

# Macau

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RISK & COMPLIANCE REPORT

DATE: March 2018

**Executive Summary - Macau**

<b>Sanctions:</b>	None
<b>FAFT list of AML Deficient Countries</b>	No
<b>Higher Risk Areas:</b>	<p>US Dept of State Money Laundering Assessment</p> <p>Not on EU White list equivalent jurisdictions</p> <p>World Governance Indicators (Average Score)</p> <p>Offshore Finance Centre</p>
<b>Medium Risk Areas:</b>	<p>Corruption Index (Transparency International &amp; W.G.I.)</p> <p>Weakness in Government Legislation to combat Money Laundering</p> <p>Failed States Index (Political Issues)(Average Score)</p>
<p><b>Major Investment Areas:</b></p> <p><b>Agriculture - products:</b></p> <p>only 2% of land area is cultivated, mainly by vegetable growers; fishing, mostly for crustaceans, is important; some of the catch is exported to Hong Kong</p> <p><b>Industries:</b></p> <p>tourism, gambling, clothing, textiles, electronics, footwear, toys</p> <p><b>Exports - commodities:</b></p> <p>clothing, textiles, footwear, toys, electronics, machinery and parts</p> <p><b>Exports - partners:</b></p> <p>Hong Kong 43.1%, China 16.3%, Sudan 13.4%, US 5.1% (2012)</p> <p><b>Imports - commodities:</b></p> <p>raw materials and semi-manufactured goods, consumer goods (foodstuffs, beverages, tobacco), capital goods, mineral fuels and oils</p> <p><b>Imports - partners:</b></p> <p>China 32.3%, Hong Kong 15.6%, France 8%, Switzerland 7.7%, Italy 6.7%, Japan 5.5%, US 5% (2012)</p>	

**Investment Restrictions:**

The Government of Macau (GOM) maintains a transparent, non-discriminatory, and free-market economy.

Foreign firms and individuals are free to establish companies, branches, and representative offices without discrimination or undue regulation in Macau. There are no restrictions on the ownership of such establishments.

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## Section 1 - Background

Colonized by the Portuguese in the 16th century, Macau was the first European settlement in the Far East. Pursuant to an agreement signed by China and Portugal on 13 April 1987, Macau became the Macau Special Administrative Region (SAR) of the People's Republic of China on 20 December 1999. In this agreement, China promised that, under its "one country, two systems" formula, China's political and economic system would not be imposed on Macau, and that Macau would enjoy a high degree of autonomy in all matters except foreign affairs and defense for the next 50 years.



## Section 2 - Anti – Money Laundering / Terrorist Financing

### FATF status

Macau is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

### Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Macau was undertaken by the Financial Action Task Force (FATF) in 2017. According to that Evaluation, Macau was deemed Compliant for 22 and Largely Compliant for 15 of the FATF 40 Recommendations. It was also deemed Highly Effective for 0 and Substantially Effective for 6 with regard to the 11 areas of Effectiveness of its AML/CFT Regime.

#### Key Findings

Macao, China has coordination mechanisms established at a multi-agency level for AML/CFT and among agencies on specific issues or operational areas. The AML/CFT Working Group (AML/CFT WG) comprises all relevant agencies and has proven mainly effective in coordinating policy, annual plans and recently the National Risk Assessment (NRA), as well as promotion and awareness activities. The 2015 NRA provides a foundation for Macao, China's understanding of its money laundering/terrorist financing (ML/TF) risks and to address key vulnerabilities as the jurisdiction's AML/CFT strategic plan demonstrates.

Overall, the authorities see the transfer of proceeds from overseas crime as exposing Macao, China to greater ML risks than domestic crime, which is reasonable. However, the authorities have a mixed understanding of major risks related to foreign proceeds, regional organised crime, cross-border movements, and corruption.

The authorities access and use a large range of intelligence-rich information. The Financial Intelligence Office (GIF) use of multi-source intelligence and sound analysis results in a high number of disseminated Suspicious Transaction Reports (STRs) opened for investigation. Law Enforcement Agencies' (LEA) use of STR and other relevant information is largely consistent with Macao, China's regional context, exposure to foreign risk and the intelligence value of non-STR information.

The lack of a cross-border disclosure or declaration system is a major intelligence gap for a jurisdiction exposed to high-risk from vast numbers of visitors and cash-intensive businesses, particularly casinos and related high-value dealers, although mandatory threshold reporting by the gaming sector helps mitigate this gap.

There have only been five ML convictions. A shortage of prosecutorial resources in the Public Prosecutions Office (MP), heavy evidentiary requirements for third party ML, and the lack of an adequate policy directive have hampered the quantity and quality of ML investigations

and prosecutions, resulting in a low conviction rate, with a correspondingly low average sentence length ranging from three to five years for just the ML offence. Overall, ML investigations do not match the risk profile.

Except for one major corruption case involving up to US\$100 million, confiscations are limited to cash/currency and casino chips, with only one case of shares confiscated and another case of one half of a commercial property.

There are minor deficiencies in Macao, China's TF offence. Financing of terrorism not directly linked with a specific terrorist act is not specifically criminalised; instead it is indirectly criminalised through reliance on rules of interpretation. The financing of foreign terrorist fighters is also not directly criminalised but criminalisation is achieved through the broad concepts of "preparatory acts" and "provision of material support".

Implementation of TF-related sanctions is sound. In practice, no assets have been frozen in connection with targeted financial sanctions (TFS), which does not seem unreasonable within the context of Macao, China's risks.

Macao, China has a good understanding of the terrorist financing risk in its Non-Profit Organisation (NPO) sector and has conducted two risk assessments of the NPO sector. Macao, China has assessed its risk as low. To monitor the risks of NPOs in association with countries with a high risk of terrorism, GIF conducts quarterly reviews of data on funds flows in and out of Macao, China. To date, other than three STRs that were flagged for initial review, there is no record in the MP of any NPO being suspected of TF or any enforcement actions taken.

Macao, China's framework to implement the relevant UN counter-proliferation financing sanctions (PFS) is similar to its framework for TF. In practice, no assets have been frozen in connection with PFS, which does not seem unreasonable within the context of Macao, China's risks.

Macao, China has controls in place to restrict the import and export of dual-use materials which are overseen by the Macao Customs Service (SA). Data on trade provided by the SA indicates that trade with high risk countries such as Iran and North Korea is minimal and limited to food stuff and petroleum for domestic use.

There is sound implementation of preventative measures in the financial sector and also by the six concessionaires/sub-concessionaires (casinos). With the exception of notaries and accountants, implementation in other FATF-designated Designated Non-Financial Businesses and Professions (DNFBPs) is at an earlier stage.

All financial institutions (FIs), DNFBPs and other sectors are subject to AML/CFT supervision with resources devoted to higher risk and material sectors. Sound risk-based supervision is undertaken in the two most significant sectors – the Gaming Inspection and Coordination Bureau (DICJ) supervised gaming sector and Monetary Authority of Macao (AMCM) supervised financial sector. Compliance has improved because of supervisory actions undertaken. While there is AML/CFT supervision of other DNFBPs and other sectors (pawnshops, and high value good dealers e.g. vehicles), supervision is not fully risk-based, regular or comprehensive.

Macao, China has increased the transparency of local legal persons by ensuring that basic and beneficial ownership information is publicly available through the Commercial and

Movable Property Registry (CR) database. Notaries are required to verify documents prior to registration with the CR and they are subject to supervision. Macao, China has precluded bearer shares since July 2015. However, beneficial ownership information of legal persons is not always available readily or on a timely basis where there are foreign legal persons involved in the ownership/control structure.

