Tax (MAT), calculated at 10.56% of their 'book profits', in the event that the tax payable by them under normal provisions of the domestic tax law is less than the MAT so calculated. For this purpose, 'book profits' are defined as profits reported in accounts prepared in accordance with Indian corporate law requirements, as increased/reduced by certain prescribed adjustments, one of them being inclusion of long-term capital gains on transactions in listed securities on which Securities Transaction Tax is payable, which are otherwise exempt from tax under the normal provisions. These provisions apply only to companies. However, there is uncertainty as to whether these apply to corporate FIIs that do not have any presence in India. If MAT provisions did apply

to FIIs that classify as companies, the effective tax rate in respect of long-term capital gains would be 10.56% (including surcharge, if applicable and education cess).

Another important factor is the existence of Double Taxation Avoidance Agreements (DTAAs), which India has entered into with countries where FIIs are based. DTAAs with countries such as Mauritius and Cyprus provide for tax exemption on capital gains earned by FIIs. The DTAAs with Cyprus and Mauritius are being renegotiated by the respective governments. As per a recent protocol signed with the United Arab Emirates (UAE), the capital gains on transfer of Indian securities by a UAE-based FII would now be chargeable to tax in India.

As per a recent press article, the Indian revenue authorities have issued notice to various FIIs, requesting them to provide details of their PN transactions. The revenue authorities have been trying to draw an analogy for taxation of the PNs from the much talked about 'Vodafone' case. The Indian revenue authorities have, in that case, attempted to tax profits made outside

India on transfer of shares of a foreign company by one non resident to another, on the basis that the underlying asset is the interest in the Indian company.

The Vodafone matter is currently pending before the Bombay High Court. If the High Court rules against Vodafone, and tax authorities successfully apply the analogy to taxation of PNs, this could have adverse implications for the PN holder as well as the FII issuing the PNs.

While the Indian government has time and again taken initiatives to provide certainty in the tax regime of FIIs, it is imperative that it strives to offer yet more certainty and clarity. This would greatly help to foster much needed stability and maturity in the capital market's movements and its eventual growth.

Learning to use property derivatives

Interest in property derivatives is growing across Asia Pacific as more instruments are created. For real estate funds and other users, there are important accounting questions to consider

Robert Grome

PricewaterhouseCoopers
(Hong Kong)
+852 2289 1133
robert.grome@hk.pwc.com

Andrew Barclay

PricewaterhouseCoopers
(Hong Kong)
+852 2289 2789
andrew.barclay@hk.pwc.com

Real estate funds, banks, intermediaries and other end-users across the globe are looking at using property derivatives as mechanisms for both domestic and cross-border investment. And Asia Pacific is no exception.

The primary challenge for users everywhere is to understand how these products can be harnessed within business strategies and objectives. But then they need to consider the practicalities. What are the best structures from a taxation and accounting standpoint? What are the implications from regulatory, corporate governance, systems, valuation and investor reporting standpoints?

Growing in Asia Pacific

There can be little doubt that a property derivatives market is starting to emerge in Asia Pacific, with 2007 seeing end-users trade in Hong Kong, Japan and Australia. Indeed, in 2008, Hong Kong, in particular, has been seen growing levels of depth and liquidity.

Increasing numbers of end-users are expressing an interest in investing in property derivatives – either to gain additional market exposure or to reduce overweight positions. Several Hong Kong investment banks have now received licences to be counterparties, and a number of funds and other investors are undertaking internal authorisation and governance procedures to enable them to invest, although many have yet to decide whether to do so.

The Hong Kong property derivative market first traded in February 2007 and is, arguably, the most developed in Asia. Initially using price return swaps, it has now moved to simpler percent or forward structure swaps. Here, a fixed rate of interest is paid in exchange for a floating property return based upon a local residential property index series derived from repeat sales. Known as The University of Hong Kong Real Estate Index Series (HKU-REIS), this was created and will be maintained by the University of Hong Kong's Department of Real Estate and Construction. The HKU-REIS has four indices. There is the overall All Residential Price Index (HKU-ARPI) and then its three constituent regional price indices: Kowloon (HKU-KRPI), New Territories (HKU-NRPI) and Hong Kong Island (HKU-IRPI).



Elsewhere in Asia Pacific, the first Japan trade took place in July 2007 and was a total return swap, based on a commercial property index that is updated monthly using data from J-REITS (Japanese real estate investment trusts), whose properties are valued twice a year on a staggered basis. In Australia, a test trade was made in May 2007. In Korea and Singapore, market participants are currently investigating suitable index series.

What are the benefits of using property derivatives cross-border?

For a fund wishing to obtain exposure to the value of real estate in an overseas country, investment in physical real estate presents a number of complexities. For example, knowledge of local legal requirements and approvals is essential, as is an awareness of the potential liability to local taxes.

