To: Stamp Office Customers

STAMP OFFICE
Stamping Circular No. 03/2020

Stamp Duty Exemption on the Sale and Purchase of Hong Kong Stocks by Exchange Traded Fund (“ETF”) market makers for the Allotment and Redemption of ETF Shares or Units

The Stamp Duty Ordinance (Amendment of Schedule 8) Regulation 2020 (“the Regulation”) comes into operation on 1 August 2020 (“Relevant Date”). The Regulation amends Schedule 8 to the Stamp Duty Ordinance (Cap. 117) to exempt stamp duty on sale and purchase of Hong Kong stock involving the activities of ETF market makers in the course of allotting and redeeming ETF shares or units listed in Hong Kong. The details are as follows —

(a) For the allotment of a share or unit of an ETF
   (i) a purchase of Hong Kong stock, made by a market maker of the ETF, that is settled within the allotment period;
   (ii) both the sale and purchase of a transaction of Hong Kong stock of which the sale is made by a market maker of the ETF and the purchase is made by a participating dealer of the ETF, and the transaction is settled within the allotment period.

(b) For the redemption of a share or unit of an ETF
   (i) a sale of Hong Kong stock, made by a market maker of the ETF, that is effected within the redemption period;
   (ii) both the sale and purchase of a transaction of Hong Kong stock of which the sale is made by a participating dealer of the ETF and the purchase is made by a market maker of the ETF, and the transaction is effected within the redemption period.

2. For the purposes of this exemption —
   “allotment period” means the period between the day on which the order for the allotment is placed by a market maker of an ETF and the day on which the allotment is settled (both days inclusive).
“market maker” means a person approved by or registered with the Stock Exchange Company (“SEC”) for performing, in accordance with rules made by the SEC, market making or liquidity providing activities in respect of the shares or units of an ETF.

“participating dealer” means a person who is authorized by the trustee or manager of an ETF to accept orders for the allotment and redemption of shares or units of the ETF.

“redemption period” means the period between the day on which the order for redemption is placed by a market maker of an ETF and the trading day immediately after the day on which the relevant Hong Kong stock is delivered to the market maker for the redemption (both days inclusive).

3. On or after the Relevant Date, for the sale or purchase of stock that satisfies the above conditions, the making and execution of a contract note for stamping is not required.

4. For any enquiries, please call us at 2594 3201.

Stamp Office
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