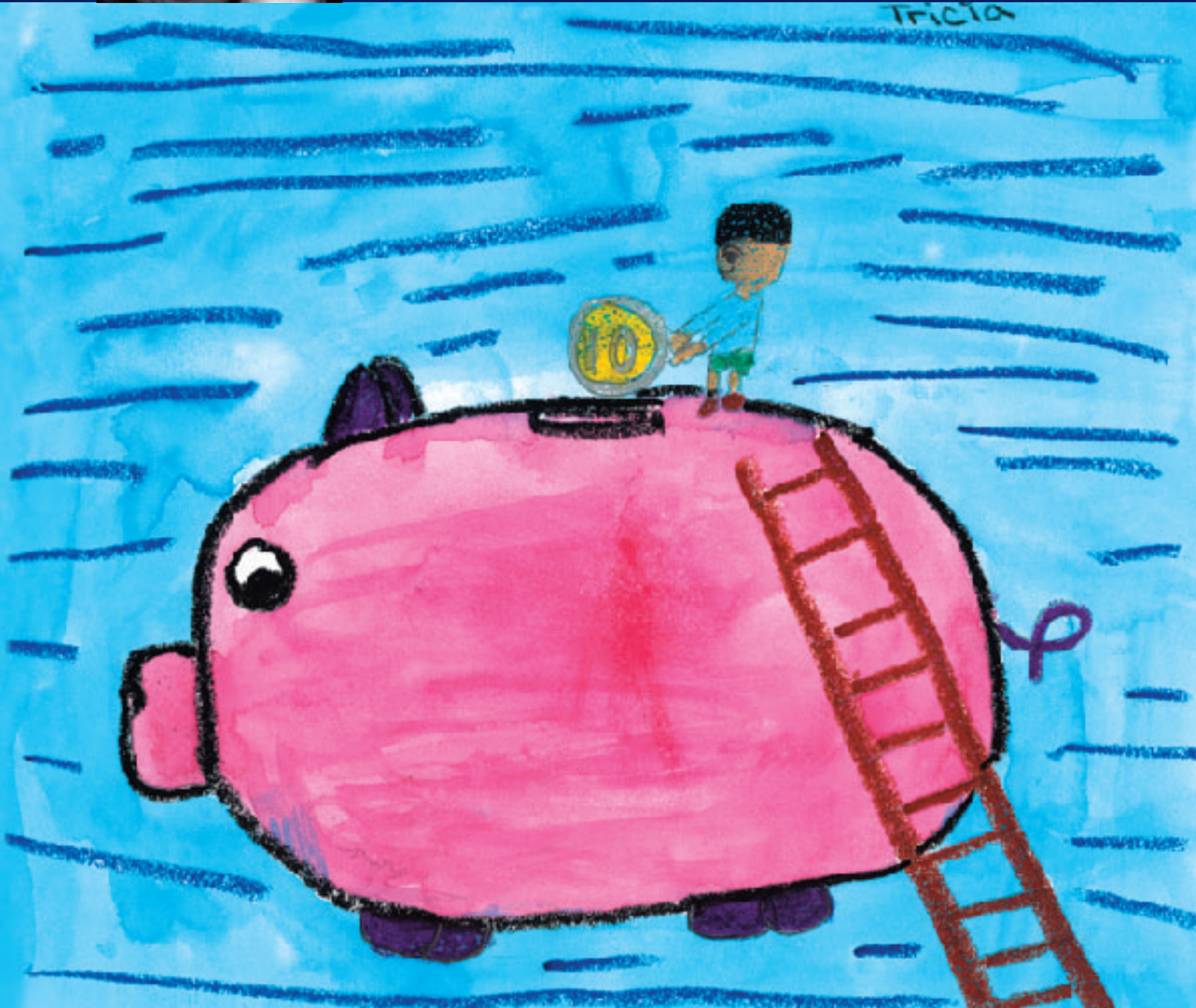




Extra Fat Savings Tricia Chan, aged 11

Tricia's big fat piggy bank gives a delightfully prudent message of the virtue of saving for the future.



Legislative Development

MPF Legislation

Following its enactment in 1995, the Mandatory Provident Fund Schemes Ordinance (Cap.485) (MPFSO) was amended in 1998 and supplemented by several regulations and rules made in 1998, 1999 and 2000 respectively.

