

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

I.7 Guidelines on Central Securities Depositories

INTRODUCTION

Section 73(1) of the Mandatory Provident Fund Schemes (General) Regulation (“the Regulation”) provides that an agreement entered into between the approved trustee of a registered scheme and a custodian of scheme assets or between the custodian and delegate of the custodian may provide for scheme assets to be held in a central securities depository.

2. Under section 2 of the Regulation, a central securities depository means a depository in Hong Kong, or a depository or a clearing agency outside Hong Kong that is approved by the Authority for the purpose of the Regulation.

3. The Authority hereby issue guidelines to:

- (a) set out the list of central securities depositories that are approved by the Authority for the purpose of the Regulation;
- (b) provide guidance on the criteria which the Authority will apply in determining whether to approve a central securities depository; and
- (c) specify the information that needs to be submitted when seeking the approval of the Authority with respect to a depository which is not on the list of approved central securities depositories.

LIST OF CENTRAL SECURITIES DEPOSITORIES

4. For the purpose of section 2 of the Regulation, the central securities depositories in which scheme assets may be held are set out in Annex A. The

Authority also approves a central securities depository formed through the merger of two approved central securities depositories or the acquisition of one approved central securities depository by another approved depository.

5. ***Treasuries, central and reserve banks:*** Annex A includes all depositories or clearing facilities (including any central registration system, book entry system or equivalent) operated by the treasury, the central bank or the reserve bank of a country / place. No further, prior approval is required from the Authority where MPF scheme assets are to be held in such depository or clearing facilities. An illustrative list of treasuries, central banks and reserve banks that act in such capacities is shown in Annex B. For the avoidance of doubt, separately incorporated subsidiaries owned by the government or the central / reserve bank of a jurisdiction will not be considered as part of the treasury / central bank and must be separately approved.

6. Prior approval of the Authority is required if scheme assets are to be held in central securities depositories other than those listed in Annex A.

APPROVAL CRITERIA OF A CENTRAL SECURITIES DEPOSITORY

7. The following is a set of criteria which the Authority will apply in considering further applications for approval of a central securities depository:

- (a) the depository must act as or operate a system for the central handling of securities or equivalent book-entries in the country where it is incorporated, or a transnational system for the central handling of securities or equivalent book-entries;
- (b) it must be regulated by a financial regulatory authority;
- (c) it must hold assets for custodians that participate in the system under safekeeping conditions no less favorable than the conditions that

- apply to other participants;
- (d) it must maintain adequate records that identify the assets of each participant and segregate the system's own assets from the assets of participants;
 - (e) it must provide periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account; and
 - (f) it must be subject to periodic examination by regulatory authorities or independent accountants.

8. The Authority may also consider other factors which include the legal structure of the depository, whether the depository is covered by professional indemnity insurance, the credit rating of the depository (if any), and whether the use of a depository is mandatory or a market practice in the relevant jurisdiction.

INFORMATION TO BE SUBMITTED FOR APPLICATION OF APPROVAL OF A CENTRAL SECURITIES DEPOSITORY

9. In seeking the approval by the Authority of any further securities depository, the relevant applicant should submit the following information to the Authority:

- (a) the particulars of the depository to be utilized, i.e. name, address, place of incorporation;
- (b) types of securities that will be deposited;
- (c) whether the use of the depository is mandatory or a market practice;
- (d) the legal status and structure of the depository, i.e. whether it is independent, non-profit-making or privately owned, etc.;

- (e) the ownership of the depository, i.e. shareholders and their shareholding;
- (f) the regulation or statute under which the depository is established and governed as well as the name of the regulatory body;
- (g) a confirmation from the depository or documentation from an independent source that the depository satisfies the conditions listed in paragraph 7 above;
- (h) whether the depository is guaranteed by a government, state, central bank or other authorities or organizations;
- (i) whether the depository is covered by professional indemnity insurance;
- (j) the credit rating of the depository, if available; and
- (k) any other information that may assist the Authority in considering the application.

10. The Authority will inform the applicant in writing whether a depository is approved as a central securities depository for the purposes of the Regulation. The applicant should inform the Authority as soon as practicable if there is any change in the information submitted to the Authority that may affect the approval given with respect to that depository.

11. Approved trustees should note that these Guidelines relate only to custody and holding arrangement for assets and that nothing in these Guidelines affect what is a permissible investment of a constituent fund or approved pooled investment fund. Part II of Schedule 1 to the Regulation and the Guidelines issued for the purpose of that Part set out what are permissible investments for constituent funds and approved pooled investment funds.

List of Approved Central Securities Depositories*

| Country | Name of Depository |
|----------------|---|
| | All depositories or clearing facilities (including any central registration system, book entry system or equivalent) operated by the treasury, the central bank or the reserve bank of a country/ place |
| Transnational | The Euroclear System |
| | Clearstream |
| Argentina | Caja de Valores S.A. |
| Australia | Austraclear Ltd. |
| | Clearing House Electronic Subregister System |
| | Reserve Bank Information and Transfer System |
| Austria | Oesterreichische Kontrollbank AG |
| Belgium | Caisse Interprofessionnelle de Depot et Virement de Titres (CIK) |
| Brazil | Companhia Brasileira de Liquidaco e Custodia (CBLC) |
| Bulgaria | The Central Depository AD (CDAD) |
| Canada | Canadian Depository for Securities Ltd. |
| Chile | Deposito Central de Valores, S.A. |
| China | China Securities Depository and Clearing Corporation Ltd. |
| | The Central Clearing and Settlement System, Hong Kong Securities Clearing Company |
| | Taiwan Securities Central Depository Co. Ltd. |
| Costa Rica | Central do Valores de la Bolsa Nacional de Valores SA (CEVAL) |
| Czech Republic | Stredisko Cennych papiru (Central Securities Registry) |
| Denmark | Vaerdipapircentralen (VP) (The Danish Securities Centre) |
| Egypt | Misr. Central Securities Depository (MCSD) |

