

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

III.6 Guidelines on Capital Preservation Funds

INTRODUCTION

Section 37(6) and (7) of the Mandatory Provident Fund Schemes (General) Regulation (“the Regulation”) stipulates the conditions under which the scheme administrative expenses can be deducted from the accrued benefits of a scheme member who participates in a Capital Preservation Fund.

2. Section 37(8) of the Regulation specifies the meaning of “authorized financial institution”, “Hong Kong dollar savings account” and “prescribed savings rate” for the purposes of the section.

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

4. The Authority hereby issues guidelines to specify:

- (a) the meaning of administrative expenses;
- (b) the class of authorized financial institution;
- (c) the basis for determining the monthly average prescribed savings

rate; and

- (d) when and where the prescribed savings rate would be published.

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

ADMINISTRATIVE EXPENSES

6. For the purposes of section 37(6) and (7) of the Regulation, administrative expenses cover all expenses of or related to the management of a registered scheme excluding stamp duty and brokerage commission.

PRESCRIBED SAVINGS RATE

Class of Authorized Financial Institutions

7. 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.

Monthly Average Prescribed Savings Rate

8. The monthly average prescribed savings rate of an authorized

financial institution is determined by taking the calendar-day weighted average of the rates of interest of Hong Kong dollar savings accounts for the month.

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

Publication of the Prescribed Savings Rate

10. The Authority will, by notice, publish the monthly average prescribed savings rate 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

11. 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.