

Macau

RISK & COMPLIANCE REPORT

DATE: January 2017

Executive Summary - Macau	
Sanctions:	None
FATF list of AML Deficient Countries	No
Higher Risk Areas:	Not on EU White list equivalent jurisdictions World Governance Indicators (Average Score) Offshore Finance Centre
Medium Risk Areas:	US Dept of State Money Laundering Assessment Non - Compliance with FATF 40 + 9 Recommendations Corruption Index (Transparency International & W.G.I.) Weakness in Government Legislation to combat Money Laundering Failed States Index (Political Issues)(Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products:</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>Industries:</p> <p>tourism, gambling, clothing, textiles, electronics, footwear, toys</p> <p>Exports - commodities:</p> <p>clothing, textiles, footwear, toys, electronics, machinery and parts</p> <p>Exports - partners:</p> <p>Hong Kong 43.1%, China 16.3%, Sudan 13.4%, US 5.1% (2012)</p> <p>Imports - commodities:</p> <p>raw materials and semi-manufactured goods, consumer goods (foodstuffs, beverages, tobacco), capital goods, mineral fuels and oils</p> <p>Imports - partners:</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 20xx. According to that Evaluation, Macau was deemed Compliant for x and Largely Compliant for x of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

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.

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)

No longer catergorised a Jurisdiction of Primary Concern however the 2017 Report has not yet been published and, therefore, below is the 2016 report.

Macau was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 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, consists of banks and insurance companies as well as offshore financial businesses, such as credit institutions, insurers, underwriters, and trust management companies. Both sectors are subject to similar supervisory requirements and oversight by Macau’s Monetary Authority.

With estimated gaming revenues of \$30 billion for 2015, Macau is still the world’s largest gaming market by revenue, although monthly gaming revenue has fallen consecutively for the past 18 months. The gaming industry relies on loosely-regulated gaming promoters and collaborators, known as 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 because they are unable to legally collect gambling debts on the mainland, where gambling is illegal. 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, encourages Chinese capital flight, and fosters underground financial systems such as fei-chien or “flying money.”

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.

Do financial institutions engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: NO

Criminalization of money laundering:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: NO

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, credit and insurance entities, casinos, gaming intermediaries, remittance agents and money changers, cash couriers, trust and company service providers, realty services, pawn shops, traders in high-value goods, notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 1,807 in 2015

Number of CTRs received and time frame: Not applicable

STR covered entities: All persons, irrespective of entity or amount of transaction involved

money laundering criminal Prosecutions/convictions:

Prosecutions: 1: January 1 - June 30, 2015

Convictions: 0: January 1 - June 30, 2015

Records exchange mechanism:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Macau is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Macau's financial intelligence unit (FIU) is an essential component in coordinating efforts to develop long-term AML/CFT infrastructure and in developing close collaboration with other FIUs, including the signing of memoranda of understanding and collaboration agreements with foreign counterparts.

Important deficiencies remain. Legislation that would strengthen Macau's customer due diligence (CDD) requirements has been pending for over three years, as has legislation to improve the jurisdiction's cross-border currency controls. Macau has yet to implement an effective cross-border cash declaration system.

China only allows the equivalent of \$50,000 a year per person to be moved out of China. To circumvent the currency restrictions, junket operators in Macau sometimes are used. For example, Chinese gamblers can deposit money with junkets in the mainland and use that money in Macau, or they can borrow from junket agents. If they deposit the money, the gamblers can then use the funds in Macau. Once they are finished gaming, they can take their winnings in U.S. or Hong Kong dollars and invest it in property or offshore tax havens. Much of the money funneled through junkets originates from corruption, embezzlement, and other illicit activities. The junket operators help arrange for visas, travel, and accommodations. Organized crime, including triads, are active in the gaming services and are engaged in loan-sharking, prostitution services, etc.

In August 2015, the People's Bank of China (PBC) signed a memorandum of understanding with the Macau Monetary Authority on bilateral exchanges on AML regulations, information exchange mechanisms, and on-site inspections, giving mainland China authorities better access to information. The agreement is designed to bolster efforts to crack down on graft, capital flight, and underground banking.

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 Drug Convention (1999), the UN Convention against Transnational Organized Crime (2003), the UN Convention against Corruption (2006), and the International Convention for the Suppression of the Financing of Terrorism (2006).

