

The applicant should note that a person who in any document given to the Authority makes a statement that the person knows to be false or misleading in a material respect, or recklessly makes a statement which is false or misleading in a material respect, commits an offence under Section 43 of the Mandatory Provident Fund Schemes Ordinance (“MPFSO”) and is liable to prosecution.



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Standard Information / Document Request List

Application for Termination and Cancellation of Approval Status of Constituent Funds (“CF(s)”)

The Standard Information / Document Request List (“Standard Information List”) is to assist applicants in preparing an application of the termination and cancellation of approval status of constituent funds pursuant to chapter B1.26 of the Code on MPF Investment Funds and section 21BB of the MPFSO respectively. The list is divided into 2 parts as follows:

Part I : Application Documents To Be Submitted To The Authority

Part II : Contents Of The Application Documents

Important Notes:

- 1. The Authority may refuse to take up any application and reserves the right to return forthwith, without processing, an incomplete or non-compliant application to the extent that information and/or the accompanying documents are not properly or fully completed, and/or negative responses in the Standard Information List are not properly explained, and/or such application is accompanied by documents that do not meet the applicable requirements under the MPFSO, the Mandatory Provident Fund Schemes (General) Regulation (“Regulation”), guidelines and/or codes that are issued by the Authority, are not in good order or otherwise not suitable for clearance.***
- 2. Applicants should note that the below list of documents / information is by no means exhaustive and the Authority may request further documents / information in relation to the relevant application where necessary. All information that is deemed material and relevant to the application should also be submitted to the Authority in addition to the information and document requested herein.***



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3. *Applicants should note that in reviewing the application documents, the Authority has not vetted the information therein related to accuracy issues such as grammar, spelling mistakes or typing error. It is the responsibility of the applicant to ensure the accuracy and consistency of all the information and documents submitted.*

4. *Applicants should annotate contents of application documents with the item numbers provided in the list, e.g. mark Part II (1)(ii) for the reason(s) of the proposed termination in the detailed plan.*



Part I Application documents to be submitted to the Authority by the trustee¹

- (1) A detailed plan on how to carry out the constituent fund termination involving compulsory transfer of MPF assets²
- (2) Draft deed of undertaking by the trustee³
- (3) Draft notice to scheme members and participating employers⁴
- (4) Draft of all documents necessary for effecting the termination⁵
- (5) Special audit in relation to the termination of Relevant CF(s)
- (6) Application Form - FORM CF(CAN) to be completed by the trustee⁶

¹ *The applicant shall be an approved trustee pursuant to Section 20 of the MPFSO.*

² *This part should only be completed if required. Please refer to (1) of Part II below for the content details.*

³ *Please refer to (2) of Part II below for the content details.*

⁴ *Please refer to (3) of Part II below for the content details.*

⁵ *Please refer to (4) of Part II below for the content details.*

⁶ *Please refer to MPF Guidelines I.10.*



Part II Contents of the Application Documents

(1) A detailed plan on how to carry out the termination (the “Detailed Plan”⁷)

The Detailed Plan is expected to cover, without limitation, the following:

- (i) Basic information of the CF(s), which includes:
 - (a) Name and approval number of CF(s) proposed to be terminated (“Relevant CF(s)”); and
 - (b) Product structure of the Relevant CF(s)
- (ii) Reasons and the expected outcome of the proposed termination of the Relevant CF(s) supported by clear explanations why the proposed termination is in the interests of scheme members.
- (iii) Proposed effective date of termination.
- (iv) Chronological timeline setting out key milestones and responsible parties for implementation of the termination of the Relevant CF(s).
- (v) Statistical information in relation to the Relevant CF(s) including:
 - (a) number of members who are relevant employees;
 - (b) number of members who are self-employed persons;
 - (c) number of members who are personal account members; and
 - (d) net asset value of the Relevant CF(s) as of the latest available month end.
- (vi) Proposed date on which notice of the termination of the Relevant CF(s) is to be given to participating employers and scheme members.
- (vii) A statement as to whether or not consent of participating employers/members/relevant parties to the termination of Relevant CF(s) must be obtained under the governing rules of the scheme.
(Where Applicable) If yes, please provide the Authority with the following:
 - (a) the legal basis on which the termination is justified;
 - (b) when and how the consent must be obtained; and
 - (c) draft notice to participating employers and scheme members seeking their consent to the termination as required under the

⁷ The Authority may provide comments to the Detailed Plan. The Detailed Plan signed by the CEO of the approved trustee should be submitted (a) at the time of submitting an application and (b) at such other times as requested by the Authority (if changes are made to the proposal).



trust deed of the relevant MPF scheme.

