

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

III.3 Guidelines on Eligible Overseas Banks and Authorized Financial Institutions

INTRODUCTION

Section 11 of Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation (“the Regulation”) provides that the funds of a constituent fund may be placed on deposit with an authorized financial institution or an eligible overseas bank.

2. Section 11(1A) of Schedule 1 to the Regulation further specifies that the funds of a constituent fund must not be placed on deposit with a branch outside Hong Kong of an authorized financial institution incorporated outside Hong Kong unless the authorized financial institution satisfies a minimum credit rating set by the Mandatory Provident Fund Schemes Authority (“the Authority”), based on the credit rating of the authorized financial institution as determined by an approved credit rating agency.

3. Section 13 of the Regulation provides that a bank is an eligible overseas bank if -

- (a) it is a bank incorporated outside Hong Kong and not holding a valid banking licence under the Banking Ordinance (Cap. 155); and
- (b) it satisfies a minimum credit rating set by the Authority, based on the credit rating of the bank as determined by an approved credit rating agency.

4. Section 15(2)(a) of Schedule 1 to the Regulation specifies that subject to subsection (2A), a currency forward contract may be acquired for a constituent fund only if it is acquired from an authorized financial institution or an eligible overseas bank.

5. Section 15(2A) of Schedule 1 to the Regulation further specifies that a currency forward contract must not be acquired from an overseas branch of an authorized financial institution incorporated outside Hong Kong unless the authorized financial institution satisfies a minimum credit rating set by the Authority, based on the credit rating of the authorized financial institution as determined by an approved credit rating agency.

6. 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.

7. The Authority hereby issues guidelines to specify -
 - (a) the minimum credit rating that needs to be met by an authorized financial institution incorporated outside Hong Kong, if the funds of a constituent fund are to be placed on deposit with its branch that operated outside Hong Kong, based on the credit rating of the institution as determined by an approved credit rating agency; and
 - (b) the minimum credit rating that needs to be met by an eligible overseas bank, based on the credit rating of the bank as determined by an approved credit rating agency.

8. Guidelines I.9 set out the names of approved credit rating agencies.

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9. For the purposes of section 11(1A) and section 15(2A) of Schedule 1 to the Regulation, the funds of a constituent fund must not be placed on deposit with, or a currency forward contract must not be acquired from, a branch outside Hong Kong of an authorized financial institution incorporated outside Hong Kong unless the short-term debt securities (less than one year) issued by the institution meet at least one of the following credit ratings, determined by the respective approved credit rating agencies.

<u>Approved Credit Rating Agency</u>	<u>Minimum Credit Rating</u>
Fitch Ratings	F1
Rating & Investment Information, Inc.	a-1
Moody's Investors Service, Inc.	Prime-1
Standard & Poor's Corporation	A-1

ELIGIBLE OVERSEAS BANK

10. For the purpose of section 13(b) of the Regulation, an overseas bank is an eligible overseas bank if the short-term debt securities (less than one year) issued by the bank meet at least one of the following credit ratings, determined by the respective approved credit rating agencies.

<u>Approved Credit Rating Agency</u>	<u>Minimum Credit Rating</u>
Fitch Ratings	F1
Rating & Investment Information, Inc.	a-1
Moody's Investors Service, Inc.	Prime-1
Standard & Poor's Corporation	A-1

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.