While Macau's AML law does not require currency transaction reporting, gaming entities are subject to threshold reporting for transactions over MOP 500,000 (approximately \$62,640) under the supplementary guidelines of the Gaming Inspection and Coordination Bureau. Macau should lower the large transaction report threshold for casinos to \$3,000 to bring it in line with international standards. The government also should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by introducing robust oversight of junket operators and mandating due diligence for non-regulated gaming collaborators. The government should take action on its long-pending legislation regarding CDD and cross-border currency controls. Macau also should enhance its ability to support international AML/CFT investigations.

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 2014 (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 of the People's Republic of China is primarily a destination and, to a much lesser extent, a source 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 Mongolia, Vietnam, Ukraine, and Russia. Many trafficking victims fall prey to false advertisements for jobs in casinos and other legitimate employment in Macau, but upon arrival are forced into prostitution. Foreign and mainland Chinese women are sometimes passed to local organized crime groups, held captive, and forced into sexual servitude. Victims are sometimes confined in massage parlors and illegal brothels, where they are closely monitored, forced to work long hours, have their identity documents confiscated, and are threatened with violence. Chinese, Russian, and Thai criminal syndicates are believed to be involved in recruiting women for Macau's commercial sex industry. Children are reportedly subjected to sex trafficking on the premises of casinos in Macau.

Macau authorities do not fully comply with the minimum standards for the elimination of trafficking; however, they are making significant efforts to do so. Macau authorities investigated 34 sex trafficking cases, initiated prosecutions involving three alleged traffickers, and identified and assisted 38 victims of sex trafficking during the reporting period. While no labor trafficking cases were initiated or prosecuted, and no labor trafficking victims were identified during the reporting year, Macau authorities established a working group to improve anti-labor trafficking efforts. No alleged sex traffickers were convicted under Macau's anti-trafficking law, which is a decrease from nine in the previous reporting period.

US State Dept Terrorism Report 2015

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 deactivation of IEDs. UTIP's Special Operations Group's mission is counterterrorism operations. Macau law enforcement officers 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. U.S. Consulate law enforcement personnel also provided training in fraudulent document recognition to Macau border security authorities.

Macau is a member of the Asia/Pacific Group (APG) on Money Laundering, a Financial Action Task Force (FATF)-style regional body, and its Financial Intelligence Office is a member

of the Egmont Group. Terrorism financing is a criminal offense in Macau, and banks and other financial institutions are required to continuously search for terrorism financing networks and screen accounts using designations lists provided by the United States under relevant authorities, as well as the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida and the 1988 (Taliban) sanctions regime. Filing suspicious transactions reports irrespective of transaction amounts is obligatory, but Macau does not currently require mandatory reporting requirements for cross-border currency movements.

Macau cooperated internationally on counterterrorism efforts through INTERPOL and other security-focused organizations, including through FATF and APG.

International Sanctions

None Applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	N/A
World Governance Indicator – Control of Corruption	72

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 centers. Macau's gaming and tourism businesses were fueled by China's decision to relax travel restrictions on Chinese citizens wishing to visit Macau. - In 2013, Macau's gaming-related taxes accounted for more than 85% 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 2013, this city of 607,500 hosted nearly 29.3 million visitors. Almost 64% came from mainland China. Macau's traditional manufacturing industry has slowed greatly since the termination of the Multi-Fiber Agreement in 2005. China is Macau's second largest goods export market, behind Hong Kong, and followed by the United States. In 2013, exports were US\$1.1 billion, while gaming receipts were US\$45.2 billion, an 18.6% increase over 2012. Macau's economy expanded by 11.9% in 2013; although impressive, it was a slower growth rate than in previous years. Macau continues to face the challenges of managing its growing casino industry, money-laundering, 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 43.1%, China 16.3%, Sudan 13.4%, US 5.1% (2012)

Imports - commodities:

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

Imports - partners:

China 32.3%, Hong Kong 15.6%, France 8%, Switzerland 7.7%, Italy 6.7%, Japan 5.5%, US 5% (2012)

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.

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, Macau's constitution. 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 fifty 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 in 2006. U.S. investment over the past decade is estimated to exceed US\$10 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.

1. Openness to, and Restrictions Upon, Foreign Investment

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, Macau's constitution. 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 fifty years. The Government of Macau (GOM) maintains a transparent, non-discriminatory, and free-market economy. Macau has separate membership in the World Trade Organization (WTO).