While trusts and similar legal arrangements cannot be created under the present legal regime and no trust management company has ever been registered either with AMCM or with the CR since the enactment of Decree-Law no. 58/99/M, foreign trusts do operate on a very limited scale in Macao, China. There is a requirement for trustees in limited circumstances to disclose their status to FIs. There are requirements for FIs and DNFBPs to identify whether a customer is a trustee acting on behalf of a trust.

Macao, China gives priority to international cooperation and provides a range of international cooperation, including Mutual Legal Assistance (MLA), extradition, intelligence/information, and beneficial ownership information. The overall quality of assistance is generally sound and timely, as confirmed by feedback received from other jurisdictions. Overall, Macao, China authorities are proactive in seeking international cooperation for a range of purposes, including ML, criminal investigations and recovery of assets.

### **Risks and General Situation**

Macao, China is the world's largest gaming market. The gaming sector dominates the economy, either directly or indirectly. In 2013, gaming accounted for approximately 64.7 per cent of GDP, and in 2015 gaming-related taxes formed 77.1 per cent of total government revenue. Macao, China receives 30 million visitors a year to its casinos, mainly from China; Hong Kong, China; Japan; South Korea; Chinese Taipei and Thailand. Casinos are cash intensive and therefore at higher risk for ML. The gaming sector in Macao, China caters to three main customer types – premium players, junket players and mass gaming players.

Overall, the assessment team considers foreign proceeds arising from corruption, fraud and other crimes laundered through the gaming sector as Macao, China's main ML risks. This is consistent with Macao, China's NRA. The assessment team, however, considers that Macao, China is not used just as a 'transshipment port' or conduit to transfer overseas proceeds, but the jurisdiction is also an end destination.

The TF risk is considered low. There has been no terrorist incident and there is limited flow of funds to and from jurisdictions with high terrorism risks. In the last ten years, there has been no investigation or prosecution of terrorism or TF. There are some diaspora connections to high risk jurisdictions.

### **IMF Report - Macao: Financial Sector Stability Assessment (Aug 2011)**

A Mutual Evaluation of Macao SAR's AML/CFT framework was conducted against the FATF 40+9 Recommendations in December 2006. The evaluation was carried by the Asia Pacific Group on Money Laundering (APG; the FATF style regional body of which Macao SAR is a member) and the Office Group of Banking Supervisors (OGBS), using the 2004 methodology. The final ME report was adopted and published by the APG in July 2007. It indicates that,



since it was last evaluated in 2001, Macao SAR has taken a number of steps to enhance the effectiveness of its AML/CFT framework, especially in 2006, by amending the existing legal framework and issuing AML/CFT Regulations for all the relevant sectors. Guidelines for the financial institutions were also issued by the AMCM in light of the new regulations.

Overall, the evaluators found that the AML/CFT measures in place were sound but lacked the necessary level of detail to comply fully with the 40+9 Recommendations. They noted in particular that existing customer due diligence obligations should be strengthened notably by requiring financial institutions to verify the identity of persons on whose behalf a customer is acting, to understand the ownership and control structure of legal arrangements and to perform ongoing due diligence. The evaluators also found that the supervisory and oversight system of the AMCM was good, especially with respect to banks. A ROSC prepared by the APG Secretariat on the basis of the ME report and reviewed by the Fund's Legal Department will be circulated separately to the Executive Board for information.

As part of the BCP assessment, the mission found that the AML/CFT regulatory and supervisory framework governing banking was compliant— in line with the findings of the APG ME report.

## 2014 Asia Pacific Group on Money Laundering Yearly Typologies Report

### Trends:

Throughout the period from January to June 2013, a total of 777 STRs had been received by GIF, with 548 STRs from the gaming sector and 229 STRs from the financial sector (including banking, insurance and financial intermediaries) respectively.

Common money laundering methods detected from STRs received are as follows:

- Chips conversion without gambling activities;
- Unable to provide ID / important personal information;
- Suspicious wire transfers;
- Use of cheques / promissory notes / account transfers etc. to transfer funds;
- Significant cash deposit with non-verifiable source of funds;
- Irregular large cash withdrawals;
- Currency exchanges / cash conversion;
- Suspected illegal financial business;
- Suspected PEP related transactions; and
- Possible match with international watch-list or other black list.

From January to June 2013, 89 STRs were disseminated to the Public Prosecutions Office and were consolidated into 10 cases filed for investigation. The cases under investigation were mainly related to fraud, illegal financial activities, commercial crimes and illegal gambling.

An emerging trend in ML is that criminals make use of third-party payments and online banking service platforms, which allow criminals to easily transfer money anonymously

through the network and leave without trace of record. Other new payment methods commonly used include credit/debit cards, ATM, etc.

Commercial type of criminals usually possesses higher education, the modus operandi is more subtle and the proceeds of crime as compared with other types of crime are higher. Criminals generally have careful premeditation and preparation, and make extensive use of modern technology, i.e. computer technology, as it can work without leaving an audit trail, is difficult to detect and is instantaneous. Law enforcement agencies must enhance their studies on high-tech crimes, especially regarding crime characteristics, methods of prevention and investigation skills to collect evidence in order to combat crime effectively.

### US Department of State Money Laundering assessment (INCSR)

Macau is deemed a Jurisdiction of Primary Concern by the US Department of State International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

#### **Perceived Risks:**

Macau, a Special Administrative Region (SAR) of the People's Republic of China, is not a significant regional financial center. Its financial system, which services a mostly local population, includes offshore financial businesses, such as credit institutions, insurers, underwriters, and trust management companies. The offshore sector is subject to similar supervisory requirements and oversight by Macau's Monetary Authority.

#### VULNERABILITIES AND EXPECTED TYPOLOGIES

With gaming revenues of U.S. \$27.9 billion for 2016 and 30 million visitors a year, Macau is the world's largest gaming market by revenue, with Mainland Chinese residents making up the majority of its visitors. The gaming sector in Macau caters to three main customer types – premium players, junket players and mass gaming players. The gaming industry relies heavily on junket operators for the supply of wealthy gamblers, mostly from Mainland China. Increasingly popular among gamblers seeking anonymity or alternatives to China's currency movement restrictions, junket operators are also popular among casinos aiming to reduce credit default risk and unable to legally collect gambling debts on the Mainland, where gambling is illegal. Asian organized crime groups, including triads, are active in the gaming services and in other illegal activities, including drug trafficking. This inherent conflict of interest, together with the anonymity gained through the use of the junket operator in the transfer and commingling of funds, as well as the absence of currency and exchange controls, present vulnerabilities for money laundering. Recently, however, visitors from Mainland China have decreased in the wake of China's crackdown on corruption.

Macau government officials indicate the primary sources of laundered funds, derived from local and overseas criminal activity, are gaming-related crimes, property offenses, and fraud.

#### KEY AML LAWS AND REGULATIONS

Macau has an interagency AML/CFT working group which conducted a risk assessment in 2015 and is coordinating responses to identified risks. Macau's Law 2/2006 on the prevention and repression of money laundering crimes and Law 3/2006 on the prevention and suppression of the crimes of terrorism and CFT came into effect in 2006. These laws put AML/CFT requirements on all financial institutions, including currency exchangers, money transmitters, casinos, pawnshops, and property agents. In addition, the laws postulate suspicious transaction reporting requirements for solicitors, accountants, and dealers in precious metals, gems, luxury vehicles, and other high value goods. Macau continues to make considerable efforts to develop an AML framework that meets international standards. In May 2016, the Legislative Assembly amended laws 2/2006 and 3/2006. The amendments, which came into effect in May 2017, widen the scope of identifiable criminal offenses and strengthen customer due diligence measures.

