

MACFARLANES

HEDGE FUNDS: WEEKLY BRIEFING

13 MARCH 2015

◆ **Reports that Chinese CGT will be collected from QFII/RQFIIs**

There have been reports that a senior official from the Beijing Municipal Bureau of Local Taxation has stated that capital gains tax on the gross gains made by QFII / RQFIIs from 17 November 2009 to 16 November 2014 (the Collection Period) is likely to start being collected. We understand from local counsel that other Chinese municipal tax authorities are expected to follow Beijing's lead. Any funds trading in China synthetically through a QFII / RQFII during the Collection Period should assess their exposure to the tax indemnities typically seen in the relevant trading documentation, as the QFII / RQFII is likely to pass through any tax liability to the fund based on the gross gains that the fund has made on a trade-by-trade basis. Any funds that have instead, or in addition, engaged in a withholding or contingent pre-payment regime with a QFII / RQFII are now unlikely to see withheld or paid amounts returned.

◆ **Fall in oil prices - uptick in hedge fund derivatives queries**

With the recent fall in oil prices, we are expecting to see a continued uptick in swaps and derivatives queries from hedge fund managers both directly and indirectly exposed to that market, including those looking to trade inflation, interest rates and equities, as corporates respond to the income windfall and a period of ultra-low inflation.

◆ **Methodologies for identifying systematically important hedge funds**

The Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO) have published a second public consultation proposing assessment methodologies for identifying non-bank, non-issuer global systemically important financial institutions (NBNI G-SIFIs). This includes revised methodologies for asset managers and hedge funds. Once the assessment methodologies have been finalised, appropriate policy measures will be developed. Macfarlanes will soon publish a more detailed note summarising the proposed methodologies.

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