- (viii) A statement as to whether the requirements as set out in governing rules of the MPF scheme in relation to termination of the Relevant CF(s) has been met⁸.
 - (a) (Where Applicable) If the proposed arrangement is not specified under governing rules of the MPF scheme or is not align with the provisions of those governing rules, then please advise how the CF termination is still justified.
- (ix) Estimate the cost of the termination of the Relevant CF(s), how and who will bear the cost of the termination⁹.
- (x) Reasons and justifications for the proposed mapping of CF(s) (arrangement of designated CF(s)).
- (xi) A statement to the effect that no bid-offer spread will be applied on transactions related to the termination process.
- (xii) Arrangements related to the transfer of members' accrued benefit from the Relevant CF(s) including:
 - (a) how assets are to be transferred¹⁰;
 - (b) timeline showing the sequence of events of transfer including the timing of (i) the redemption of units in the Relevant CF(s), (ii) redemption of units in their underlying approved pooled investment funds ("APIFs"), (iii) subscription of units in the designated CF(s) under the scheme, (iv) subscription of units in their underlying APIFs. The trading date of subscription and redemption for each of the events under (xii)(b)(i) to (iv) must be provided;
 - (c) relevant due dates and deadlines for handling switching requests/ change of investment mandate/ withdrawal claims;
 - (d) the arrangement of designated CF(s), i.e. name of the CF(s) to which members' accrued benefits are to be transferred to if members' instructions (switching requests/change of investment mandate) have not been received before the deadline;
 - (e) confirmation from approved trustee that the above proposed arrangement set out in (xii) are in the interests of members;
 - (f) confirmation from approved trustee that there will be continual compliance with the MPF legislation, governing rules of the scheme and meeting of trustee's service pledge notwithstanding the implementation of the termination of the Relevant CF(s);
 - (g) (where Applicable) where the trustee is not able to meet its service pledge during the termination process, please (i) provide explanations as to why the trustee's service pledge cannot be met, (ii) confirm that there will be proper communication arrangements to inform scheme members and participating employers that the trustee's service pledge cannot be met; and

⁸ For example, proposed arrangement, resolution made in fund holder meeting, asset size below certain amount.

⁹ Please make reference to the Authority's letter to all MPF trustees dated 13 May 2004 titled, "Costs of Restructuring Exercises Charged to MPF Schemes and Funds."

¹⁰ For example, cash redemption, in-specie transfer.



- (iii) provide details of how and when this will be communicated to scheme members and participating employers;
 - (h) arrangements for compensating scheme members for any potential loss of accrued benefits due to termination of Relevant CF(s);
 - (i) mechanism for handling grievances (including enquiries and complaints) arising from the termination of the Relevant CF(s), e.g. provide assistance to the scheme administrator and the sponsor in addressing members' enquiries or complaints/ FAQs to respond to members' enquiries;
 - (j) (where Applicable) relevant arrangements for Relevant CF(s) that are guaranteed funds will be provide by the trustee, e.g. whether exit options are to be offered to affected participating employers and scheme members with guaranteed benefits entitlement together with relevant amendments to the offering documents and/ or trust deed of (i) the affected guaranteed fund of the scheme and/ or (ii) the underlying fund of the affected guaranteed fund if necessary;
 - (k) Mechanism for handling residual assets of Relevant CF(s); and
- confirmation from approved trustee that there will be proper transitional (including but not limited to administrative and operational) arrangements with all related service providers including the trustee, investment manager, custodian and administrator of the scheme/ underlying fund(s) to ensure there will be a smooth transition and proper transfer from the existing Relevant CF(s) to the designated CF(s).
- (xiii) In relation to suspension of dealing and valuation, please specify the following:
- (a) whether any suspension of dealing and valuation is proposed, and if so, the duration of the suspension period;
 - (b) requirements on suspension of dealing and valuation according to governing rules of the scheme and whether the proposed suspension of dealing and valuation will comply with the governing rules of the scheme;
 - (c) whether the trustee considers that the suspension of dealing and valuation is reasonable and is in the interests of members supported by explanations including reference to section 43 of the Regulation, as well as details of other options considered by the trustee before determining to suspend dealing and valuation;
 - (d) impact of the suspension on normal scheme operations and corresponding actions to be taken; and
 - (e) confirmation that the triggering of any suspension of dealing and valuation complies with (i) section 43 of the Regulation and (ii) B1.21 of the Code on MPF Investment Funds, supported by explanations of the exceptional circumstances that exist which would lead to triggering of suspension of dealing and valuation having regard to interests of members.

The duration of such suspension of dealing and valuation will be disclosed in the notice to scheme participants and FAQ. If the suspension period exceeds one day, the chronology of events for such suspension period should be disclosed in the notice to scheme



participants and FAQ.

- (xiv) Communication plan to inform existing members and prospective members about the termination of the Relevant CF(s):
 - (a) requirement on notice periods according to the governing rules of the scheme¹¹;
 - (b) notification arrangements to scheme members and participating employers after the completion of the transfer(s) and the time frame for notification;
 - (c) means of communication to scheme members and participating employers (e.g. notice, briefing session/seminar, post FAQ on website etc);
 - (d) notification arrangements for members enrolling in the scheme during the notification period;
 - (e) treatment of untraceable members, especially for those investing in the Relevant CF(s); and
 - (f) follow up action to be taken by the trustee and/or scheme administrator after the issuance of the termination notice to members: (i) invalid members switching / change of investment mandate requests (ii) receipt of members' investment instructions to invest in the Relevant CF¹².
- (xv) Confirmation that the communication arrangements to inform scheme members of the termination of the Relevant CF(s), including untraceable members and members enrolling in the scheme during the notification period are sufficient and proper taking into account the interests of members.
- (xvi) Confirmation that there will be adequate training and resources for the trustee's and/or the administrator's call centre to handle the termination related enquiries and complaints.
- (xvii) A statement to the effect that after considering all available options and arrangements, the termination and transfer arrangements proposed are in the interest of members.
- (xviii) Confirmation that an assessment of the stability and readiness of the proposed termination of the Relevant CF(s) (e.g. stress test) has been/ will be conducted on aspects, including but not limited to, system readiness, adequate resources, etc.
- (xix) A brief summary of contingency plan and the considerations and reasons for concluding to adopt such contingency plan.