Macau's casino regulator, the Gaming Inspection and Coordination Bureau (DICJ), revised its AML/CFT guidelines in May 2016 to require all gaming and junket operators to perform record keeping for large and/or suspicious transactions, customer due diligence, and enhanced due diligence. Macau gaming supervisors have a good understanding of the risks posed by junket operators. Macao is taking a more stringent approach towards licensing and the supervision of junket promoters which, in addition to acting as third party introducers, are also subject to enforceable AML requirements. This is the subject of enhanced and renewed focus by DICJ. The number of licensed junket promoters has decreased from 225 in 2011 to 125 in 2016, reflecting market forces, enhanced market entry requirements, and greater enforcement of AML measures.

A new law on cross border cash declaration and disclosure systems became operative on November 1, 2017. Under this law, travelers entering or leaving Macau with cash or other negotiable monetary instruments valued at approximately U.S. \$15,000 (MOP 120,000) or more will have to sign a declaration form to that effect and submit it to the Macau Customs Service.

Macau is a member of the APG, a FATF-style regional body.

#### AML DEFICIENCIES

Gaming entities are subject to threshold reporting for transactions over approximately U.S. \$62,640 (MOP 500,000) under the supplementary guidelines of the Gaming Inspection and Coordination Bureau. Macau should lower the large transaction report threshold for casinos to U.S. \$3,000 to bring it in line with international standards.

#### ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

As a SAR of China, Macau cannot sign or ratify international conventions in its own right. China is responsible for Macau's international affairs and may arrange for its ratification of any convention to be extended to Macau. Conventions extended to Macau include: the 1988 UN Drug Convention (1999), the UNTOC (2003), and the UNCAC (2006).

The government should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by continuing to encourage smaller junket operators, who have weaker AML controls, to exit the market while encouraging the professional junket operators to continue to develop their compliance programs. Macau also

should enhance its ability to support international AML investigations and recovery of assets. Only a handful of money laundering convictions have been obtained in recent years.

In 2016, STRs received from the gaming sector accounted for 67 percent of the 2,321 reports filed. A total of 240 STRs were sent to the Public Prosecutions Office.

### **EU Tax Blacklist**

Macau was removed from EU Tax Blacklist on 23 January 2018 following "commitments made at a high political level to remedy EU concerns".

### **Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):**

According to the US State Department, Macau does not conform with regard to the following government legislation: -

**Record Large Transactions** - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

**International Transportation of Currency** - By law or regulation, the jurisdiction, in cooperation with banks, controls or monitors the flow of currency and monetary

### **EU White list of Equivalent Jurisdictions**

Macau is not currently on the EU White list of Equivalent Jurisdictions

### **World Governance indicators**

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

### **Failed States Index**

[To view Failed States Index Ctrl + Click here](#)

### **Offshore Financial Centre**

Macau is considered to be an Offshore Financial Centre

### **US State Dept Trafficking in Persons Report 2016 (introduction):**

Macau is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

The Macau Special Administrative Region (MSAR) of the People's Republic of China is primarily a destination and, to a much lesser extent, a transit territory for women and children subjected to sex trafficking and forced labor. Sex trafficking victims originate primarily from mainland China; many are from inland Chinese provinces and travel to the border province of Guangdong in search of better employment. Some are from Asia, Russia, Africa, and South America. Many trafficking victims respond to false advertisements for jobs, including in casinos in Macau, but upon arrival are forced into prostitution. Traffickers sometimes confine victims in massage parlors and illegal brothels, where they are closely monitored, threatened with violence, forced to work long hours, and have their identity documents confiscated. Children are reportedly subjected to sex trafficking in connection with the gambling and entertainment industry in Macau. Some brokers who bring foreign men and women to Macau to renew work visas to other countries restrict these workers' movements and withhold their passports in conditions indicative of debt bondage and forced labor.

The Government of Macau does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government set up a communication mechanism with hotel employees to report potential trafficking situations directly to police and conducted a two-day training on combating trafficking crimes and protection of trafficking victims for 170 front-line government officials. The government allocated 3.2 million patacas (\$400,000) for preventing and countering trafficking. Macau's Judicial Police set up a new anti-trafficking taskforce within the organized crime division. However, there were no trafficking convictions in 2015, and the government identified only six sex trafficking victims. While it investigated three cases of potential labor trafficking, the government concluded that the individuals in question were not trafficking victims.

### **US State Dept Terrorism Report 2016**

Macau's counterterrorism cooperation with the United States included information exchange, as well as capacity building through participation in U.S. government-sponsored training. The Police Intervention Tactical Unit (UTIP), which falls under the Macau Public Security Police Force, is responsible for protecting important installations and dignitaries, and for conducting high-risk missions, such as improvised explosive device deactivation. UTIP's Special Operations Group's mission is counterterrorism operations. Macau law enforcement officers have attended U.S. government-sponsored capacity-building training at the International Law Enforcement Academy on personnel and facility security, financial and crime scene investigations, countering terrorism, computer investigations, and evidence protection.

Macau is a member of the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Macau's Financial Intelligence Office is a member of the Egmont Group of Financial Intelligence Units. In response to FATF recommendations, the Macau government has introduced a bill on the cross-boundary transportation of large quantities of currency and bearer negotiable instruments to the Legislative Assembly (LA). In November, the Macau government introduced to the LA an amendments bill to existing anti-money laundering and countering the financing of terrorism laws.

Terrorist financing is a criminal offense in Macau, and banks and other financial institutions are required to continuously search for terrorist financing networks and screen accounts using designations lists provided by the United States under relevant authorities, as well as the UNSC 1267/1989 ISIL (Da'esh) and al-Qa'ida and 1988 (Taliban) Sanctions Committees' lists. Filing suspicious transactions reports irrespective of transaction amounts is obligatory, but Macau does not currently require mandatory reporting requirements for cross-border currency movements. Regarding the amendments to existing countering the financing of terrorism laws mentioned above, the Macau government has proposed widening the scope of identifiable criminal offenses, extending the definition of terrorist financing to include any type of economic resources, assets and property, and products or rights that can be converted into funds to finance terrorism. Macau's first asset-freezing law, which complies with the UNSCR on fighting terrorism and the proliferation of weapons of mass destruction, became effective on August 30, 2016.

Macau cooperated internationally on counterterrorism efforts through INTERPOL and other security-focused organizations.

## International Sanctions

None Applicable

## Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	N/A
World Governance Indicator – Control of Corruption	78

## Corruption and Government Transparency - Report by US State Department

Macau's anti-corruption agency is the Commission Against Corruption (known by its Portuguese acronym CCAC). The CCAC's highest profile case was Macau Transport and Public Works Secretary Ao Man Long's 27-year prison sentence in 2008. Ao was convicted of accepting bribes from real estate and construction companies in exchange for contract approvals in 20 public works projects. Until 2009, the CCAC's overall effectiveness remained constrained by legislation limiting the scope of its authority to government-sector corruption. In August 2009, the Legislative Assembly passed an amendment that empowered the CCAC to also investigate private-sector corruption.



## Section 3 - Economy

Since opening up its locally-controlled casino industry to foreign competition in 2001, Macau has attracted tens of billions of dollars in foreign investment, transforming the territory into one of the world's largest gaming centres. Macau's gaming and tourism businesses were fuelled by China's decision to relax travel restrictions on Chinese citizens wishing to visit Macau. In 2015, Macau's gaming-related taxes accounted for more than 76% of total government revenue.