Many difficulties are avoidable if a fund enters into a property derivative contract linked to the value of an index of real estate prices in the chosen jurisdiction. Even if local indices are currently unsuitable or unavailable, an investor might be able to find a local property company and agree a contract

under which the performance of the portfolio of properties would be paid to the investor in exchange for an interest-linked return.

If these mechanisms become widely used, an international derivatives market could emerge in which investors could artificially gain exposure to the value of real estate in a range of jurisdictions by investing in property derivatives. This would give them the flexibility to maintain a balanced portfolio.

However, the development of such a market is dependent on individual countries creating frameworks conducive to the development of local property derivatives markets.

Accounting for property derivatives

The accounting treatment of any derivative is dictated by both the industry and nature of the fund.

At present, accounting standards for financial instruments, including derivatives, are prescribed in International Financial Reporting Standards (IFRS) by IAS 39 and also IFRS 7. These requirements are replicated in many local standards, such as the Hong Kong Financial Reporting Standards.

Definition of derivative:

A derivative is defined in IAS 39 as demonstrating the following characteristics:

- Its value changes in response to the change in a specified underlying rate or index.
- It requires little or no initial net investment.
- It is settled at a future date.

For example, taking the most common Hong Kong price return swap, where property appreciation or depreciation between two set dates is exchanged for Hong Kong interbank offered rate (HIBOR) plus a spread, these criteria are met because:

- Its value changes in response to changes in the HKU-ARPI.
- No principal is exchanged.
- It is settled at a future date.

IFRS requires that all derivatives, no matter why they are held, be subject to 'fair value' measurement, and initial recognition on the balance sheet is at fair value with subsequent revaluation being required.

Accounting for movements in fair value will depend on classification of the derivative, the accounting treatment

adopted and whether hedge accounting is achieved.

If the derivative is not designated in a hedging relationship, all movements will go through the income statement. If the derivative is in a hedge relationship and is demonstrated to be effective, then fair value hedges will result in adjustments posted to the hedged item with respect to the fair value calculated in hedge effectiveness tests. If the derivative is in a hedge relationship, but fails to meet the strict criteria for hedge accounting, then the fair value movements will be posted to the income statement, as if they were not in a hedge relationship.

Careful review is needed in respect of total return swaps, such as those used in Japan, where the fair value changes in relation to both rental flows and capital movements. When investing in derivatives, the purpose and intention should be clearly documented to identify whether they have been acquired for capital purposes, income purposes or both. If undertaken for both, market value movements may need to be split out.

Hedge accounting:

There are very strict criteria that need to be met before any derivative can be designated as a hedge. Hedge accounting can only be applied if the risk being hedged will impact the income statement. Many property derivatives convert cash flows from one basis to another, with the result that they convert rather than mitigate the risks. Hedge accounting is not allowed in these circumstances.

The user must demonstrate that the correlation between the derivative and hedged item is between 80% and

125%—both retrospectively and prospectively. How likely is this if the derivative is affected by other factors?

Aspects to consider include:

- Derivative valued on a different basis, e.g. all-property rather than sector-specific;
- Differences in timings of cash flows;
- Liquidity of property derivatives book.

Another area to consider is where an organisation has a portfolio of properties in different geographies and sectors. These properties can only be included in a portfolio hedge if the individual assets share the risk exposure that is designated as being hedged. Furthermore, the change in fair value attributable to the hedged risk for each individual item in the group will be expected to be approximately proportional to the overall change in fair value attributable to the hedged risk of the group of items.

Disclosure requirements

In addition to the accounting treatment, careful consideration needs to be given to the disclosure requirements. Existing accounting standards have required that the risk management objectives and strategies for using financial instruments are disclosed. Thus, entities will need to explain, in narrative form, why property derivatives contracts have been entered into and how they fit within the overall objectives and policies of the business. Care should be given to manage the investors' expectations of this.

This year, the International Accounting Standards Board (through IFRS7), and its local equivalents, such as the Hong Kong Institute of Certified Public

Accountants, introduced new disclosure requirements requiring further detailed disclosure on risk management activities.

These new requirements, with prior year comparatives require disclosure to be based on information presented by key management, thus allowing users to look through the eyes of management and have access to what may be considered sensitive data. Examples of some of the more significant new disclosures include:

- When valuation techniques using subjective data rather than market pricing are used, there is a need to quantify the sensitivity to changes in the assumptions. This analysis needs to disclose the impact of changes in the risk variable, i.e. property prices or rental income on the profit and loss and the equity;
- Discussion of the liquidity risk, such as the timing of outflows, associated with any derivative liability;
- Highlighting the impact the derivative has had on the income statement—this cannot be presented as part of a bigger number;
- Where collateral is held, the entity holding it must disclose the carrying amount and its terms and conditions. If the collateral is not readily convertible to cash, the policy for disposing of or using it should also be disclosed;
- If significant, detailed disclosure of the credit risks arising from the counterparties to the derivative. This is particularly relevant where assets are concentrated with one counterparty.



