



強制性公積金計劃管理局
MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

電話號碼 Tel No : 2292 1565
傳真號碼 Fax No : 2259 8825
電郵地址 Email :
本局檔號 Our Ref : MPFA/S/TR/91/6 (C)
來函檔號 Your Ref :

By Email

1 February 2019

Circular Letter: SU/CTR/2019/001

To: All Approved Trustees

Dear Sir/Madam,

Compliance Issues relating to Disclosure of MPF Scheme Information

In the course of MPF scheme operations, various information is provided by approved trustees to scheme members to facilitate decision making. This circular letter serves to remind approved trustees that they should properly and clearly disclose fees and charges in offering documents, and accurately disclose information in consolidated reports¹. The attention of approved trustees is drawn in particular to the following issues:

1. Disclosure of fund expense ratio (FER²) and fee rebate arrangement

From time to time, approved trustees would seek the Authority's permission to make adjustments to the calculation of FER for the purpose of complying with E2.2 of the Code on Disclosure for MPF Investment Funds (Disclosure Code). In

¹ Section 89 of the Mandatory Provident Fund Schemes (General) Regulation (Regulation) sets out that a consolidated report consists of a) the financial statements of the scheme; b) the auditor's report on those statements; c) the scheme report prepared in accordance with section 86 of the Regulation; and d) the investment report prepared in accordance with section 87 of the Regulation.

² The purpose of FER is to provide a measure of the total level of expenses incurred in investing through a fund, including the costs incurred at lower level collective investment schemes.

some cases, the adjustments to FER are due to the offering of fee discount or rebate to the constituent funds subsequent to the negotiation among approved trustees, investment managers and sponsors.

However, it has recently come to the Authority's attention that an approved trustee disclosed a lower FER of a constituent fund after an adjustment of rebate income without seeking the permission from the Authority. Accordingly, the FER disclosed in the fund fact sheet, On-going Cost Illustration and the investment report of the scheme was not in accordance with the formula as set out in E2.2 of the Disclosure Code. Approved trustees should be mindful of putting control measures in place to ensure the calculation of FER is accurate and in compliance with E2.2 of the Disclosure Code.

Separately, the Authority noted that certain approved trustees did not disclose the management fees charged in constituent funds after the fee rebate arrangement in their offering documents. Accordingly, scheme members do not have sufficient information to help them make informed decisions when choosing schemes or investing in constituent funds. Approved trustees are expected to observe the good disclosure principles set out in the Disclosure Code, which stipulate that, among others, information should facilitate decision making and information should be timely.

The Authority urges approved trustees to review and assess the adequacy of existing disclosure of fee rebate arrangement in the offering document and make necessary amendments where appropriate. Alternatively, approved trustees may consider directly charging lower management fees to scheme members, instead of offering fee discount to scheme members by means of fee rebate.

2. Disclosure of accurate information in consolidated reports

Pursuant to section 89 of the Mandatory Provident Fund Schemes (General) Regulation, approved trustees are required to prepare and publish an annual consolidated report (ACR) of a registered scheme. The ACR must be printed in a Chinese language version and an English language version. Approved trustees must submit the ACRs to the Authority within 6 months after the end of each financial period.

Starting from July 2018, the ACRs are posted onto both the Authority's and trustees' websites to enable the information of MPF schemes more accessible to scheme members. The Authority noted that the ACRs submitted by certain trustees contain a number of errors, including disclosure of incorrect numerical figures for

certain constituent funds (e.g. net annualized investment return, the highest and lowest fund price) and inaccurate translation in the Chinese version. In cases where errors were identified, the relevant trustees have already submitted the revised ACRs to the Authority.

The Authority is aware that certain approved trustees have engaged third parties (e.g. auditors, scheme sponsors or translation agencies) to take up the translation work. Notwithstanding that, the delegation of such work would not absolve the approved trustees of their responsibilities for ensuring the accuracy and completeness of the ACRs. The Authority would like to reiterate that it is the responsibility of approved trustees to disclose accurate and complete information in the ACRs. Approved trustees are urged to review their ACR preparation processes to strengthen their monitoring and control measures to ensure the accuracy of information submitted to the Authority and disclosed to the scheme participants.

Approved trustees are reminded that where an approved trustee is found to have persistently made inaccurate or incomplete submission of the ACR to the Authority, it calls into question whether the approved trustee has put in place rigorous and effective monitoring measures to discharge its duties.

If you have any questions, please do not hesitate to contact your supervisory manager in the Authority.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Ginni Wong". The signature is fluid and cursive, with the first letter of each name being capitalized and prominent.

Ginni Wong
Head (Supervision)
Supervision Division