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**Keynote Speech**

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Chairman  
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Good afternoon, Ms Vivian Kwok, ladies and gentlemen,

2. I am honoured to be invited to this special event.

3. First of all, I would like to congratulate all the recipients of the Top Fund Awards 2017. As Chairman of the Mandatory Provident Fund Schemes Authority (MPFA), I am particularly obliged to the awardees of the “MPF Fund Awards” category as I truly believe your hard work and outstanding performance have made a significant contribution to the retirement protection of our scheme members.

4. We have just celebrated the 17th anniversary of the MPF System on 1 December, I would like to take this opportunity to share with you how the System has performed its role as one of the pillars in retirement protection, as well as our major initiative in the pipeline.

5. Today is an occasion for recognizing the contributions of the investment management professionals. With the great efforts of our MPF investment fund managers, the total MPF assets under management (AUM) (as at end of October 2017) have exceeded HK\$810 billion, including HK\$242 billion in investment returns, net of fees and charges, meaning that 30% of our AUM are investment returns.

6. According to an earlier MPFA statistical analysis of accrued benefits held by scheme members, as at the end of December 2016, 140,000 (or 2% of) MPF accounts had accrued benefits of more than \$500,000. Among them, some

30,000 accounts had more than \$1,000,000. These are not small sums for a retirement system of only 17 years. Given the buoyant market this year, it is quite certain that the number of accounts that have accumulated more than \$500,000 and \$1,000,000 respectively would further increase.

7. As the MPF regulator, we could not afford to be complacent. The MPFA has always been concerned about the level of MPF fund fees. We have repeatedly urged the MPF industry to reduce fund fees and have taken a number of measures to make room for fees reduction. As a result of the concerted efforts of all parties concerned, the average Fund Expense Ratio (FER) has dropped by 26% to 1.56% over the past 10 years. I am also delighted to note that a major MPF trustee recently launched a fees reduction which has benefited millions of MPF account holders. We expect other service providers to follow suit in reducing management fees for the benefits of our scheme members.

8. As we expected, the Default Investment Strategy (DIS), launched this April, would have a benchmark effect on the market. With the fees of the DIS funds capped, their introduction has put pressure on other MPF funds to reduce fees as well. Since the passage of the DIS legislation in May 2016, 63 MPF funds have cut their fees, with the biggest reduction up to 54.55%.

9. We all know the community is always yearning for a better MPF System - a simpler, cheaper and more cost-efficient one, and so are we. Therefore, we have to keep up the efforts and keep looking for every possibility to enhance the MPF System.

10. The MPF System involves not only investment management, but also a lot of paper-based administrative work that incurs heavy costs. We understand that there are around 30 million MPF administration transactions per year and up to 100,000 transactions a day are paper-based or executed via cheques.

11. In an age where we can basically manage most of our business in just a few clicks on our computer or smartphone, our MPF System has beyond doubt

room for improvement on the digital front, and this brings me to share with you our next major reform – the “eMPF”.

12. The next objective of the MPFA is to put in place an eMPF, a centralized electronic platform to facilitate the standardization, streamlining and automation of MPF scheme administration, thereby reducing operating costs and paving the way for “full portability”.

13. Specifically, we would like the eMPF to achieve several purposes, namely: providing centralized collection of MPF contributions and necessary information from employers through an electronic channel; automatically calculating the amount of contributions of each employee and submitting such information to the trustees concerned; and providing a one-stop electronic portal for all scheme members to access relevant information about their MPF accounts.

14. This initiative has obtained the full support of the Government which explicitly set it out in this year’s Policy Address. The Financial Secretary’s Budget Speech further mapped out how to take the eMPF forward. The Financial Services and the Treasury Bureau and the MPFA have subsequently formed a Working Group to steer its development. MPF trustees are also invited to become members of the Group.

15. Relevant work of the initial stage has been underway with full speed. We are working very closely with trustees to map out the functionalities of the eMPF platform. We are also actively engaging employers, HR practitioners and scheme members to understand their needs and experiences in using electronic services from the users’ perspective. Our target is to have the technical specifications ready by Q3 2018 for assessment of the necessary funding which will entail application to and approval by the Legislative Council.

16. Of course, we would not underestimate the challenges involved as the success of the eMPF would be highly dependent on various factors, notably the willingness of scheme members and employers to go paperless. However, with the efforts of all parties concerned, I am cautiously optimistic that this vision will

come to fruition which would ultimately benefits scheme members and the MPF System as a whole.

17. On that note, I would like to conclude my speech.

18. Once again, thank you for inviting me to the ceremony today witnessing the achievements of our fund industry practitioners in the past year. I wish you all a very prosperous year ahead!

19. Thank you.