Macau's economy slowed dramatically in 2009 as a result of the global economic slowdown, but strong growth resumed in 2010-13, largely on the back of tourism from mainland China and the gaming sectors. In 2015, this city of 646,800 hosted nearly 30.7 million visitors. Almost 67% came from mainland China. Macau's traditional manufacturing industry has slowed greatly since the termination of the Multi-Fibre Agreement in 2005. Services export — primarily gaming — increasingly has driven Macau's economic performance. Mainland China's ongoing anti-corruption campaign has brought Macau's gambling boom to a halt, with spending in casinos contracting 34.3% in 2015. As a result, Macau's inflation-adjusted GDP contracted 20.3% from 2014, down from double-digit expansion rates in 2010-13. Non-inflation adjusted exports of goods and services dropped 1.8% from 2014, reflecting the slowdown in gaming exports.

Macau continues to face the challenges of managing its growing casino industry, risks from money-laundering activities, and the need to diversify the economy away from heavy dependence on gaming revenues. Macau's currency, the pataca, is closely tied to the Hong Kong dollar, which is also freely accepted in the territory.

### **Agriculture - products:**

only 2% of land area is cultivated, mainly by vegetable growers; fishing, mostly for crustaceans, is important; some of the catch is exported to Hong Kong

### **Industries:**

tourism, gambling, clothing, textiles, electronics, footwear, toys

Exports - commodities:

clothing, textiles, footwear, toys, electronics, machinery and parts

### **Exports - partners:**

Hong Kong 63.4%, China 18.2% (2015)

### **Imports - commodities:**

raw materials and semi-manufactured goods, consumer goods (foodstuffs, beverages, tobacco, garments and footwear, motor vehicles), capital goods, mineral fuels and oils

### **Imports - partners:**

China 33.8%, Hong Kong 8.8%, Japan 8.5%, Switzerland 8%, France 6.9%, Italy 6.7%, US 6.7% (2015)

## Banking

Macau allows free flows of financial resources. Foreign investors can obtain credit in the local financial market. At present, there are twenty-seven financial institutions in Macau, including twelve local banks and fifteen branches of banks incorporated outside Macau. In addition, there are eleven moneychangers, two cash remittance companies, two financial intermediaries, six exchange counters and one representative office of a financial institution. These institutions provide a range of credit instruments. Banks with capital originally from mainland China and Portugal had a combined market share of about 76.5 percent of total deposits in the banking system at the end of October 2010. Total deposits amounted to US\$28.9 billion in September 2010. In September 2010, banks in Macau maintained a capital adequacy ratio of 16.05 percent, well above the minimum eight percent recommended by the Bank for International Settlements. Accounting systems in Macau are consistent with international norms.

## Stock Exchange

Macau has no stock market, but companies can seek a listing in Hong Kong's stock markets. There is cooperation between Macau and Hong Kong financial regulatory authorities.

## Section 4 - Investment Climate

### Executive Summary

Macau became a Special Administrative Region (SAR) of the People's Republic of China (PRC) on December 20, 1999. Macau's status since reverting to Chinese sovereignty is defined in the Sino-Portuguese Joint Declaration (1987) and the Basic Law. Under the concept of "one country, two systems" articulated in these documents, Macau enjoys a high degree of autonomy in economic matters, and its economic system is to remain unchanged for 50 years. The Government of Macau (GOM) maintains a transparent, non-discriminatory, and free-market economy. The GOM is committed to maintaining an investor-friendly environment.

In 2002, the GOM ended a long-standing gaming monopoly, awarding two gaming concessions to consortia with U.S. interests. This opening has encouraged substantial U.S. investment in casinos and hotels, and has spurred exceptionally rapid economic growth over the last few years.

Macau is today the undisputed gaming capital of the world, having surpassed Las Vegas in terms of gambling revenue. U.S. investment over the past decade is estimated to exceed USD 12 billion. In addition to gaming, Macau is positioning itself to be a regional center for incentive travel, conventions, and tourism. The American business community in Macau has continued to grow. In 2007, business leaders founded the American Chamber of Commerce of Macau

Macau seeks to speed up its economic diversification to transform the city into a world center of tourism and leisure as well as a "commercial and trade cooperation service platform" between the Mainland China and Portuguese-speaking countries. The GOM has started various policies to promote economic diversification and sustainable development and create business opportunities for domestic and foreign investors.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	N/A	<a href="http://transparency.org/cpi2015#results-table">transparency.org/cpi2015#results-table</a>
World Bank's Doing Business Report "Ease of Doing Business"	2016	N/A	<a href="http://doingbusiness.org/rankings">doingbusiness.org/rankings</a>
Global Innovation Index	2015	N/A	<a href="http://globalinnovationindex.org/content/page/data-analysis">globalinnovationindex.org/content/page/data-analysis</a>
U.S. FDI in partner country (\$M USD, stock positions)	2014	295	<a href="http://dsec.gov.mo/Statistic.aspx?NodeGuid=32c3aaa0-214e-4130-b2d8-165ca32ea0f2">dsec.gov.mo/Statistic.aspx?NodeGuid=32c3aaa0-214e-4130-b2d8-165ca32ea0f2</a>

World Bank GNI per capita	2014	76,270	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>
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## 1. Openness To, and Restrictions Upon, Foreign Investment

### Attitude toward Foreign Direct Investment

Under the concept of “one country, two systems”, Macau enjoys a high degree of autonomy in economic matters, and its economic system is to remain unchanged for at least fifty years. The GOM maintains a transparent, non-discriminatory, and free-market economy. Macau has separate membership in the World Trade Organization (WTO).

Macau is heavily dependent on the gaming sector and tourism industries. The GOM aims to diversify Macau's economy by attracting foreign investment and is committed to maintaining an investor-friendly environment. Corporate taxes are low with a tax rate of 12 percent for companies whose net profits exceed USD 37,500 (300,000 Patacas). For net profits less than USD 37,500, the tax ranges from three percent to 12 percent. The top personal tax rate is 12 percent; however, the tax rate of casino concessionaries is 35 percent on gross gaming revenue, plus a four percent contribution for culture, infrastructure, tourism, and a social security fund.

In 2002, the GOM ended a long-standing gaming monopoly, awarding two gaming concessions to consortia with U.S. interests. This opening has encouraged substantial U.S. investment in casinos and hotels, and has spurred exceptionally rapid economic growth over the last few years. Macau is positioning itself to be a regional center for gaming, incentive travel, conventions, and tourism.

In 2004, Macau and the PRC implemented a free trade agreement, the Closer Economic Partnership Arrangement (CEPA). The agreement is similar to the Hong Kong-PRC CEPA. Macau's CEPA currently provides tariff-free access to Mainland China for all Macau-origin products and preferential treatment for 48 service sectors. Since March 2015, Macau and China's Guangdong Province have implemented an agreement on achieving basic liberalization of trade in services. The agreement has introduced the use of negative list under the CEPA framework that covers 134 service sectors and grants national treatment to Macau's 58 service industries. In addition, this agreement has offered Macau most-favored treatment -- any CEPA-plus liberalization measures included in the free trade agreements signed by the Mainland China with other countries will be automatically extended to Macau. The framework and content of the agreement serves as a model for basic liberalization of trade in services between Macau and all of Mainland China. With the PRC's launch of Guangdong Free Trade Zone in March 2015, industry observers mentioned that Macau has strengthened further its cross-border collaboration with Guangdong.

Foreign firms and individuals are free to establish companies, branches, and representative offices without discrimination or undue regulation in Macau. There are no restrictions on the ownership of such establishments. Company directors are not required to be citizens of, or resident in, Macau.

### Other Investment Policy Reviews

Macau conducted the Trade Policy Review in May 2013 through WTO.

