

## **MANDATORY PROVIDENT FUND SCHEMES AUTHORITY**

### **I.3 Guidelines on Custodians**

#### **INTRODUCTION**

Section 68(4)(b) of the Mandatory Provident Fund Schemes (General) Regulation (the Regulation) provides that an approved overseas bank, an approved overseas insurer or an approved overseas trust company, which provides continuous financial support to a registered trust company incorporated in Hong Kong acting as a custodian, must satisfy a minimum credit rating set by the Mandatory Provident Fund Schemes Authority (the Authority) based on the credit rating as determined by an approved credit rating agency.

2. Section 71(1) of the Regulation provides that a person is not eligible to be a delegate of a custodian of scheme assets unless the person:

- (a) would be eligible to be a custodian of scheme assets;
- (b) is an approved overseas bank or approved overseas trust company which complies with section 68(4) of the Regulation; or
- (c) is an overseas bank or overseas trust company that is a subsidiary or related company of an entity described in section 71(1A) of the Regulation.

3. Section 71(1A) of the Regulation provides that the entity referred to in section 71(1)(c) is an approved overseas bank, an approved overseas trust company, an authorized financial institution, or a registered trust company incorporated in Hong Kong that:

- (a) has a paid up capital of not less than US\$200,000,000 or an equivalent amount in another currency; and

- (b) satisfies a minimum credit rating set by the Authority based on a credit rating determined by an approved credit rating agency.

4. Section 6H of the Mandatory Provident Fund Schemes Ordinance (the Ordinance) provides that the Authority may issue guidelines for the guidance of approved trustees, service providers, participating employers and their employees, self-employed persons, regulated persons and other persons concerned with the Ordinance.

5. The Authority hereby issues guidelines to set out the minimum credit rating requirements with respect to the relevant entity (an approved overseas bank, an approved overseas insurer, an approved overseas trust company, an authorized financial institution or a registered trust company incorporated in Hong Kong) for the purposes of sections 68(4)(b) and 71(1A)(b) of the Regulation. Guidelines I.9 on Approved Credit Rating Agencies set out the names of approved credit rating agencies.

#### **EFFECTIVE DATE**

6. These revised Guidelines (Version 8 – March 2023) shall become effective on 31 March 2023. The previous version of these Guidelines (Version 7 – January 2008) shall be superseded on that day.

#### **MINIMUM CREDIT RATING REQUIREMENTS**

7. For the purposes of sections 68(4)(b) and 71(1A)(b) of the Regulation, the following is the minimum credit rating as determined by the respective approved credit rating agencies:

<b>Approved Credit Rating Agency</b>	<b>Minimum Credit Rating on Short-term Debt</b>
China Chengxin (Asia Pacific) Credit Ratings Company Limited	Ag-1
Fitch Ratings	F1
Moody's Investor Service, Inc.	Prime-1
Rating & Investment Information, Inc.	a-1
Standard & Poor's Corporation	A-1

8. An approved overseas bank, an approved overseas insurer, an approved overseas trust company, an authorized financial institution, or a registered trust company incorporated in Hong Kong needs to satisfy at least one of the minimum credit ratings.

#### **DEFINITION OF TERMS**

9. Where a term used in the Guidelines is defined in the Ordinance or the subsidiary legislation then, except where specified in the Guidelines, that term carries the meaning as defined in the Ordinance or the subsidiary legislation.