In the course of preparing for the implementation of the MPF System, the MPFA identified provisions in the MPFSO and Mandatory Provident Fund Schemes (General) Regulation which could be improved to better protect the interests of scheme members and enhance the effective operation of the MPF System. In May 2001, the Mandatory Provident Fund Schemes (Amendment) Bill 2001, containing 20 amendments related to certain operational and technical issues of MPF schemes, was introduced into the Legislative Council. The items of amendment are set out in Appendix 2. The Bill was enacted in February 2002 as the Mandatory Provident Fund Schemes (Amendment) Ordinance 2002.

A list of the subsidiary legislation and legislative amendments made in respect of the MPFSO since its enactment is at Appendix 3.

MPF SCHEMES OPERATION REVIEW COMMITTEE

The MPF System affects over two million employers, employees, self-employed persons as well as service providers. In view of the overriding need to ensure that the System is efficient, effective and user-friendly, it is necessary to conduct a comprehensive review of the operational aspects of the System. Towards this end, the MPFA established the MPF Schemes Operation Review Committee (Review Committee) in August 2001. The Review Committee comprises representatives of employer and employee bodies, service providers, professional organizations, Government and MPFA. The composition of the Review Committee is included in Appendix 1.

The Review Committee is responsible for carrying out a comprehensive review on the administrative and operational aspects of the MPF legislation and making recommendations to amend the legislation in order to enhance the effectiveness and efficiency of the MPF System. It is envisaged that the review exercise will last for two to three years. The Review Committee completed the first phase of its work in end 2001 and made a number of

proposals to the MPFA to amend the MPFSO. The resulting Mandatory Provident Fund Schemes (Amendment) Bill 2002 was introduced into the Legislative Council on 24 April 2002.

The proposals in the 2002 Bill include amendments to:

- Set out the mechanism for adjusting the minimum and maximum levels of relevant income for MPF contributions
- Enhance protection for scheme members
- Simplify MPF scheme administration
- Improve the system of regulating MPF schemes
- Adjust certain provisions on MPF investment
- Resolve certain technical issues

In the coming year, the Review Committee will proceed with the second phase of its work, taking into account the experience gained in the implementation of the MPF System.

ORSO Legislation

Enacted in 1992 and brought into operation in 1993, the Occupational Retirement Schemes Ordinance (Cap.426) (ORSO) regulates all voluntarily established occupational retirement schemes (ORSO schemes) operating in or from Hong Kong. It is supported by subsidiary legislation in the form of rules made by the Registrar of Occupational Retirement Schemes.

A list of the subsidiary legislation and legislative amendments made in respect of the ORSO since its enactment is at Appendix 4.

During the year, the MPFA reviewed the ORSO legislation for the purposes of facilitating the administration of ORSO schemes and improving the overall effectiveness of ORSO schemes regulation. The industry was consulted on the proposed legislative amendments and finalized proposals are expected to be submitted to the Government in 2002.

Guidelines and Codes

To elaborate on the legislative requirements and to facilitate compliance with the MPF and ORSO legislation, the MPFA has issued in total 56 sets of Guidelines and two sets of Codes as of 31 March 2002. Among those guidelines, two sets of new guidelines setting out detailed reporting requirements on certain statistics and investment funds were issued in the reporting year, and eleven existing guidelines covering reporting requirements, investment and scheme operations were revised during the year. Separately, a Guide to Continuing Professional Development for MPF Intermediaries was issued to provide guidance to the industry on the new requirement. A complete list of all the guidelines and codes issued by the MPFA is set out in Appendix 5. These guidelines and codes are available on the MPFA website.

Circular Letters

Apart from the guidelines and codes, the MPFA has issued 21 circular letters to service providers to express the views of the MPFA on various issues and provide further assistance on compliance. Most of the circular letters issued during the reporting year covered scheme administration issues, including the handling of default contribution cases, the transfer of accrued benefits among approved trustees and the termination of ORSO schemes. Circular letters were also issued to explain the Continuing Professional Development requirement for MPF intermediaries. A list of the circular letters issued during the year is set out in Appendix 6.