[https://www.wto.org/english/tratop\\_e/tpr\\_e/g281\\_e.pdf](https://www.wto.org/english/tratop_e/tpr_e/g281_e.pdf)

#### Laws/Regulations on Foreign Direct Investment

Macau's legal system is based on the rule of law and the independence of the judiciary. Foreign and domestic companies register under the same rules and are subject to the same set of commercial and bankruptcy laws (Decree 40/99/M).

#### Business Registration

Macau Trade and Investment Promotion Institute (IPIM) is an agency of the GOM with responsibilities of promoting trade and investment activities. IPIM provides one-stop service and notary service for business registration, and it applies all legal and administrative procedures to all local and foreign individuals or organizations interested in setting-up a company in Macau. <http://www.ipim.gov.mo/en/services/one-stop-service/handle-company-registration-procedures/>

The GOM defines a Small- and Medium-Enterprise (SME) as a company with less than 100 employees. The GOM has tailored-made several financial schemes for SMEs in order to boost their growth. One of the criteria of the schemes is at least 50 percent of company's capital are owned by Macau residents.

#### Industrial Promotion

Macau seeks to speed up its economic diversification to transform the city into a world center of tourism and leisure, equipped with convention and exhibition facilities and a service platform for economic and trade co-operation between China and Portuguese-speaking countries. These policies are expected to create business opportunities for domestic and foreign investors.

#### Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign investors and domestic private entities in Macau have the right to establish and own business enterprises and engage in all forms of remunerative activities.

Since 2001, the GOM has been steadily liberalizing its telecommunications sector. The GOM has already liberalized the mobile phone and internet service markets. In November 2011, Macau Chief Executive Fernando Chui announced plans to liberalize the fixed-line public telecommunications network, which is monopolized by Companhia de Telecomunicações de Macau (CTM) under a concessionary contract which expired at the end of 2011. In June 2013, the GOM granted two licenses to CTM and to MTel Communications Co Ltd (MTel), ending Macau's 32-year-old fixed-line telephone monopoly. In March 2015, the GOM granted four 4G licenses after six companies submitted bids in November 2014. The licenses are valid for eight years.

Certain residency requirements are imposed on three professional services sectors as described below:

Education - an individual applying to establish a school must have a Macau Certificate of Identity or have the right to reside in Macau. The principal of a school must be a Macau resident.

Newspapers and magazines - applicants must first apply for business registration and register with the Government Information Bureau as an organization or an individual. The publisher of a newspaper or magazine must be a Macau resident or have the right to reside in Macau.

Legal services - lawyers from foreign jurisdictions who seek to practice Macau law must first obtain residency in Macau. Foreign lawyers must also pass an examination before they can register with the Lawyer's Association, a self-regulatory body. The examination is given in Chinese or Portuguese. After passing the examination, foreign lawyers are required to serve an 18-month internship before they are able to practice law in Macau.

#### Privatization Program

The GOM has not mentioned any considerations of privatization programs in recent years.

#### Screening of FDI

Apart from several economic sectors such as gaming, water supply, electricity supply, cable TV, and public bus services run by private companies under concession contracts from the GOM, Macau has no investment approval procedure for both domestic and foreign investors.

#### Competition Law

Macau has no agency that reviews transactions for competition-related concerns, nor a competition law. The Commercial Code (Law No. 16/2009) contains basic elements of a competition policy with regard to commercial practices that can distort the proper functioning of markets. The GOM states that the existing provisions are adequate and appropriate given the scale and scope of local economy.

## **2. Conversion and Transfer Policies**

#### Foreign Exchange

Profits and other funds associated with an investment, including investment capital, earnings, loan repayments, lease payments, and capital gains, can be freely converted and remitted. The domestic currency, Macau Official Pataca (MOP), is pegged to the Hong Kong Dollar at 1.03 and indirectly to the U.S. Dollar at an exchange rate of approximately MOP 7.99 = USD 1. The Monetary Authority of Macau, the de facto central bank, is committed to exchange rate stability through maintenance of the peg to the Hong Kong Dollar.

Although Macau imposes no restrictions on capital flows and foreign exchange operations, exporters are required to convert 40 percent of foreign currency earnings into MOP. This legal requirement is not applied to tourism services.

#### *Remittance Policies*

Macau does not restrict the remittance of profits and dividends derived from investment, nor does it require reporting on cross-border remittances. Foreign investors can bring capital into Macau and remit it freely.

Macau has anti-money laundering and counter-terrorist financing legislations in place. In addition, Macau is not on the Financial Action Task Force (FATF) List of Countries identified as having strategic AML deficiencies. FATF, however, has recommended that the GOM continue making efforts to develop an AML/CFT framework that meets international standards, including an effective cross-border cash declaration system.

In terms of currency transactions involving significant amount of proceeds laundered, Macau was identified as a "Jurisdiction of Primary Concern" among "major money laundering countries" by the U.S. Department of State 2015 International Narcotics Control Strategy Report, although the GOM had taken significant AML measures.

In August 2015, Macau Monetary Authority (MMA), the city's de facto central bank, signed a Memorandum of Understanding (MOU) on anti-money laundering actions with the People's Bank of China. The MOU covers actions such as information exchange and cooperation on onsite inspections of casino operations. Furthermore, the Legislative Assembly approved unanimously in March 2016 Macau's first terrorist asset-freezing bill, which is based on compliance with the United Nations Security Council resolutions. The legislators will debate the bill clause-by-clause before giving it a final vote.

### **3. Expropriation and Compensation**

The U.S. Consulate General is not aware of any direct or indirect actions to expropriate. Legal expropriations of private property may occur if it is in the public interest. In such cases, the Macau SAR Government will exchange the private property with an equivalent public property based on the fair market value and conditions of the property. The exchange of property is in accordance with established principles of international law. There is no remunerative compensation.

### **4. Dispute Settlement**

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Under the principle of "One country, two systems", Macau maintains Continental European law as the foundation of its legal system, which is based on the rule of law and the independence of the judiciary. Macau has a written commercial law and contract law. The Commercial Code is a comprehensive source of commercial law, while the Civil Code contains a fundamental source of contractual law. Courts in Macau include the Court of Final Appeal, Intermediate Courts, and Primary Courts. There is also an Administrative Court, which has jurisdiction over administrative and tax cases. These provide an effective means for enforcing property and contractual rights. Macau's dramatic economic expansion in the last few years, combined with a shortage of qualified jurists, have put a strain on the operations of the judicial system, leading in some cases to delays in case resolution of over two years. In response, the GOM has increased the number of judge and judicial clerk training programs. At present, the Court of Final Appeal has three judges; the Intermediate Courts have 10 judges; and the Primary Courts have 29 judges. The Public Prosecutions Office has 41 prosecutors.

Foreign judgments in civil and commercial matters may be enforced in Macau. The enforcement of foreign judgments is stipulated in Articles 1199 and 1200 of the Civil Procedure Code. A foreign court decision will be recognized and enforced in Macau, provided it qualifies as a final decision supported by authentic documentation and its enforcement will not breach Macau's public policy.

### Bankruptcy

Commercial and bankruptcy laws are written under the Macau Commercial Code, the Civil Procedure Code and the Penal Code. The bankruptcy proceedings can be invoked by an application from the bankrupt business, or by petition of the creditor, or by the Public Prosecutor. There are four methods that are used commonly to prevent the occurrence of bankruptcy: the creditors meeting, the audit of the company's assets, the amicable settlement, and the creditor agreement. According to Articles 615-618 of the Civil Code and Article 351-353 of the Civil Procedure Code, a creditor having a justified fear of losing the guarantee of his credits may request the seizure of the assets of the debtor. Bankruptcy offences are subject to criminal liability.

