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A close-up photograph of a butterfly with black and white wings, perched on a green leaf. The butterfly's wings are spread, showing a pattern of black spots and lines on a white background. The background is a soft, out-of-focus green.

The MPFA
**The Executive
Departments**

Developing

The various statutory functions of the MPFA are performed by its executive departments under the direction of **a Managing Director, a Deputy Managing Director and four Executive Directors.**

Pursuant to the MPFSO, the MPFA was established in September 1998 to ensure compliance with the MPFSO and to regulate, supervise and monitor the operation of the MPF System. With an amendment to the ORSO in 1998, the MPFA was also designated as the Registrar of Occupational Retirement Schemes (RORS). On 10 January 2000, it formally took over the functions of the RORS from the Office of the Registrar of Occupational Retirement Schemes, which had been operating under the Financial Services Bureau, in ensuring the smooth operation of voluntary occupational retirement schemes.

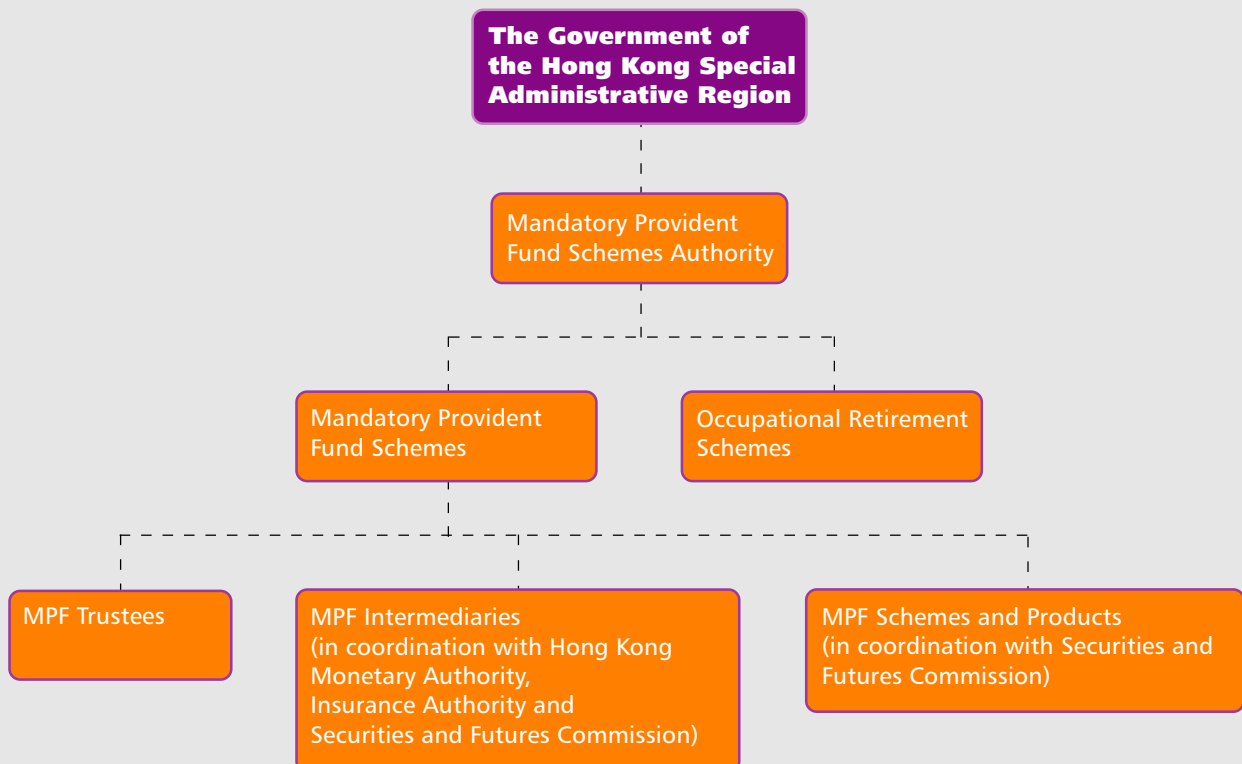
The various statutory functions of the MPFA are performed by its executive departments under the direction of a Managing Director, a Deputy Managing Director and four Executive Directors, who are members of the Management Board.

