

Brief description of the new/revised Guidelines issued by the Mandatory Provident Fund Schemes Authority in December 2022

1. *Guidelines on Determining Relevant Rate of Administration Fee for Constituent Fund by Mandatory Provident Fund Schemes Authority (Guidelines VII.1) (New);*
 2. *Guidelines on Default Investment Strategy (Guidelines III.14);*
 3. *Code on Disclosure for MPF Investment Funds;*
 4. *Guidelines on Annual Statements of Registered Schemes (Guidelines II.4);*
 5. *Guidelines on Annual Statements of Approved Pooled Investment Funds (Guidelines II.5);*
 6. *Guidelines on Contribution Arrangement for a Self-employed Person Who Sustains a Loss (Guidelines IV.18);*
 7. *Guidelines on Central Securities Depositories (Guidelines I.7); and*
 8. *Guidelines on Index-Tracking Collective Investment Schemes (Guidelines III.10).*
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The Mandatory Provident Fund Schemes Authority (the Authority) has issued eight sets of new/revised mandatory provident fund (MPF) guidelines (i.e. one new set and seven revised sets). The first six sets of guidelines listed above are related to the Mandatory Provident Fund Schemes (Amendment) Ordinance 2021 (Amendment Ordinance). The other two sets of revised guidelines contain amendments arising from other developments. Brief descriptions of the eight sets of new/revised guidelines are summarized below:

Related to Amendment Ordinance

(a) *Guidelines VII.1 on Determining Relevant Rate of Administration Fee for Constituent Fund by Mandatory Provident Fund Schemes Authority **(NEW)***

- Set out the circumstances under which the Authority will normally be satisfied that (i) the annual rate of the administration fee (or equivalent) of a constituent fund of a registered scheme (i.e. an MPF scheme) is not readily ascertainable by reference to the offering document of the registered scheme and (ii) the exercise of the power to determine the relevant rate of administration fee is justified.
- Provide guidance on the way by which the Authority will determine the relevant rate of administration fee for a constituent fund of a registered scheme under section 19ZB of the Mandatory Provident Fund Schemes Ordinance (the Ordinance), specifically, (i) the formula to be adopted and (ii) the applicable administrative procedure to be adopted by the Authority before finalizing its determination.

(b) *Guidelines III.14 on Default Investment Strategy*

- Reflect the new definition of out-of-pocket expenses (OPE) and add reference to the new section 3 of Schedule 11 to the Ordinance which specifies the cap applicable to OPE of the Default Investment Strategy constituent funds for a year that begins on or after the material day.

(c) Code on Disclosure for MPF Investment Funds

- Update the fund expense ratio (FER) formula and provide an FER calculation example to illustrate the calculation requirements as set out in the new Schedule 13 to the Ordinance.

(d) Guidelines II.4 on Annual Statements of Registered Schemes

Guidelines II.5 on Annual Statements of Approved Pooled Investment Funds

- Update FER calculation requirements in Guidelines II.4 and II.5 due to the new Schedule 13 to the Ordinance.

(e) Guidelines IV.18 on Contribution Arrangement for a Self-employed Person Who Sustains a Loss

- Update the requirements under section 130 of the Mandatory Provident Fund Schemes (General) Regulation (the Regulation) in Guidelines IV.18.

Other Revised Guidelines

(f) Guidelines I.7 on Central Securities Depositories

- Update the names of certain central securities depositories (CSDs) and a central bank in Annex A and Annex B to Guidelines I.7 respectively, and make textual changes to expressly clarify the approval status of CSDs in relation to name changes, mergers and acquisitions.

(g) Guidelines III.10 on Index-Tracking Collective Investment Schemes

- Align the index concentration limit in the criteria for granting approval under section 2(4) or 6A of Schedule 1 to the Regulation with the revised Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission (SFC).
- Specify the factors to be considered when considering whether to approve an index-tracking collective investment scheme authorized by the SFC which is a feeder fund investing in a master fund.
- Update the approval criteria for index tracking constituent funds.
- Reflect the approval of the Shanghai Stock Exchange and Shenzhen Stock Exchange by the Authority for the purposes of section 6A of Schedule 1 to the Regulation.