### Investment Disputes

The U.S. Consulate General is aware of one investor-state dispute involving U.S. or other foreign investors or contractors and the Macau SAR government. In March 2010, a low cost airline carrier was reportedly forced to cancel flight services because of a credit dispute with its fuel provider, triggering events which led to the airline's de-licensing. Macau courts declared the airline bankrupt in September 2010. The airline's major shareholder, a U.S. private investment company, filed a case in the Macau courts seeking a judgment whether a GOM administrative act led to the airline's demise. The Court of Second Instance held hearings on May and June 2012. In November 2013, the Court of Second Instance rejected the appeal. Private investment disputes are normally handled in the courts or via private negotiation. Alternatively, disputes may be referred to the Hong Kong International Arbitration Center or the World Trade Center Macau Arbitration Center.

### International Arbitration

Macau established the World Trade Center Macau Arbitration Center in June 1998. The objective of the Center is to promote the resolution of disputes through arbitration and conciliation, providing the disputes parties with alternative resolutions other than judicial litigation.

#### *ICSID Convention and New York Convention*

Macau has an arbitration law (Decree 55/98/M), which adopts the United Nations Commission on International Trade Law (UNCITRAL) model law for international commercial arbitration. The Macau SAR government accepts international arbitration of investment disputes between itself and investors.

#### Duration of Dispute Resolution – Local Courts

The GOM does not publish the figures on duration of dispute resolution.

## **5. Performance Requirements and Investment Incentives**



## WTO/TRIMS

Macau has been a World Trade Organization (WTO) member since 1995 and a member of the General Agreement on Tariffs and Trade (GATT) since 1991. The U.S. Consulate General is not aware of any measures that are inconsistent with Trade Related Investment Measures (TRIMs) requirements.

## Investment Incentives

To attract foreign investment, the Macau SAR government offers investment incentives to investors on a national treatment basis. These incentives are contained in Decrees 23/98/M and 49/85/M and are provided so long as companies can prove they are doing one of the following: promoting economic diversification, contributing to promotion of exports to new unrestricted markets, promoting added value within their activity's value chain, or contributing to technical modernization. There is no requirement that nationals own shares. These incentives are categorized as fiscal incentives, financial incentives, and export diversification incentives.

Fiscal incentives include full or partial exemption from profit/corporate tax, industrial tax, property tax, stamp duty for transfer of properties, and consumption tax. The tax incentives are consistent with the WTO Agreement on Subsidies and Countervailing Measures as they are neither export subsidies nor import substitution subsidies as defined in the WTO Agreement. Financial incentives include government-funded interest subsidies. Export diversification incentives include subsidies given to companies and trade associations attending trade promotion activities organized by the Macau Trade and Investment Promotion Institute. Only companies registered with Macau Economic Services may receive subsidies for costs such as space rental or audio-visual material production. Macau also provides other subsidies for the installation of anti-pollution equipment.

## Research and Development

The GOM has set up the Science and Technology Development Fund to provide funding for education, research and project development. The fund targets 1) local universities, colleges and their research centers; 2) laboratories or entities engaging in research in Macau; 3) local private non-profit organizations; 4) commercial enterprises registered in Macau; 5) individuals engaging in research in Macau, including foreigners working legally.

## Performance Requirements

Macau does not follow a forced localization policy in which foreign investors must use domestic content in goods or technology. However, both local and foreign casino operators in Macau are required by law to employ only Macau residents as croupiers. There is no such restriction imposed on any other sector of the economy. In order to promote economic diversification away from gaming revenue, the GOM states that one of the criteria it will consider to renew the licenses of local and foreign casino operators when their concessions expire between 2020 and 2022 is the total amount of investments in non-gaming sectors.

## Data Storage

There are no requirements by the GOM for foreign IT providers to turn over source code and/or provide access to surveillance.

## **6. Protection of Property Rights**

### Real Property

Private ownership of property is enshrined in the Basic Law. There are no restrictions on foreign property ownership. Macau has a sound banking mortgage system, which is under supervision of the MMA. There are only a small number of freehold property interests in the older part of Macau.

According to the Cartography and Cadaster Bureau, 22 percent of land parcels in Macau do not have clear title for unknown reasons. Industry observers commented that no one knows whether these land parcels will be privately or publicly owned in the future.

Macau has no specific regulations regarding land lease or acquisition by foreign and/or non-resident investors.

### Intellectual Property Rights

Macau is a member of the World Intellectual Property Organization. Macau has acceded to the Bern Convention for the Protection of Literary and Artistic Works. Patents and trademarks are registered under Decree 97/99/M. Macau's copyright laws are compatible with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and government offices are required to use only licensed software. The Macau SAR government devotes considerable attention to intellectual property rights enforcement and coordinates with copyright holders. Source Identification Codes are stamped on all optical discs produced in Macau. Macau Economic Services uses an expedited prosecution arrangement to speed up punishment of accused retailers of pirated products.

Macau Customs has worked to combat optical disc piracy in recent years, resulting in the closure of all illicit optical disc production lines in Macau. Macau Customs also maintains an enforcement department to investigate incidents of intellectual property (IP) theft. In 2015, Macau had no reported cases of optical disc piracy. Macau Customs works closely with Mainland Chinese authorities, foreign customs agencies, and the World Customs Organization to share best practices to address criminal organizations engaging in IP theft.

Since 2010, Macau has accelerated the registration processes for trademarks and patents by doubling the publication frequency of applications. In February 2012, the Legislative Assembly passed a bill to "Modify the Copyright System and Related Rights," which revised the existing copyright law by extending protections to Internet and digital technology. Today, copyright infringement for trade or business purposes is subject to a fine or a maximum imprisonment of four years. Since the enactment of the law, signal piracy (including U.S. origin program content) has been reduced.

The number of applications for trademark registrations grew by double-digit over the past five years. In 2015, the Macau Economic Services (MES) filed a total of 13,140 applications for trademark registrations, a new record high. Among major users, applicants in China, the U.S. and Macau ranked the top three. According to the MES satisfaction survey conducted in

2014, all its services relating to copyrights, trademarks, patents and layout designs, reached the performance standards under the Performance Pledge Scheme.

#### Resources for Rights Holders

Danielle Zheng

U.S. Patent and Trademark Office for South China, Hong Kong, and Macau

U.S. Consulate General

43 Hua Jiu Road, Zhujiang New Town

Tianhe District

Guangzhou, China

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Edif China Civil Plaza, 20 Andar

Macau

+853-2857-5059

[info@amcham.org.mo](mailto:info@amcham.org.mo)

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Local lawyers list: [http://hongkong.usconsulate.gov/acs\\_attorneys.html](http://hongkong.usconsulate.gov/acs_attorneys.html)

## 7. Transparency of the Regulatory System

The GOM has transparent policies and laws that establish clear rules and do not unnecessarily impede investment. The basic elements of a competition policy are set out in Macau's 1999 Commercial Code.

The GOM will normally conduct a three-month public consultation when amending or making any legislation, including investment laws, and will write up a draft bill based on the results of the public consultation. The lawmakers will discuss the draft bill and finally put it to a final vote. All the processes are transparent and consistent with international norm.

Macau's accounting systems is transparent as well. Macau has selectively adopted individual International Financial Reporting Standards (IFRS) into its accounting framework as Macau Accounting Standards (MASs), which has become compulsory since January 2007. The application of MASs is mandatory for all establishments that have been granted concessionary status by the GOM, as well as for financial institutions and companies limited by shares in Macau.