Regulatory Structure

As provided under the MPFSO, the functions of the MPFA are:

- (a) to be responsible for ensuring compliance with the MPFSO;
- (b) to register provident fund schemes as registered schemes;
- (c) to approve qualified persons to be approved trustees of registered schemes;
- (d) to regulate the affairs and activities of approved trustees and to ensure as far as reasonably practicable that those trustees administer the registered schemes for which they are responsible in a prudent manner;
- (e) to make rules or guidelines for the payment of mandatory contributions and for the administration of registered schemes with respect to those contributions; and
- (f) to exercise such other functions as are conferred or imposed on the MPFA by or under the MPFSO or any other ordinance.

Regulatory Structure



The MPFSO also provides that the Chief Executive may give directions with respect to the exercise by the MPFA of its functions. Furthermore, the MPFA must prepare a corporate plan for each financial year for approval by the Financial Secretary. A report on the operation of the MPFSO and the activities of the MPFA, including the relevant financial statements as well as the auditor's report, must be submitted to the Financial Secretary after each financial year.

The Organization

The work of the MPFA is overseen by the Management Board which consists of nine non-executive directors and six executive directors, namely the Managing Director, the Deputy Managing Director¹, the Executive Director (Services Supervision), the Executive Director (Member Protection)², the Executive Director (ORSO Schemes) and the Executive Director (Corporate Services). The MPFA is advised by the MPF Schemes Advisory Committee (MPFSAC) which makes recommendations as to the operation of the MPFSO and the effectiveness and efficiency of the MPFA.

The Management Board has also established a number of supporting committees to give advice and assistance to the MPFA on various aspects of its management and regulatory work. Membership lists of the MPFSAC and the supporting committees established under the Management Board are included in Appendix IV.

Compliance Divisions

The core business of the MPFA is carried out by its three "Compliance Divisions", i.e. the Services Supervision Division, the Member Protection Division and the ORSO Schemes Division, each headed by an Executive Director.