Controls and valuation

For entities considering transacting for the first time there will be additional considerations regarding the governance and control over the derivatives. Many potential users may have had very limited exposure, if any, to any form of derivatives and, therefore, could have concerns regarding the procedures, systems and review that might be required.

The governance processes can be broadly split between those control activities required pre- and post-trade, and include the following:

New product approval

- Description of transaction;
- Expected performance;
- Scenario analysis;
- Risks highlighted;
- Booking;
- Legal assessment.

Post transacting

- Independent pricing capability;
- Appropriate reporting of risk and performance;
- Secure system booking.

Valuation also remains a key issue for a number of new entrants, which will be reliant on market intermediaries for pricing. Globally, progress appears to have been made in historic pricing of basic products with available data of spreads and historic trades. However, as the market continues to develop depth and liquidity, valuation techniques for more complex structures or products with little market comparison available may be required. Management should be comfortable with the valuations disclosed within the financial statements and management information, and that they can provide sufficient evidence regarding valuations to auditors and regulators as required.

Conclusion

Property derivatives provide investors with a powerful tool for obtaining exposure to the value of real estate, free from many of the complexities associated with the purchase of physical real estate locally and cross-border. Property derivative users and their advisers will need to be aware of the need for good governance and controls, and the ultimate impact on financial reporting.

With the rate of development we have seen over the past few years, the opportunities for the use of property derivatives across Asia can only increase.

Investment Management and Real Estate contacts

Asia Pacific IMRE News is produced by experts in their particular field at PricewaterhouseCoopers, to address important issues affecting the investment management industry. If you would like to discuss any aspect of this document, please speak to your usual contact within the network of member firms of PricewaterhouseCoopers International Limited or one of those listed below:

Global Investment Management & Real Estate Leadership Team

Robert Grome

PricewaterhouseCoopers (Hong Kong)
Asia Pacific Investment Management
& Real Estate Leader
+852 2289 1133
robert.grome@hk.pwc.com

Marc Saluzzi

PricewaterhouseCoopers (Luxembourg)
Global Investment Management & Real Estate
Industry Leader
+352 49 48 48 2511
marc.saluzzi@lu.pwc.com

David Newton

PricewaterhouseCoopers (UK)
Global Investment Management Tax Leader
+44 (0) 20 7804 2069
david.newton@uk.pwc.com

Uwe Stoschek

PricewaterhouseCoopers (Germany)
Global Real Estate Tax Leader
+49 30 2636 5286
uwe.stoschek@de.pwc.com

Kees Hage

PricewaterhouseCoopers (Luxembourg)
European Investment Management & Real Estate
Industry Leader
+352 49 48 48 2059
kees.hage@lu.pwc.com

Henrik Steinbrecher

PricewaterhouseCoopers (Sweden)
European Real Estate Industry Leader
+46 8 555 330 97
henrik.steinbrecher@se.pwc.com

Barry Benjamin

PricewaterhouseCoopers (US)
North American Investment Management
Industry Leader
+1 410 783 7623
barry.p.benjamin@us.pwc.com

Mark Haberlin

PricewaterhouseCoopers (Australia)
+61 2 8266 3052
mark.haberlin@au.pwc.com

Alex Wong

PricewaterhouseCoopers (China)
+86 21 6123 3171
alex.wong@cn.pwc.com

Jairaj Purandare

PricewaterhouseCoopers (India)
+91 22 5669 1400
jairaj.purandare@in.pwc.com

Takashi Sasaki

PricewaterhouseCoopers (Japan)
+81 90 6490 9333
takashi.sasaki@jp.pwc.com

Jae-Hyeong Joo

PricewaterhouseCoopers (Korea)
+82 2 709 0622
jae-hyeong.joo@kr.pwc.com

Mohammad Faiz Azmi

PricewaterhouseCoopers (Malaysia)
+603 2691 9773
mohammad.faiz.azmi@my.pwc.com

Paul Mersi

PricewaterhouseCoopers (New Zealand)
+64 4 462 7272
paul.mersi@nz.pwc.com

Blesilda Pestaño

PricewaterhouseCoopers (Philippines)
+61 2 845 2728
blesilda.pestano@ph.pwc.com

Justin Ong

PricewaterhouseCoopers (Singapore)
+65 6236 3708
justin.ong@sg.pwc.com

James Huang

PricewaterhouseCoopers (Taiwan)
+886 2 2729 5208
james.huang@tw.pwc.com

The member firms of the PricewaterhouseCoopers network provide industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 146,000 people in 150 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

This report is produced by experts in their particular field at PricewaterhouseCoopers, to review important issues affecting the financial services industry. It has been prepared for general guidance on matters of interest only, and is not intended to provide specific advice on any matter, nor is it intended to be comprehensive. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers firms do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

If specific advice is required, or if you wish to receive further information on any matters referred to in this paper, please speak with your usual contact at PricewaterhouseCoopers or those listed in this publication.

