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MANAGING DIRECTOR'S REPORT

Reporting Period

This is the first annual report of the Mandatory Provident Fund Schemes Authority (MPFA). It covers the period from 17 September 1998, i.e. the date of establishment of the MPFA, to 31 March 2000.¹

I am pleased to report that the MPFA, as a new organization, has made firm strides during this period in preparing for the full implementation of the Mandatory Provident Fund (MPF) System, the essential legislative framework for which was laid down in 1995 and 1998 respectively.

The Establishment

When it was first established, the MPFA was entirely staffed by civil servants seconded from the Government. At the end of March 2000, there were only three civil servants left and the MPFA had successfully recruited almost two thirds of its approved staff establishment of 287 persons. The MPFA moved into its existing office at One International Finance Centre in July 1999.

Core Activities

The MPFA successfully met all the major targets of its regulatory work.

- The processing of the first batch of licence applications was duly completed: 21 corporate trustees, 45 MPF master trust schemes and 253 constituent funds were approved.
- The selection process for two industry schemes for the construction and catering industries was nearly completed by the end of the reporting period.
- Thirty-seven sets of detailed guidelines or codes were issued to the service providers in order to facilitate their compliance with the legislative requirements.
- A framework on the regulation of MPF intermediaries was established with the support of the Securities and Futures Commission, the Insurance Authority and the Hong Kong Monetary Authority.
- Over 50 000 individuals had taken the MPF intermediaries qualifying examination which is required for anyone who intends to sell or give advice on MPF products. Twenty-eight thousand identification cards were issued by the MPFA to qualified intermediaries who were sponsored by 370 registered corporate intermediaries.
- The MPFA, acting also as the Registrar of Occupational Retirement Schemes, started to receive applications for exemption of schemes registered under the Occupational Retirement Schemes Ordinance (Cap. 426) (ORSO) from MPF requirements on 3 January 2000.

Organizational Development

In order to perform its regulatory functions effectively, the MPFA had to establish an organization as quickly as possible through the recruitment of qualified and competent staff, the setting up of systems and procedures for administration and financial control, and the development of a suitable corporate culture. In view of the complexity of the MPFA's regulatory

¹ On 10 January 2000, the MPFA took over the functions of the Registrar of Occupational Retirement Schemes from the Office of the Registrar of Occupational Retirement Schemes (ORORS), which had been operating under the Financial Services Bureau. For this reason, the chapter on regulation of occupational retirement schemes covers matters relating to the operation of the Occupational Retirement Schemes Ordinance from 1 October 1999, being the day after the last day of the period covered by the last annual report of ORORS, to 31 March 2000.

work, information technology (IT) support is vital for meeting its present needs and facilitating its future developments. To this end, a consultant firm has been engaged to develop and install an Information Management System (IMS) to assist the MPFA in carrying out its regulatory and supervisory functions. Ancillary administrative and financial control systems were also being developed to complement the core IMS.

Publicity and Public Education

The success of the MPF System is linked to the future social stability of Hong Kong and to its status as an international financial centre. We must therefore make known to the local community and also the rest of the world our aims and the plans for achieving them. Both within Hong Kong and abroad, the MPFA has started to network with organizations which have the same or related interests in retirement protection. Members and staff of the MPFA have taken every opportunity to exchange views and share experiences with representatives of major international bodies such as APEC and the World Bank, education institutions, private and public bodies at local and international conferences.

During the reporting period, the MPFA launched a territory-wide and intensive public education and publicity campaign which ties in with the various stages of implementation of the MPF System. The campaign will continue for several years until the MPF System is firmly established.

Looking Ahead

The coming year is going to be an even more challenging year for the MPFA. In order to launch the MPF System in December 2000, we need to complete processing of the first batch of applications for approval of 253 pooled investment funds by the end of July 2000. All applications of ORSO schemes for MPF exemption will also have to be processed by the same date. On the IT front, we need to continue to work closely with the contractor and monitor the progress of the IMS Project.

Concurrently, the MPFA will continue with performing its regulatory functions, i.e. registering and monitoring ORSO schemes, master trust schemes, industry schemes, MPF intermediaries, trustees and investment funds as required under the MPF and the ORSO legislation. Further guidelines will be developed to facilitate compliance as and when necessary.

We will place great emphasis on organizational development, which involves team building and fostering of a corporate culture that is compatible with the MPFA's status as a regulatory body. We attach a high value to serving the community, performance and efficiency, and professionalism. The recruitment of qualified and competent staff to fill vacancies in the establishment will continue. The staff will be provided with carefully planned training programmes to equip them with the appropriate knowledge and skills for carrying out their duties effectively. We will press ahead with the setting up of systems and procedures for financial control, administration, performance appraisal and communication.

Preparatory work on the enforcement of the MPF legislation for the protection of MPF scheme participants will also begin in the third year of MPFA's operation. We will take the challenges ahead with confidence and determination, and continue to work closely with the retirement scheme industry and all those who are concerned about the problem of retirement protection to launch the MPF System in December 2000.

Alan Wong Chi-kong
Managing Director



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