Services Supervision Division

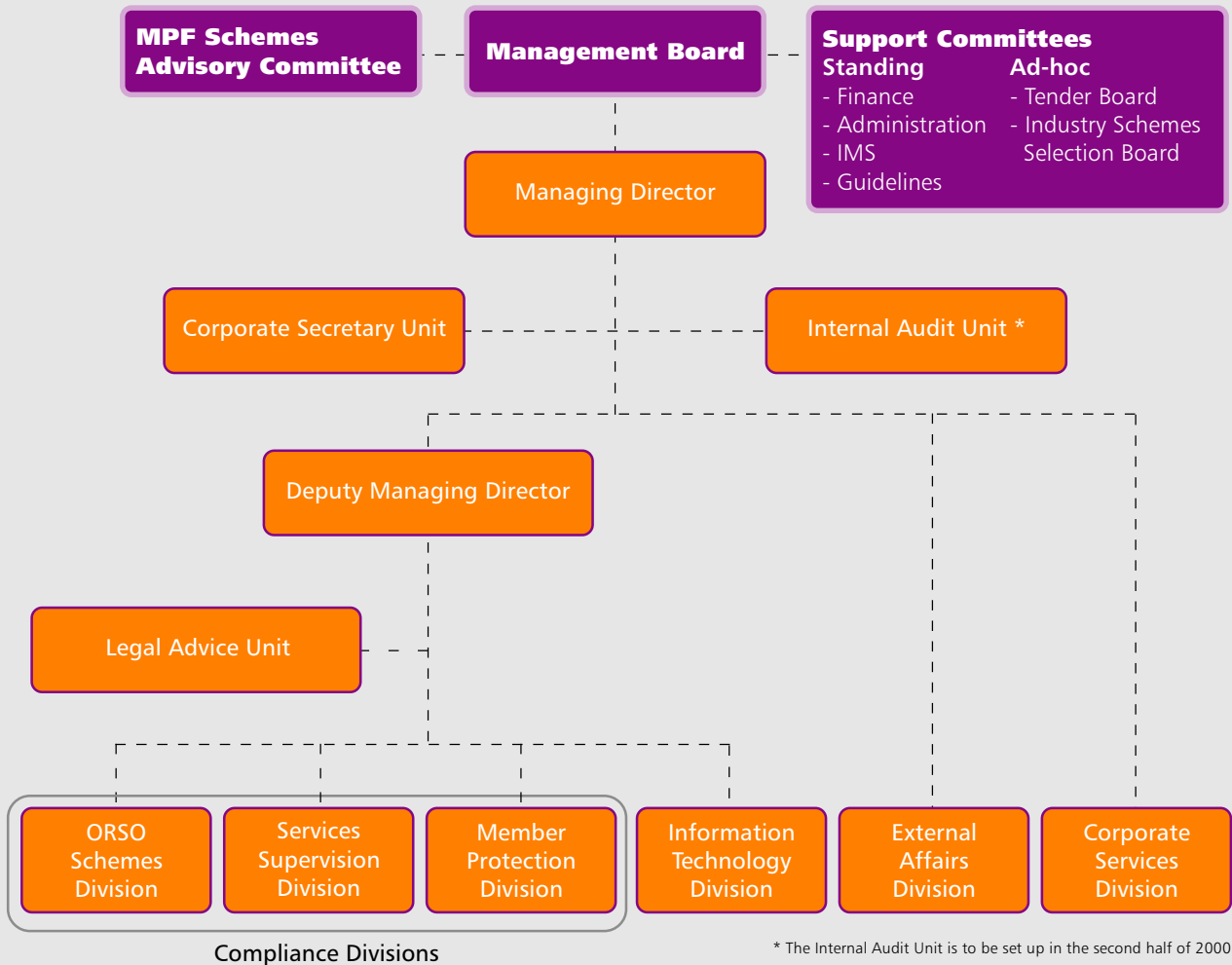
The Services Supervision Division, comprising three teams, is responsible for overseeing the operations of the approved trustees and the registered MPF products to ensure compliance with the MPF legislation and for regulating MPF intermediaries. The Trustee Team is mainly responsible for processing applications for approval as trustees under section 20 of the MPFSO and monitoring the approved trustees to ensure their compliance with the MPF legislation and the guidelines issued by the MPFA. The Scheme/Investment Team is primarily responsible for processing applications for registration of MPF schemes under section 21 of the MPFSO, applications for approval of underlying constituent funds and applications for approval of underlying pooled investment funds under sections 36 and 6 of the General Regulation respectively. Both teams are also responsible for formulating policies relating to trustee requirements, scheme standards and investment standards in order to maintain a prudential regulation and supervision mechanism for the MPF System. The Intermediaries Team administers the registration requirements for MPF intermediaries; monitors their ongoing fitness and properness; ensures the standard of the MPF intermediaries examination and coordinates the efforts of the relevant regulators in regulating MPF intermediaries.

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¹ The Deputy Managing Director, Mr Alan Wong Chi-kong, was also the Acting Managing Director as at 31 March 2000.

² The position of Executive Director (Member Protection) was vacant as at 31 March 2000.

■ **The Organization**



Member Protection Division

The function of the Member Protection Division is to enforce provisions under the MPFSO governing the duties and rights of MPF scheme members, employers and self-employed persons to ensure that they comply with the legislation and that their rights under the MPF System are protected. The Division is also responsible for overseeing the operation of the industry schemes, which are a special type of MPF scheme designed for the catering and construction industries.

Front row, from left to right: Mrs Diana Chan, Executive Director (Corporate Services); Mr Alan Wong, Managing Director; Mr Raymond Tam, Executive Director (Services Supervision); Ms Hendena Yu, Executive Director (ORSO Schemes).
 Back row, from left to right: Mrs Agnes Mak, Head (Information Technology); Mr Gregory Willis, Legal Advisor; Ms Estella Chan, Corporate Secretary; Mrs Heidi Kwan, Head (External Affairs).