## 8. Efficient Capital Markets and Portfolio Investment

Macau allows free flows of financial resources. Foreign investors can obtain credit in the local financial market.

In December 2009, the MMA signed a memorandum with the People's Bank of China to develop the Renminbi (RMB) settlement mechanism for cross-border trade. According to the memorandum, the quota on the value of RMB exchanged for each individual transaction increased from RMB 6,000 (USD 878) to RMB 20,000 (USD 2,928). The list of designated merchants who are allowed to exchange RMB for Patacas from Macau banks was expanded to include institutions that provide telecommunications, education, and exhibition/convention services. In addition, Macau residents are allowed to use RMB checks to pay for consumer spending in Guangdong Province up to RMB 50,000 (USD 7,320) per account per day. Since 2010, the People's Bank of China has been providing cross-border settlement of funds for Macau residents and institutions involved in transactions for RMB bonds issued in Hong Kong. Macau residents and institutions can purchase or sell, through Macau RMB participating banks, the RMB bonds issued in Hong Kong. In March 2012, in an effort to diversify its asset portfolio, the MMA signed an agreement with the People's Bank of China to acquire up to RMB 10 billion in RMB bonds. In December 2013, China doubled the quota for investment in the mainland bond market to RMB 20 billion. Since March 2016, the Macau RMB Real Time Gross Settlements (RMB RTGS) System has been put into operation, providing real-time settlement services for RMB remittances and interbank transfer of RMB funds. The RMB RTGS System will not only help improve risk management and clearing efficiency of RMB funds, but also foster Macau's development into a RMB clearing platform for trade settlement between China and Portuguese-speaking countries.

Macau has no stock market, but companies can seek a listing in Hong Kong's stock market. Macau and Hong Kong financial regulatory authorities also cooperate on issues of mutual concern. Under the Macau Insurance Ordinance, the Monetary Authority authorizes and monitors insurance companies. There are 11 life insurance companies and 12 non-life insurance companies in Macau. Total gross premium income from insurance services amounted to USD 1.5 billion in 2015.

Offshore finance businesses, including credit institutions, insurers, underwriters, and offshore trust management companies, are regulated and supervised by the MMA. Profits derived from offshore activities are fully exempted from all form of taxes. In June 2012, the Legislative Assembly passed a draft bill for a deposit protection scheme. The new law (Law 9/2012), which has been in effect since October 2012, stipulates that banks compensate depositors up to a maximum of MOP 500,000 (USD 62,500) in case of a bank failure. To finance the deposit protection scheme, the GOM has injected MOP 150 million (USD 18.75 million) into the deposit protection fund, while banks need to pay an annual contribution of 0.05 percent of the amount of protected deposits held.

#### Money and Banking System, Hostile Takeovers

The Macau Monetary Authority (MMA) functions as a de facto central bank. It is responsible for maintaining the stability of the financial system and managing the currency reserves and foreign assets. At present, there are twenty-nine financial institutions in Macau, including ten local banks and 19 branches of banks incorporated outside Macau. In addition, there are eleven moneychangers, two cash remittance companies, two financial intermediaries, six exchange counters, and one representative office of a financial institution. These institutions provide a range of credit instruments. In 2014, Bank of China and Industrial and Commercial Bank of China were the largest two banks in Macau, with a total assets of USD 62.2 billion and

USD 22.1 billion, respectively. Banks with capital originally from Mainland China and Portugal had a combined market share of about 89 percent of total deposits in the banking system at the end of 2015. Total deposits amounted to USD 57.6 billion in January 2016. In September 2015, banks in Macau maintained a capital adequacy ratio of 14.64 percent, well above the minimum eight percent recommended by the Bank for International Settlements. Accounting systems in Macau are consistent with international norms.

The six gaming operators in Macau are listed on the Hong Kong Stock Exchange. These stocks are controlled by small groups of shareholders with controlling stakes which make it difficult for hostile takeover bids to succeed.

## **9. Competition from State-Owned Enterprises**

Macau's gaming sector accounts for over 70 percent of the local economy, though the GOM has no ownership in any gaming companies. Macau does not have State-owned Enterprises (SOEs). Several economic sectors – including cable television, telecommunications, electricity, and airport/port management are run by private companies under concession contracts from the GOM. The GOM holds a small percentage of shares (ranging from one to ten percent) in these government-affiliated enterprises. The government set out in its 1999 Commercial Code the basic elements of a competition policy with regard to commercial practices that can distort the proper functioning of markets. Court cases related to anti-competitive behavior remain rare.

Macau is not party to the WTO's Government Procurement Agreement (GPA). The media reports that the Joint Committee set up under the EU-Macau Bilateral Agreement is engaging with Macau on adopting the GPA.

OECD Guidelines on Corporate Governance of SOEs

Macau is not a member of the Organization for Economic Cooperation and Development (OECD) and does not adhere to the Guidelines for Multinational Enterprises.

Sovereign Wealth Funds

The IMF suggested in July 2014 that the GOM invest its large fiscal reserves in setting up a sovereign wealth fund to protect the city's economy from future headwinds like slowing gaming revenues, increased social spending arising from the ageing population, and structural reforms in Mainland China. In response, Chief Executive Fernando Chui stated in his policy address in March 2015 that the GOM will study the establishment of Investment Development Fund within 2015. In November 2015, the GOM decided to establish a sovereign wealth fund, named the MSAR Investment and Development Fund, through a substantial allocation from the city's ample fiscal reserves.

## **10. Responsible Business Conduct**

The six gaming concessionaires that dominate Macau's economy pay four percent of gross gaming revenues to the government to fund cultural and social programs in the SAR. Several operators also directly fund gaming addiction rehabilitation programs. Some government-affiliated entities maintain active CSR programs. For example, Companhia de Electricidade de Macau, an electric utility, sponsored Macau's regional Special Olympics program in

January 2010, and the company's volunteer programs include education programs and repair services provided free-of-charge to underprivileged residents. Since 2007, the Junior Chamber International Macau (JCIM) has held an annual Corporate Social Responsibility International Forum to promote CSR programs. At the 2014 forum, the JCIM Chairman said that his organization wanted to introduce to Macau companies and young people the concept of and case studies on corporate social responsibility so as to let the businesses and communities make win-win development. In August 2015, the JCIM held a campaign "Unite to Create a Wall-Less City," sharing opinions on how to destroy the "wall" among people with differences to create a harmonized society.

OECD Guidelines for Multinational Enterprises

Macau is not a member of the OECD and hence the OECD Guidelines for Multinational Enterprises is not applicable to Macau companies.

The GOM will conduct an interim assessment of the gaming sector in 2015/16. One of the nine aspects that the GOM will consider for the renewal of gaming licenses, which will expires in 2020-2022, is casino operators' social responsibility. The interim report will be released by the end of 2016. The industry observers expected the GOM will follow generally accepted CSR principles in the review.

## **11. Political Violence**

Macau is politically stable. The U.S. Consulate General is not aware of any incidents in recent years involving politically motivated damage to projects or installations.

## **12. Corruption**

In December 2014, the Legislative Assembly passed a bill on preventing and curbing bribery in external trade. The bill, which is based on with the United Nations Convention against Corruption, came into effect January 2015. The law stipulates that anyone who offers a bribe to foreign public officials (including officials of China Mainland, Hong Kong and Taiwan) and officials of public international organizations in exchange for a trade deal could receive a jail term up to three years or fines.

