Press Release

LCQ16: Mandatory provident fund system

Wednesday, February 4, 2015

Following is a question by the Hon Chan Kin-por and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (February 4):

Question:

In June last year, the Mandatory Provident Fund Schemes Authority and the Hong Kong Monetary Authority launched the "E-Payment for MPF Transfer system" (the E-payment system) to automate payments for the transfer of Mandatory Provident Fund (MPF) accrued benefits between trustees, and expected the time taken for such transfer to be shortened by about one week. Moreover, it has been reported that each MPF scheme member currently maintains about 3.7 MPF accounts on average. There are comments that if the members do not actively consolidate their MPF accounts, it will be difficult for the ratio of administrative costs to the total expenses to decrease. On the other hand, the law stipulates that not more than 10 per cent in total of the funds of an MPF constituent fund may be invested in shares listed on a non-approved stock exchange (the restriction). Given that the stock exchanges in Shanghai and Shenzhen are non-approved stock exchanges, investments of the funds of MPF schemes in shares listed on these two stock exchanges through the Shanghai-Hong Kong Stock Connect and a similar stock connect between Shenzhen and Hong Kong to be launched in future are also subject to that restriction. In this connection, will the Government inform this Council if it knows:

(1) whether the authorities have compiled statistics on the utilisation of the aforesaid E-payment system since its launch and collected views from various parties, so as to review the effectiveness of the system and to make improvements; the amount of resources that the authorities will deploy in the coming year for publicising the use of the system;

(2) whether the authorities have plans in the coming year to launch other measures and electronic systems to streamline the administrative work so as to attract more members to consolidate their MPF accounts; if they do, of the

details; if not, the reasons for that; and

(3) whether the authorities will consider relaxing the aforesaid restriction on investments in stock markets of places outside Hong Kong, so as to allow more investment choices for MPF schemes; if they will, of the details; if not, the reasons for that?

Reply:

President,

(1) The Mandatory Provident Fund Schemes Authority (MPFA) introduced the E-Payment for MPF Transfer System (E-Payment System) in June 2014. As a payment system designed for use among trustees, the E-Payment System has now been adopted by all trustees for handling the transfer of a scheme member's accrued benefits to another trustee, thus reducing the manual work and time required for mailing, issuing, verifying and cashing cheques. It also enhances the accuracy and efficiency of the transfer process. According to MPFA, the E-Payment System has been operating smoothly, and has shortened the time required by trustees for handling transfers of accrued benefits (reduced from an average of three to four weeks to two to three weeks) and out-of-market time (reduced from an average of two weeks to one week).

MPFA will continue to gauge views from various parties to further improve the operation and effectiveness of the E-Payment System. Considering that all trustees have already adopted the E-Payment System, there is no need for MPFA to earmark additional resources for publicity-related work.

(2) In recent years, MPFA has introduced various measures to encourage and facilitate the consolidation of MPF personal accounts by scheme members, with a view to creating more room for further fee reduction. Apart from sending letters and application forms to scheme members with more than one MPF personal account, MPFA has distributed promotional flyers to all scheme members and, with the help of trustees, issued account consolidation reminders to scheme members who are leaving their current employment. MPFA has also simplified the relevant application form. For the period from September 2013 to December 2014, trustees have received over 122 500 applications for account consolidation.

In the coming year, MPFA will continue to actively explore the possibility of introducing other measures for streamlining and automating administrative procedures, and strengthen publicity and public education efforts on various media (including MPFA Newsletter, MPFA website, promotional videos and print advertisements, etc.). MPFA aims to encourage and facilitate the consolidation of MPF personal accounts through simplifying the consolidation process and enhancing scheme members' knowledge of account management.

(3) At present, MPF constituent funds may invest in securities listed on more than 20 approved stock exchanges outside Hong Kong. MPFA will examine whether it is necessary to expand the list of approved stock exchanges from time to time, taking into account the market and economic developments of overseas jurisdictions and the views of the industry. Considerations include the specific operations of the exchanges, related market factors, etc. MPFA will also closely monitor the developments of the mutual market access initiatives between Hong Kong and Mainland exchanges to assess whether these Mainland exchanges meet MPFA's approval criteria, including pre-delivery of securities and the adequacy of quotas to meet demand.

Any changes to the MPF investment regulations will have to be in line with the objective of MPF as long-term investment which requires a diversified approach in investment strategies. In formulating the relevant investment regulations, MPFA aims to enhance the protection of scheme members' interests through providing appropriate risk and return trade-offs and at the same time providing sufficient investment choices for scheme members.

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