

## **MANDATORY PROVIDENT FUND SCHEMES AUTHORITY**

### **III.3 Guidelines on Eligible Overseas Banks and Authorized Financial Institutions**

#### **INTRODUCTION**

Section 11(1) of Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation (the Regulation) provides that the funds of a constituent fund may be placed on deposit with an authorized financial institution or an eligible overseas bank.

2. Section 11(1A) of Schedule 1 to the Regulation further specifies that the funds of a constituent fund must not be placed on deposit with a branch outside Hong Kong of an authorized financial institution incorporated outside Hong Kong unless the authorized financial institution satisfies a minimum credit rating set by the Mandatory Provident Fund Schemes Authority (the Authority), based on the credit rating of the authorized financial institution as determined by an approved credit rating agency.

3. Section 13 of the Regulation provides that a bank is an eligible overseas bank for the purposes of the Regulation if:

- (a) it is a bank incorporated outside Hong Kong and not holding a valid banking licence under the Banking Ordinance (Cap 155); and
- (b) it satisfies a minimum credit rating set by the Authority, based on the credit rating of the bank as determined by an approved credit rating agency.

4. Section 15(2)(a) of Schedule 1 to the Regulation specifies that subject to section 15(2A), a currency forward contract may be acquired for a constituent fund only if it is acquired from an authorized financial institution or an eligible overseas bank.

5. Section 15(2A) of Schedule 1 to the Regulation further specifies that a currency forward contract must not be acquired from a branch outside Hong Kong of an authorized financial institution incorporated outside Hong Kong unless the authorized financial institution satisfies a minimum credit rating set by the Authority, based on the credit rating of the authorized financial institution as determined by an approved credit rating agency.

6. 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.

7. The Authority hereby issues guidelines to specify:

- (a) the minimum credit rating that needs to be satisfied by an authorized financial institution incorporated outside Hong Kong, if the funds of a constituent fund are to be placed on deposit with its branch that is operated outside Hong Kong or those funds are to be applied for acquiring a currency forward contract from its branch that is operated outside Hong Kong, based on the credit rating of the institution as determined by an approved credit rating agency; and
- (b) the minimum credit rating that needs to be satisfied by an eligible overseas bank, based on the credit rating of the bank as determined by an approved credit rating agency.

8. Guidelines I.9 on Approved Credit Rating Agencies set out the names of approved credit rating agencies for the purposes of the Regulation.

### **EFFECTIVE DATE**

9. These revised Guidelines (Version 8 – October 2024) shall become effective on 17 October 2024. The previous version of these Guidelines (Version 7 – March 2023) shall be superseded on that day.

### **MINIMUM CREDIT RATING REQUIREMENTS**

#### **Authorized Financial Institution Incorporated Outside Hong Kong**

10. For the purposes of sections 11(1A) and 15(2A) of Schedule 1 to the Regulation, the funds of a constituent fund must not be placed on deposit with, or a currency forward contract must not be acquired from, a branch outside Hong Kong of an authorized financial institution incorporated outside Hong Kong unless the short-term debt securities issued by the institution satisfy at least one of the following credit ratings, 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 Investors Service, Inc.	Prime-1
Rating & Investment Information, Inc.	a-1
Standard & Poor's Corporation	A-1

### **Eligible Overseas Bank**

11. For the purpose of section 13(b) of the Regulation, an overseas bank is an eligible overseas bank if the short-term debt securities issued by the bank satisfy at least one of the following credit ratings, 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 Investors Service, Inc.	Prime-1
Rating & Investment Information, Inc.	a-1
Standard & Poor's Corporation	A-1

### **DEFINITION OF TERMS**

12. 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.