Macau's anti-corruption agency is the Commission Against Corruption (known by its Portuguese acronym CCAC). The CCAC's highest profile case was Macau Transport and Public Works Secretary Ao Man Long's 27-year prison sentence in 2008. Ao was convicted of accepting bribes from real estate and construction companies in exchange for contract approvals in 20 public works projects. Until 2009, the CCAC's overall effectiveness remained constrained by legislation limiting the scope of its authority to government-sector corruption. In August 2009, the Legislative Assembly passed an amendment that empowered the CCAC to also investigate private-sector corruption. In February 2016, former head of the Public Prosecutions Office Ho Chio-meng was arrested by local graft watchdog. Ho, who has been an executive of the anti-graft agency before the SAR retrocession to China, together with his main officers were accused of receiving USD 5.5 million of kickbacks during 2004-14 from public works contracts worth a total of USD 21 million.

*UN Anticorruption Convention, OECD Convention on Combatting Bribery*

Macau is not a party to the UN Anticorruption Convention, nor a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

#### Resources to Report Corruption

CHEONG Weng-chon, Commissioner  
 Commission Against Corruption  
 105, Avenida Xian Xing Hai, 17/F, Centro Golden Dragon, Macau  
 +853- 2832-6300  
[ccac@ccac.org.mo](mailto:ccac@ccac.org.mo)

### 13. Bilateral Investment Agreements

#### Bilateral Taxation Treaties

Macau has signed investment protection agreements with Portugal and the Netherlands. Macau does not have a bilateral taxation treaty with the United States.

### 14. Foreign Trade Zones/Free Ports/Trade Facilitation

Macau is a free port; however, there are four types of dutiable commodities: liquors, tobacco, vehicles, and petrol (gasoline.) Licenses must be obtained from the Economic Service Bureau prior to importation of these commodities.

There are a number of significant infrastructure projects in Macau, including:

- Light Rail Transit (LTR) System: In 2003, an in effort to relieve traffic congestion, the Macau Government proposed to build a 21-km LTR, which will connect Macau Peninsula, Taipa, and Cotai with 21 stations. After years of research, the GOM commenced the first phase in November 2011. The GOM expects to complete the LTR by 2018/19 and to increase the number of passengers from 8,000 in the early stage of operation to 14,200 by 2020.
- Hong Kong-Zhuhai-Macau Bridge: The construction of the Macau section of the 29-km bridge started in December 2009. The bridge is expected to better link Hong Kong, Zhuhai, and Macau with the less developed western part of the Pearl River Delta region. The bridge is scheduled for completion by the end of 2017.
- Pac On Ferry Terminal: A new ferry terminal at Taipa is due for completion in mid-2016. It will become Macau’s main maritime border crossing with a capacity for 15 million passengers a year.

### 15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source	USG or international statistical source	USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other

Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2014	55,412	2014	55,500	<a href="http://data.worldbank.org/country/macao-sar-china">http://data.worldbank.org/country/macao-sar-china</a>
Foreign Direct Investment	Host Country Statistical source		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2014	295	2014	(D)	BEA data available at <a href="http://bea.gov/international/factsheet/factsheet.cfm?Area=616">http://bea.gov/international/factsheet/factsheet.cfm?Area=616</a>
Host country's FDI in the United States (\$M USD, stock positions)	2014	N.A.	2014	261	BEA data available at <a href="http://bea.gov/international/factsheet/factsheet.cfm?Area=616">http://bea.gov/international/factsheet/factsheet.cfm?Area=616</a>
Total inbound stock of FDI as % host GDP	2014	49.4	2014	49.4	N/A

Note: (D) indicates that the data in the cell have been suppressed to avoid disclosure of data of individual companies.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	27,393	100%	Total Outward	3,935	100%
Cayman Islands	9,055	33%	Virgin Islands, British	772	20%
China, P.R.: Hong Kong	6,846	25%	China, P.R.: Hong Kong	698	18%
Virgin Islands, British	6,292	23%	China, P.R.: Mainland	654	17%
China, P.R.: Mainland	3,291	12%			
Portugal	1,026	4%			



"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	54,977	100%	All Countries	21,632	100%	All Countries	33,345	100%
China, P.R.: Mainland	24,369	44%	China, P.R.: Hong Kong	5,971	28%	China, P.R.: Mainland	18,828	56%
China, P.R.: Hong Kong	10,093	18%	China, P.R.: Mainland	5,541	26%	China, P.R.: Hong Kong	4,122	12%
United States	4,021	7%	Cayman Islands	2,472	11%	United States	2,231	7%
Cayman Islands	3,856	7%	United States	1,790	8%	Singapore	1,430	4%
Luxembourg	1,774	3%	Luxembourg	1,700	8%	Cayman Islands	1,384	4%

## Section 5 - Government

### Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

### Legal system:

civil law system based on the Portuguese model

#### International organization participation:

ICC (national committees), IHO, IMF, IMO (associate), Interpol (subbureau), ISO (correspondent), UNESCO (associate), UNWTO (associate), UPU, WCO, WTO

## Section 6 - Tax

### Exchange control

There are currently no exchange control regulations in Macau.

### Treaty and non-treaty withholding tax rates

Macao, China has signed **16 agreements** (5 DTC and 11 TIEA agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Australia	TIEA	12 Jul 2011	20 Jun 2012	Yes	Yes	
Belgium	DTC	19 Jun 2006	not yet in force	Yes	No	
Cape Verde	DTC	15 Nov 2010	25 Nov 2012	No	Yes	
China	DTC	15 Jul 2009	15 Sep 2010	Yes	Yes	
Denmark	TIEA	29 Apr 2011	15 Oct 2011	Yes	Yes	
Faroe Islands	TIEA	29 Apr 2011	17 Dec 2011	Unreviewed	Yes	
Finland	TIEA	29 Apr 2011	9 Dec 2011	Yes	Yes	
Greenland	TIEA	29 Apr 2011	19 Apr 2012	Unreviewed	Yes	
Iceland	TIEA	29 Apr 2011	20 Jan 2012	Yes	Yes	
India	TIEA	3 Jan 2012	16 Apr 2012	Yes	Yes	
Jamaica	TIEA	5 Oct 2012	not yet in force	Yes	Yes	
Malta	TIEA	30 May 2013	not yet in force	Unreviewed	Yes	
Mozambique	DTC	4 Apr 2007	11 Jan 2011	Unreviewed	No	
Norway	TIEA	29 Apr 2011	18 Dec 2011	Yes	Yes	
Portugal	DTC	28 Sep 1999	28 Sep 1999	Yes	No	
Sweden	TIEA	29 Apr 2011	not yet in force	Yes	Yes	

## Methodology and Sources

### Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

### Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
<a href="#">FATF List of Countries identified with strategic AML deficiencies</a>	Not Listed	AML Deficient but Committed	High Risk
<a href="#">Compliance with FATF 40 + 9 recommendations</a>	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
<a href="#">US Dept of State Money Laundering assessment (INCSR)</a>	Monitored	Concern	Primary Concern
<a href="#">INCSR - Weakness in Government Legislation</a>	<2	2-4	5-20
<a href="#">US Sec of State supporter of / Safe Haven for International Terrorism</a>	No	Safe Haven for Terrorism	State Supporter of Terrorism
<a href="#">EU White list equivalent jurisdictions</a>	Yes		No
<a href="#">International Sanctions UN Sanctions / US Sanctions / EU Sanctions</a>	None	Arab League / Other	UN , EU or US
<a href="#">Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network</a>	>69%	35 – 69%	<35%
<a href="#">World government Indicators (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Failed States Index (Average)</a>	>69%	35 – 69%	<35%
<a href="#">Offshore Finance Centre</a>	No		Yes

### **Section 3 - Economy**

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

### **Section 4 - Foreign Investment**

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

### **Section 5 - Government**

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

### **Section 6 - Tax**

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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