

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

III.6 Guidelines on Capital Preservation Funds

INTRODUCTION

Section 37(8) of the Mandatory Provident Fund Schemes (General) Regulation (“ the Regulation”) defines

- (a) “authorized financial institution” as an authorized financial institution belonging to a class specified from time to time for the purposes of that subsection by notice published in the Gazette;
- (b) “Hong Kong dollar savings account” as a Hong Kong dollar savings account established by an authorized financial institution; and
- (c) “prescribed savings rate” as a rate prescribed by the Mandatory Provident Fund Schemes Authority (“Authority”) for the purposes of that subsection by notice published in a Chinese language newspaper and an English language newspaper circulating in Hong Kong as-
 - (i) the rate at which interest is for the time being payable in respect of a Hong Kong dollar savings account; or
 - (ii) if different authorized financial institutions pay interest on Hong Kong dollar savings accounts at different rates, the rate determined by the Authority as the average of those rates.

2. Section 6H of the Mandatory Provident Fund Schemes Ordinance (“the Ordinance”) provides that the Authority may issue guidelines for the guidance of approved trustees, service providers and other persons concerned with the Ordinance.

3. The Authority hereby issues guidelines to specify:

- (a) the class of authorized financial institutions;
- (b) the basis for determining the prescribed savings rate; and
- (c) when and where the prescribed savings rate would be published.

4. The class of authorized financial institutions will also be published by notice in the Gazette on [date to be inserted when available].

CLASS OF AUTHORIZED FINANCIAL INSTITUTIONS

5. For the purposes of defining “authorized financial institution” under section 37(8) of the Regulation, the note-issuing banks in Hong Kong shall constitute the class of authorized financial institutions. Under Schedule 1 to the Legal Tender Notes Issue Ordinance (Cap. 65), the note-issuing banks in Hong Kong at present comprise Bank of China, Standard Chartered Bank and the Hongkong and Shanghai Banking Corporation Limited.

DETERMINATION OF THE PRESCRIBED SAVINGS RATE

6. The prescribed savings rate is the rate at which interest is for the time being payable in respect of a Hong Kong dollar savings account with deposits below HK\$500,000¹. Where different authorized financial institutions pay interest on Hong Kong dollar savings accounts at different rates, the prescribed savings rate is the simple average of the interest rates offered for deposits below HK\$500,000 by the authorized financial institutions belonging to the class.

7. The prescribed savings rate would be rounded to the nearest 4 decimal places.

PUBLICATION OF THE PRESCRIBED SAVINGS RATE

8. The Authority will, by notice, publish the prescribed savings rate(s) for a particular month in the Hong Kong Economic Journal and the South China Morning Post on the second working day of the following month.

DEFINITIONS OF TERMS

9. Except where otherwise specified in the Guidelines, the terms common to the Ordinance and the subsidiary legislation of the Ordinance carry the same meanings as defined in the Ordinance and the subsidiary legislation. References should be made to the Ordinance and the subsidiary legislation, where necessary.

¹ According to the Rules on Interest Rates and Deposit Charges published by the Hong Kong Association of Banks ("HKAB") in December 1997, deposits of HK\$500,000 or more in Hong Kong dollar savings accounts are not subject to the maximum interest rates for savings accounts as determined by the HKAB from time to time.