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 US\$37,500 (300,000 Patacas). For net profits less than US\$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.

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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. The GOM plans to achieve "basic" service sector liberalization between Macau and Guangdong Province by the end of 2014 and between Macau and all of Mainland China by the end of 2015. In 2005, the Government inaugurated a cross-border industrial zone located between the northern part of Macau and Zhuhai. Eleven manufacturers are operating in the industrial zone.

Macau is heavily dependent on the gaming sector and tourism industries. In addition, a single product category – textiles and apparel – accounts for approximately 9.3 percent of its goods exports. In the first three quarters of 2014, Macau's textile and apparel exports decreased by 8.0 percent, the result of continued decline since the elimination of the textile quota system at the end of 2004.

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.

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.

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.

TABLE 1: Rankings

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	N.A.	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	(29 of 178)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	N.A.	http://doingbusiness.org/rankings
Global Innovation Index	2013	N.A.	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2011	USD 55,720	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

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 = US\$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.

3. Expropriation and Compensation

The U.S. Consulate General is not aware of any expropriation actions. Expropriation of 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

valuation 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

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, low cost carrier airline Viva Macau was reportedly forced to cancel flight services related to an alleged 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. Viva Macau'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 Viva Macau's demise and, if so, if such an act was legal. The Court of Second Instance held hearings on Viva Macau's appeal in 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.

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.

Macau's legal system is based on the rule of law and the independence of the judiciary. Macau has commercial and bankruptcy laws (Decree 40/99/M). 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. Commercial and bankruptcy laws are written under the Macau Commercial Code (Decree 40/99/M). 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 a 2011 speech, the President of the Court of Final Appeal observed that Macau required an additional 20 judges. In that same year, Secretary for Administration and Justice Florinda da Rosa Silva Chan stated that Macau lacked a total of 110 judicial clerks. In response, the GOM has increased the number of judge and judicial clerk training programs. In September 2013, the GOM appointed six new judges and six new prosecutors.

5. Performance Requirements and 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.

6. Right to Private Ownership and Establishment

Macau law and regulations provide for the right of foreign and domestic private entities to establish, acquire, and dispose of interests in business enterprises.

7. Protection of 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. 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.

Resources for Rights Holders:

- Timothy Browning
- U.S. Patent and Trademark Office IPR Attaché for South China, Hong Kong, and Macau

- U.S. Consulate General
- 43 Hua Jiu Road, Zhujiang New Town
- Tianhe District
- Guangzhou, China
- 510623
- +86 (20) 3814-5533
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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

8. Transparency of 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.

9. Efficient Capital Markets and Portfolio Investment

Macau allows free flows of financial resources. Foreign investors can obtain credit in the local financial market. At present, there are twenty-nine financial institutions in Macau, including 11 local banks and 18 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 81.1 percent of total deposits in the banking system at the end of 2012. Total deposits amounted to US\$55.9 billion in February 2014. In March 2014, banks in Macau maintained a capital adequacy ratio of 15.49 percent, well above the minimum eight percent recommended by the Bank for International Settlements. Accounting systems in Macau are consistent with international norms.

In December 2009, the Macau Monetary Authority (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 exchange for each individual transaction increased from RMB 6,000 (US\$878) to RMB 20,000 (US\$2,928). The list of designated merchants who are allowed to exchange RMB for Pataca 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 cheques to pay for consumer spending in Guangdong Province up to RMB 50,000 (US\$7,320) per account per day. Since 2010, the People's Bank of China has been providing the 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.

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 US\$680 million in 2012.

Offshore finance businesses, including credit institutions, insurers, underwriters, and offshore trust management companies, are regulated and supervised by the Macau Monetary Authority. 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 (US\$62,500) in case of a bank failure. To finance the deposit protection scheme, the GOM has injected MOP 150 million (US\$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.

10. Competition from State-Owned Enterprises

In absolute terms, Macau's gaming sector accounts for over 70 percent of the local economy, though the GOM has no ownership in any gaming companies. 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.

11. Corporate Social Responsibility (CSR)

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 2013 forum, the JCIM Chairman said that Macau companies had displayed a great improvement in observing social responsibility, but stressed that there was room for Macau to improve further.

12. 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.

13. Corruption

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.

