Set our goal ...

Set clear investment objectives

Investment Regulation

Protecting the interests of members of MPF schemes through effective investment regulation is an important aspect of the MPFA's work. Building on the work done in previous years with respect to fund disclosure practices and the framework for MPF investment policy, the MPFA continued with a number of projects, including better disclosure of information to scheme members and the review of existing regulatory arrangements.

DISCLOSURE OF MPF FUND PERFORMANCE, FEES AND CHARGES

In 2002-03, the MPFA initiated a project to review the disclosure of performance and fees and charges for MPF funds (the Disclosure Project). The aim of the project was to improve the disclosure of information to enable MPF scheme members to make more informed and effective MPF investment decisions.

After formulating reform proposals in consultation with the industry, the MPFA issued a draft "Code on Disclosure for MPF Investment Funds" (the Disclosure Code) for consultation among a wide spectrum of stakeholders in February 2004. Following the consultation period and after further industry consultation, the MPFA issued a set of consultation conclusions setting out the key issues raised in the submissions and the MPFA's responses on 2 June 2004. The draft Disclosure Code was revised in the light of the comments received at various stages of the consultation exercise and the final version was published on 30 June 2004 for implementation in phases.

Among the key reforms, the requirement of providing prospective scheme members and current scheme members, upon request, with a copy of the offering document of a registered scheme, came into effect on 1 July 2004. Fee tables were made available to prospective employers and scheme members in a standardized format from March 2005 onwards. In addition, a fund fact sheet containing the required minimum contents should be provided to scheme members with all annual benefit statements provided after 28 February 2005. For this purpose, the industry has agreed on a set of performance presentation standards which will become effective in mid-2005.

Following the publication of the Disclosure Code, the MPFA proceeded to review member benefit statements with a view to developing proposals for improvements to the content of the statements, in consultation with the industry and a broad spectrum of stakeholders. Information collected from the trustees on existing practices, including the content and method of delivery of these statements, is being analyzed. Proposals for changes will be formulated after the review, followed by consultation and discussion with the industry.

REVIEW OF PERMISSIBLE INVESTMENT RULES

A study was started in 2002-03 on making general improvements to Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation to ensure that the Schedule is delivering the underlying policy objectives of the MPF System. During 2003-04, a list of proposals to reform the investment rules in the Schedule was developed and prioritized. The MPF Schemes Operation Review Committee (SORC) endorsed the first group of six proposals in 2003-04, while another six proposals were endorsed in 2004-05. These proposals have been submitted to the HKSAR Government for consideration. Further proposals will be deliberated by the SORC in mid-2005.

REGULATION OF APPROVED POOLED INVESTMENT FUNDS

After reviewing the consistency of regulation between Constituent Funds and Approved Pooled Investment Funds (APIFs) in the previous financial year, the MPFA planned to review the entire model for the regulation of Constituent Funds and APIFs in 2004-05. An initial review of the roles and responsibilities of scheme operators and an analysis of the comparative risks between the use of unit trust based APIFs and insurance policy APIFs have commenced. The review is expected to span beyond 2005.

INDEX-TRACKING COLLECTIVE INVESTMENT SCHEMES

The MPFA started processing applications for approval of index-tracking collective investment schemes (ITCISs) in 2002-03. During 2004-05, eight new applications were processed and approved, and one approved ITCISs was withdrawn. The total number of approved ITCISs grew to 83 as at 31 March 2005.

INVESTMENT-RELATED GUIDELINES

During the year, four sets of investment-related guidelines were revised. The Guidelines on Debt Securities were amended to provide guidance on the interpretation of credit rating requirements. As a result of a revision to the Securities and Futures Commission (SFC)'s Code on MPF Products, the list of regulatory authorities recognized by the MPFA as set out in the Guidelines on Investment Managers was also revised. These two sets of revised guidelines were published in May 2004. The Guidelines on Other Securities were amended to include additional types of securities and authorized unit trusts/mutual funds (such as real estate investment trusts authorized by the SFC) as permissible investments. This set of revised guidelines was released in August 2004. A further set of revised guidelines, Guidelines on Approved Exchanges, was published in March 2005 to reflect the change in names of certain approved exchanges.

Following the publication of the Disclosure Code in June 2004, the Guidelines on Disclosure of Annual Fees were repealed.