ORSO Schemes Division

The role of the ORSO Schemes Division is to ensure proper administration and funding of voluntary ORSO schemes through registration/exemption and monitoring of continued compliance of these schemes with the ORSO requirements. The objective is to provide greater certainty that scheme benefits promised to members will be paid when they fall due. The Division is also responsible for ensuring the smooth interface between ORSO schemes and the MPF System and exempting qualified ORSO schemes from the MPF requirements. In addition, the Division formulates policies, regulations and guidelines relating to scheme operation and requirements in order to ensure effective administration of ORSO schemes.

Other Divisions and Units

The Executive Director (Corporate Services) heads the Corporate Services Division which takes care of human resources, finance, treasury and other administrative functions. Public education and publicity on MPF, building up of community relations and handling of enquiries and complaints are the major responsibilities of the External Affairs Division, which is headed by the Head (External Affairs). The Head (Information Technology) oversees the information technology support services provided by the Information Technology Division. The Legal Advice Unit³ and the Corporate Secretary Unit, headed by the Legal Advisor and the Corporate Secretary respectively, provide legal advice and corporate secretariat services to the organization.

³ With effect from 2 June 2000, the Legal Advice Unit has been renamed the Legal Unit, and the position of Legal Advisor has been renamed General Counsel.

Major Tasks Performed During the Reporting Period

Over the past one and a half years, the MPFA has been fully engaged in the preparatory work for the smooth implementation of the MPF System. In order to perform the various core functions, the MPFA has also been building up the organization by recruiting professionally qualified and competent staff, developing various administrative procedures, setting up information management systems and making office accommodation arrangements.

As at the end of March 2000, 21 trustees had been approved, 45 master trust schemes and 253 constituent funds had been registered, 265 applications for approval of pooled investment funds had been received and 28 475 intermediaries had been registered. A total of 37 sets of guidelines and codes had been issued. Meanwhile, the MPFA has taken over the work of the RORS with effect from 10 January 2000 and become responsible for the regulation and ongoing monitoring of ORSO schemes. It has been processing applications for MPF exemption in respect of ORSO schemes since the application start date on 3 January 2000.

Tasks Ahead

In the coming year, the MPFA will first undertake a comprehensive review of the readiness of all relevant parties as well as the community for the full implementation of the MPF System in December 2000 and will work towards the target implementation date. The focus of its work will be on the processing of applications for registration of industry schemes and employer-sponsored schemes and applications for approval of pooled investment funds, monitoring the compliance of approved trustees with the MPF legislation and guidelines, reviewing and refining the regulatory framework and improving the professional standards of MPF intermediaries. An inspection team will be set up to monitor the compliance of employees, employers and self-employed persons with the MPF legislation. Approval of the

first batch of pooled investment funds and registration of the first batch of employer-sponsored schemes will be completed by 31 July 2000. The processing of applications for MPF exemption will continue and the target completion date is 31 July 2000. Relevant ORSO legislation will be reviewed and guidelines will be developed for the effective administration of ORSO schemes.

As at the end of the 1999-2000 financial year, the MPFA had already attained about two thirds of its approved staff establishment of 287, and almost all the civil servants seconded from the civil service to assist in the establishment of the MPFA had returned to the Government. Staff recruitment will continue to be an on-going process corresponding with the various phases of the implementation of the MPF System.

The MPFA's first and foremost concern in the coming year is to **get the MPF System off the ground** successfully and then consider changes and improvements in the light of the operational experience.

The MPF System is a totally new concept for Hong Kong. Despite all the preparatory work in the past few years, it is still an untried and untested system before its full implementation. The MPFA's first and foremost concern in the coming year is to get the MPF System off the ground successfully and then consider changes and improvements in the light of the operational experience.

The MPFA submitted its corporate plan for 2000-2001 for approval by the Financial Secretary in March 2000. Following the MPFA's first full year of operation, this annual report has now been prepared for submission to the Financial Secretary.