Resources to report corruption

- FONG Man-chong, Commissioner
- Commission Against Corruption
- 105, Avenida Xian Xing Hai, 17/F, Centro Golden Dragon, Macau
- +853- 2832-6300
- ccac@ccac.org.mo

14. Bilateral Investment Agreements

Macau has signed investment protection agreements with Portugal and the Netherlands.

15. OPIC and Other Investment Insurance Programs

Overseas Private Investment Corporation (OPIC) coverage is not available in Macau.

16. Labor

Macau's unemployment rate in March 2014 was 1.7 percent, down from a high of 6.1 percent in 2003, primarily due to the increase in gaming facilities, retail trade, construction, and hotels. Foreign businesses cite the constant shortage of skilled workers – a result of the

past decade's boom in entertainment facilities – as a top constraint on their operations and future expansion. The government is studying proposals to resolve the human resources problem. For example, Macau has labor importation schemes for unskilled and skilled workers who cannot be recruited locally. In November 2012, Macau Chief Executive Fernando Chui announced that the Central Government has approved the importation of domestic helpers from Mainland China. As a pilot scheme, the GOM imported 202 and 36 domestic helpers from the provinces of Guangdong and Fujian in March 2014, respectively.

The GOM has also put measures in place to replace some foreign workers with Macau residents. In 2009, the Legislative Assembly passed a bill that established criminal penalties for employers of illegal migrants and prevented foreign workers from changing employers in Macau. The Government has used the proceeds of a tax on the import of temporary workers for retraining local unemployed people.

17. Foreign Trade Zones/Free Ports

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

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

Light Rail Transit (LTR) System

In 2003, in an 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 February 2015 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 in 2016.

Pac On Ferry Terminal

A new ferry terminal at Taipa is due for completion in mid-2014. It will become Macau's main maritime border crossing with a capacity for 15 million passengers a year.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

According to the Direct Investment Statistics 2012 compiled by the Statistics and Census Service, there were 2,115 foreign direct investment companies in Macau, employing 122,860 workers. Hong Kong was the largest foreign investor in Macau, accounting for 25.9 percent of total foreign direct investment. Officially, the United States was the eighth largest foreign investor in Macau, accounting for 0.4 percent of foreign direct investment (US\$71.6 million). Some observers, however, have estimated the figure of U.S. investment to be as high as US \$10 billion, which would make the U.S. the number one foreign investor. Major U.S. investments include the hotels and casinos operated by Sands, Wynn, and MGM.

Table 1: Key Macroeconomic data, U.S. FDI in Macau

	Macau Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Macau Gross Domestic Product (GDP) (Millions U.S. Dollars)	2013	51,684	2013	N.A.	<u>N.A.</u>
Foreign Direct Investment	Macau Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in Macau (Millions U.S. Dollars, stock positions)	2012	71.6	2012	N.A.	N.A.
Macau's FDI in the United States (Millions U.S. Dollars, stock positions)	2012	N.A.	2012	N.A.	N.A.
Total inbound stock of FDI as % Macau's GDP (calculate)	2012	44.1	2012	46.0	http://cds.imf.org

Source: Macau Statistics and Census Service

TABLE 2: 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	19,749	100%	Total Outward	1,217	100%
Cayman Islands	6,182	31%	China, P.R.: Hong Kong	585	48%
China, P.R.: Hong Kong	5,275	27%	China, P.R.: Mainland	392	32%
Virgin Islands, British	4,230	21%			
China, P.R.: Mainland	2,314	12%			
Portugal	895	5%			
"0" reflects amounts rounded to +/- USD 500,000.					

Source: <http://cds.imf.org>

Notes: Macau's data are consistent with the IMF statistics.

TABLE 3: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	38,876	100%	All Countries	17,352	100%	All Countries	21,524	100%
China, P.R.: Mainland	16,220	42%	China, P.R.: Hong Kong	9,656	56%	China, P.R.: Mainland	13,096	61%
China, P.R.: Hong Kong	11,682	30%	China, P.R.: Mainland	3,125	18%	China, P.R.: Hong Kong	2,026	9%
Cayman Islands	1,500	4%	Luxembourg	1,118	6%	United States	919	4%
Luxembourg	1,397	4%	Cayman Islands	1,008	6%	Netherlands	562	3%
United States	1,189	3%	United Kingdom	608	4%	Cayman Islands	493	2%

Source: <http://cpis.imf.org>

Note: The Macau Statistics and Census Service does not publish the statistics of portfolio investment assets.

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