

Speech by Mr Christopher Hui, JP Secretary for Financial Services and the Treasury

Ayesha (Chairman of the Mandatory Provident Fund Schemes Authority, Mrs Ayesha Macpherson Lau), ladies and gentlemen,

Thanks for having me today to be the Guest of Honour for the MPF Symposium 2021. As Ayesha has mentioned just now, the MPF is approaching its 21st birthday. When you talk about like a work life for 40 years, it is like a halfway by the people having midlife crisis, so we need to think about what to do next. Today's theme is actually very timely about digital transformation and also sustainable investing, which is exactly the global trend in finance that everybody is pursuing. Looking back, the system has indeed demonstrated its resilience over the years, as it weathered through a number of financial crises, yet is still able to maintain stable operation and achieve sizable returns for our retiring population. In fact, of the over \$1.16 trillion of assets currently managed under the MPF system, nearly 34 per cent, about \$400 billion, are returns net of fees generated over the years for our retiring population. As for rate of return, the MPF system has delivered 4.6 per cent annualised return on a net basis since its inception, and it surely has provided extra returns over and above inflation for our scheme members.

Of course there is no room for complacency, and the public does have high expectations on us to continuously improve the system, to make it less costly and at the same time to deliver higher returns. The opportunity has come for us to utilise technology as a powerful tool to fundamentally transform the administration of the MPF system, such that we can meet the high expectations of the public. With the collective efforts from us at the Government, the MPFA (Mandatory Provident Fund Schemes Authority) and the industry, we have commenced the journey of developing the eMPF, an electronic platform that would centralise administration work across trustees, with a view to bringing cost saving and enhanced efficiency to the system. This transformation would bring both quantitative and qualitative benefits. For those who care about numbers, we have committed clearly to the public that, once trustee migration is completed and we are fully

operational, administration fees should immediately come down by around 30 per cent. And in the 10 years to come after commencing operation, the eMPF is expected to deliver cost saving in the range of \$30 billion to \$40 billion. This significant cost saving is only possible because we are all working together to build a new financial infrastructure that would harness the benefits of digitalisation, centralisation, standardisation and economies of scale. On the other hand, the use of technology will also bring us a more user-friendly experience in managing our MPF. This is very important as many people tend to think that retirement is still a distant issue for them, hence they seldom manage their MPF accounts and decide on investment solutions that are suitable for their life stages. By making the MPF system more accessible through an electronic interface and platform, members of the public will be encouraged to start paying more attention to its management, and select the providers and products that would best cater to their investment and retirement needs.

Besides developing the eMPF platform, another key direction for us to improve the MPF system is to broaden the investment choices for our scheme members. The opening up of our country's capital markets provide excellent opportunities for diversification and investment returns. As global institutional investors continue to increase exposures in the Mainland market to ride on its liberalisation, it is the Government's view that we should also facilitate MPF scheme members to benefit from this new market trend in an orderly and risk-managed manner. This is why in November last year, we have announced the inclusion of Shanghai and Shenzhen Stock Exchanges into the list of Approved Exchanges, with a view to facilitating MPF funds to invest in these two markets. Judging from the positive response of the market and the increased exposures into A-shares, I would say we have made the right decision. As a next step, as announced by the Chief Executive in her Policy Address, we would facilitate investment into the Mainland onshore bond market for government bonds and bonds issued by policy banks. This would further widen the investment choices available for MPF funds, and in the long term allow the system to continuously deliver returns to our scheme members.

Before I conclude, I note that besides digital transformation, the issue of sustainable investing is also a key theme for the symposium today. Indeed, the Government views green and sustainable finance as one of the

most important opportunities for our financial services industry, and the MPF is no exception. By nature, the MPF is for long-term investment and it would be an ideal source of capital with patience that can enable green transformation. I very much look forward to exploring with the MPFA and the industry on how we can further promote sustainable investing for the MPF system in the future. Thank you and I wish the symposium every success today.