



# **Supervisory Practices**

**(Room Document N°12, Session 3)**

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# Outline

- ☛ Introduction
- ☛ Key Features
- ☛ ORSO Schemes
- ☛ MPF Schemes
- ☛ Key Statistics



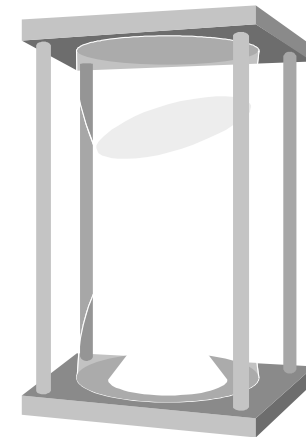


# Introduction (1)

- Prior to 1993
- 20% workforce has retirement protection
  - Civil servants, teachers

1993

- Occupational Retirement Schemes Ordinance
- Occupational Retirement Schemes (ORSO Schemes)
  - Voluntary





## Introduction (2)

- Aging population on the rise
- Only 1/3 workforce has retirement protection
- Need for mandatory retirement system

1995 • Mandatory Provident Fund Schemes Ordinance

1998 • Mandatory Provident Fund Schemes Authority (MPFA)  
➤ To regulate, supervise and monitor operation of Mandatory Provident Fund System (MPF System)  
➤ (Jan 2000) Took over regulatory function of ORSO Schemes

Dec 2000 • Implementation of MPF System  
➤ Mandatory



# Key Features

<b>ORSO Schemes</b>	<b>MPF Schemes</b>
<ul style="list-style-type: none"><li>• Voluntary</li><li>• Defined contribution / Defined benefit</li><li>• Trust / Insurance</li><li>• Employer-based</li><li>• Privately managed</li></ul>	<ul style="list-style-type: none"><li>• Mandatory</li><li>• Defined contribution</li><li>• Trust</li><li>• Employer-based</li><li>• Privately managed</li></ul>



# ORSO Schemes (1)

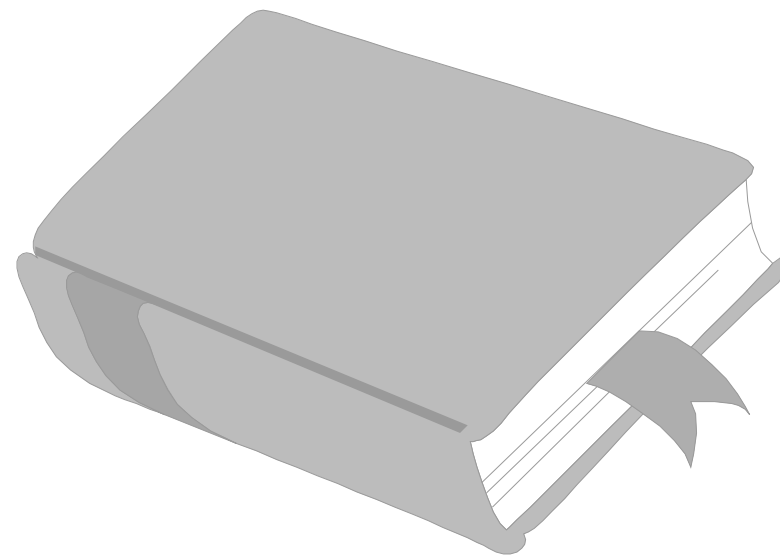
- ☛ Voluntary
- ☛ Regulatory requirements not as stringent as MPF schemes
- ☛ Focus on monitoring of individual schemes
  - Separation of assets from employers
  - Funding requirements
  - Investment restrictions
  - Auditing requirements
  - Trusteeship requirements
  - Disclosure of information



## ORSO Schemes (2)

### ☛ On-going monitoring

- Notification of changes
- Filing of annual returns
  - auditor's reports
  - financial statements
- Filing of actuarial review





# MPF Schemes (1)

☛ Mandatory

☛ Stringent requirements

e.g. Approval

➤ Trustees - paid up capital & net assets of HK\$150 m each

On-going

➤ Investment funds - 10% rule

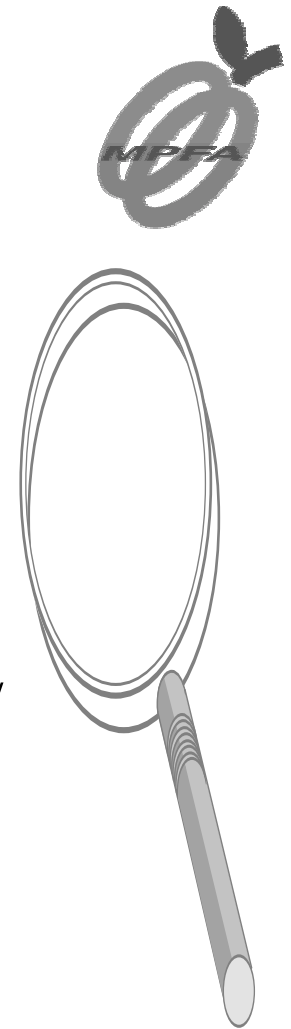
Reporting

➤ Significant events to be reported within 3 working days



## MPF Schemes (2)

- ☛ Focus on monitoring of trustees
  - Central party of MPF schemes
  - May delegate custodial / scheme administration / investment management / marketing functions to various service providers
  - Responsible for ensuring that appointed service providers comply with MPF legislation





## MPF Schemes (3)

### On-going monitoring

- ☛ Performs regular on-site inspections on trustees
  - Risk-based approach
  - Covers scheme administration and investments
  - Ensures that trustees properly monitor appointed service providers

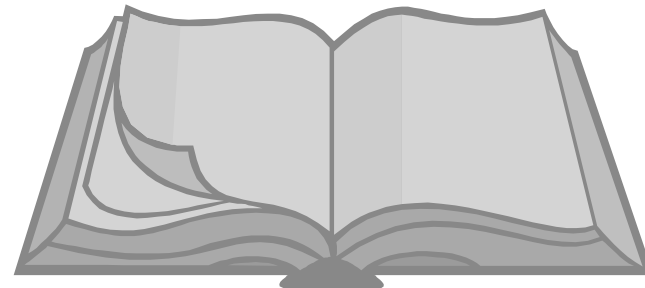




## MPF Schemes (4)

### ☛ Reviews returns and reports

- Monthly/quarterly returns of MPF funds
- Consolidated reports of MPF schemes
- Audited annual financial statements of trustee
- Report of control objectives and internal control measures
- Report of compliance with capital adequacy requirements





## MPF Schemes (5)

- ☛ Monitors significant events of trustees & service providers
  - Change of controllers / contravention of legislation, codes, guidelines
- ☛ Holds meetings with trustees / financial regulators / interested parties to resolve operational / legislative issues
- ☛ Performs special audit and investigation when needed
- ☛ Whistle-blowing by auditors / service providers / complainants





# Key Statistics (1)

(as at 31 March 2002)

## ORSO Schemes

- ☛ Employers - 11,200
- ☛ Employees - 617,000
- ☛ Aggregate net asset values - HK\$154 billion
- ☛ Monthly contribution amount - HK\$1.5 billion



## **Key Statistics (2)**

**(as at 31 March 2002)**

### **MPF Schemes**

- ☛ Participating Employers - 210,000 (92%)
- ☛ Enrolled Employees - 1,727,000 (96%)
- ☛ Enrolled Self-Employed Persons - 300,000 (85%)
- ☛ Aggregate net asset values of all MPF schemes -  
HK\$42.1 billion
- ☛ Monthly contribution amount - HK\$2.1 billion



**Thank You !**

**Q & A**