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電 話 TEL.

26<sup>th</sup> September 2014

Mandatory Provident Fund Schemes Authority  
Investment Regulation Department  
Unit 1501A and 1508, Level 15  
International Commerce Centre  
1 Austin Road West, Kowloon

Dear Sir/Madam,

**Comments on Consultation on  
Providing Better Investment Solutions for MPF Members**

is writing to comment on Consultation Paper of Providing Better Investment Solutions for MPF Members. We not only comment on the 12 consultation questions, but also suggest a new role of MPFA for the core fund in future.

**Responses to Consultation Question**

The responses to consultation question have listed following.

- Q1. We “in-principle” support the direction of introduction a core fund in the manner set out in paragraph 36(a) to (d) of consultation paper.
- Q2. We agree that the CF that is the default fund should be substantially the same in all MPF schemes.

- Q3. We agree that it is appropriate that the core fund be based on a standardized default fund. We believe that the standardized default core fund is a spur to MPF services providers simplifying their MPF schemes introduction for competing with core fund. The transparency of MPF schemes in market would be increase.
- Q4. We do not agree that the appropriate investment approach of the core fund is one that automatically reduces risk over time as the member get closer to age 65. We should consider some members would be sophisticated investors, understanding the risk of each scheme, and it would hinder the possible combination of MPF schemes. MPF Scheme Authority should facilitate, not stifle, the MPF market. However, the informational messages of investment risks should be provided to members.
- Q5. Please refer to comment in Q4.
- Q6. We agree that keeping total fee impact for the core fund at or under 0.75% is a reasonable initial approach. The regulated low total fee could effectively prevent the MPF services providers charging higher fee, which weaken the efficiency of core fund.
- Q7. We agree that keeping FER for the core fund at or under 1.0% over the medium term is a reasonable approach.
- Q8. We agree that passive, index based, investment strategies should be the predominant investment approach in the MPF core fund. However, we believe that the weighted of shock in core fund should be minimized. The MPF scheme members could shoulder less risk as bonds have advantages over stocks, including relatively low volatility. If superior returns were needed, MPF scheme members should consider other constituent fund.
- Q9. Please refer to comment in Q8.
- Q10. We agree that the name of the core fund should be standardized across schemes, as every MPF scheme members have chances to take core

fund scheme. We suggest the "MPF Core Fund" is the preference amongst the possibilities set out in paragraph 77 of consultation paper, to emphasize the core investment approach for retirement savings.

Q11. We agree that the implementation and transitional issues as set out in paragraphs 78 and 79.

Q12. We agree with the proposal in paragraph 81 as to how to deal with the transition for existing MPF members of default funds.

**Suggestion on Role of MPFA**

In the consultation paper, the operator of the new core fund would not be discussed. We endorse the MPFA suggestion in 2012 that the government should establish a non-profit public trustee company to provide a series of low-fee MPF products with safe investment strategies.

In addition, the MPFA is one of the potential trustees of the new core fund, and we believe it can ensure the efficiency of the new core fund due to the values and functions of MPFA. Although may not practicable, MPFA still should take an active role in monitoring the core fund service provider.

Thank you very much.

Yours faithfully,