| Country | Name of Depository |
|--------------------|---|
| Estonia | Estonia Central Securities Depository (ECSDL) |
| Finland | The Finnish Central Securities Depository Ltd.(APK) |
| France | Euroclear France |
| Germany | Clearstream Banking A.G. |
| Greece | Apothetirion Titlon AE (The Central Securities Depository) |
| Hungary | KELER Ltd. (Central Clearing House and Depository (Budapest) Ltd.) |
| India | National Securities Depository Ltd. (NSDL) |
| Indonesia | PT Kustodian Sentral Efek Indonesia (KSEI) |
| Ireland | CREST Co. Ltd. |
| Israel | The Tel Aviv Stock Exchange Clearing House |
| Italy | Monte Titoli |
| Ivory Coast | Ivory Coast Central Depository |
| Japan | Japan Securities Depository Centre |
| Kazakhstan | Central Depository of Securities (CJSC) |
| Korea, Republic of | Korean Securities Depository Corp. |
| Latvia | The Latvian Central Depository (LCD) |
| Lebanon | Midclear |
| Lithuania | Lietuvous Centrinis Vertybiniv Popieriv Depozitoriumas (Central Securities Depository of Lithuania) |
| Luxembourg | Clearstream Banking S.A. (operates as LuxClear) |
| Malaysia | The Malaysian Central Depository Sdn. Bhd. |
| | Scripless Securities Trading and Safekeeping System |
| Malta | Central Securities Depository |
| Mauritius | The Central Depository & Settlement Company Ltd. |
| Mexico | Instituto para el Deposito de Valores |

| Country | Name of Depository |
|-----------------|---|
| Morocco | Maroclear |
| | Centrale des Titres Scripturaux |
| Netherlands | Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. |
| New Zealand | New Zealand Central Securities Depository Ltd. (NZCSD) |
| Norway | Verdipapirsentralen (Norwegian Registry of Securities) |
| Oman | Muscat Depository and Securities Registration Company (MDRS) |
| Pakistan | Central Depository Company of Pakistan, Ltd. |
| Peru | Caja de Valores y Liquidaciones (CAVALI) |
| Philippines | Philippines Central Depository |
| Poland | Krajowy Depozyt Papierow Wartosciowych (National Depository for Securities) |
| | Centralny Rejestr Bonow Skarbowych, Central Treasury Bills Registrar (CTBR) |
| Portugal | Interbolsa |
| Romania | Societatea Nationala de Compensare, Decontare si Depozitare (SNCDD) |
| | Bucharest Stock Exchange (BSE Registry) |
| Singapore | The Central Depository Pte. Ltd. |
| Slovak Republic | Stredisko Cennych Papierov (SCP) |
| Slovenia | Klirinsko Depotna Druzba (KDD) |
| South Africa | The Central Depository Ltd. |
| Spain | Servicio de Compensacion y Liquidacion de Valores (SCLV) |
| Sri Lanka | The Central Depository Systems (Pvt.) Ltd. |
| Sweden | Vardepapperscentralen |
| Switzerland | SIS SegaIntersettle AG |
| Thailand | Thailand Securities Depository Co. Ltd. |

| Country | Name of Depository |
|----------------|--|
| Tunisia | Societe Tunisienne Interprofessionnelle de compensation et de Depot de Valeurs Mobilieres (STICODEVAM) |
| Turkey | Takas ve Saklama Bankasi A.S., (TAKASBANK) |
| United Kingdom | CREST Co. Ltd. |
| USA | Depository Trust Company |
| | National Securities Clearing Corporation |
| Venezuela | Caja de Valores (CVV Venezolana) |

* The Authority approves a central securities depository formed through the merger of two approved central securities depositories or the acquisition of one approved central securities depository by another approved depository.

The following is an illustrative list of the treasuries, the central banks and the reserve banks that operate depositories or clearing facilities (including any central registration system, book entry system or equivalent). The list is not exhaustive and there may be other treasuries, central banks or reserve banks which act in such capacities and accordingly are approved under Annex A.

| Country | Name of Treasury / Central Bank / Reserve Bank |
|------------------|---|
| Belgium | Banque Nationale de Belgique |
| Hong Kong, China | The Hong Kong Monetary Authority |
| Czech Republic | Czech National Bank |
| Greece | The Bank of Greece |
| India | The Reserve Bank of India |
| Ireland | The Central Bank of Ireland |
| Israel | The Bank of Israel |
| Italy | Banca d'Italia (Bank of Italy) |
| Japan | Bank of Japan |
| Malaysia | Bank Negara |
| Malta | Central Bank of Malta |
| Mexico | Banco de Mexico |
| Netherlands | De Nederlandsche Bank, N.V. |
| New Zealand | Reserve Bank of New Zealand |
| Philippines | Bureau of Treasury |
| Poland | National Bank of Poland |
| Singapore | Monetary Authority of Singapore (MAS) |
| Slovak Republic | National Bank of Slovakia |
| Spain | Bank of Espana (Bank of Spain) |
| Tunisia | Central Bank of Tunisia The Tunisian Treasury |
| United Kindgom | Bank of England |
| USA | Federal Reserve Bank |