¹¹ *It is expected that advanced notice should be provided to EACH participants of the scheme.*

¹² *It would be in the interest of trustee/ scheme administrator to ensure scheme members are fully aware of the financial impact of investing in a terminating CF to avoid potential disputes.*



(xx) Other information that the applicant wishes to provide to the Authority in relation to the termination of the Relevant CF(s).

(2) Draft deed of undertaking

Trustee undertakes, in a form of deed, that:

- (a) the approved trustee will use its best endeavours to ensure that (i) all affected parties including existing employers and members are aware of the termination; and (ii) the accrued benefits of members will be protected during the termination exercise and where necessary, compensate any losses to the accrued benefits of any such members arising from the implementation of the termination of the Relevant CF(s);
- (b) it will inform the Authority of any complaints, grievances or concerns received from the members in relation to the termination and address them to the reasonable satisfaction of the Authority;
- (c) it shall carry out the termination in accordance with the provisions of the Detailed Plan except for any circumstances beyond its reasonable control.

(3) Draft notice to scheme members and participating employers

- (a) The draft notice is expected to cover at least the following details in relation to the termination of Relevant CF(s):
 - (i) reasons for the termination;
 - (ii) effective date of the termination;
 - (iii) how interests of scheme members will be adequately protected during the termination process and whether there will be any adverse impact on the members;
 - (iv) members' rights and necessary action to be taken by members in relation to the termination;
 - (v) all arrangements related to the termination, including but not limited to, handling of switching requests, change of investment mandates, withdrawal claims, cut off dates and arrangements of the designated CF(s) ;
 - (vi) product information of the designated CF(s);
 - (vii) (where applicable) arrangements related to guaranteed funds;
 - (viii) mechanism of conversion into new unit holdings for the members of the Relevant CF(s) during the termination, with details



- of the price ratio and unit swap calculations for unitized funds;
- (ix) in respect to (viii) above, the potential risks that the members will be subject to, if any, together with any measures that the trustee will put in place to minimize such potential risks;
 - (x) whether the cost and expenses of the termination is to be borne by scheme members;
 - (xi) a statement to the effect that no bid-offer spread will be applied under the termination process;
 - (xii) a statement that the termination of Relevant CF(s) will be in the interests of members.
- (b) Draft bilingual FAQ which should be posted on trustee's website after issuance of notice to participating employers and scheme members.

(4) Draft of All Documents Necessary For Effecting The Termination

Documents for effecting the termination may include proposed amendments to trust deed and offering document (English and Chinese versions) of the scheme, and (where applicable) proposed amendments related to guaranteed fund arrangements.



(5) Special audit in relation to the termination of Relevant CF(s)

Important Notes:

- 1. The trustee should engage an external auditor to perform a special audit to ensure the interest of the members have been fully protected throughout the process of termination of Relevant CF(s).***
 - 2. The audit scope set out in this document should be used by trustee as reference and is not an exhaustive list nor intended to substitute the role and independent judgment of trustee in meeting its legal and regulatory obligations. Each trustee must form its own view on the audit scope it adopts. Where necessary trustee should expand the scope of its audit taking into account factors that are relevant to the specific circumstance of the termination of the Relevant CF(s) in question.***
 - 3. For each exception identified, the auditors should review and report on the adequacy of remedial actions taken. The remediation and results of such follow up review should be clearly specified in the report.***
 - 4. The Authority will not review the audit engagement letter relating to the process of the termination of the Relevant CF(s) during the stage of application and so such engagement letter is not required to be submitted to the Authority at this stage. Please note that it is trustee's responsibility to ensure the scope and testing performed for the special audit is adequate.***
- (i) The trustee should engage an external auditor to perform a special audit following the completion of the termination of the Relevant CF(s) to ensure the interests of members have been fully protected in the termination process. Trustee should provide confirmation that the scope of the special audit covers the points as required in No. 5(ii) of Part II of this Standard Information List.



- (ii) The special audit report should cover, but is not limited to, the following aspects:
- (a) proper books and records of the terminated CF have been maintained immediately before the effective date of the termination;
 - (b) proper books and records of the transferee CF have been established immediately after the effective date of the termination, where applicable;
 - (c) assets of the terminated CF have been properly transferred to the other CF on the effective date of the termination (In particular, whether proper transfer has been made to designated CF(s));
 - (d) both the redemptions of units of the terminated CF and the subscriptions for the units of other CF have been conducted properly on the effective date of the termination;
 - (e) (Where applicable) both the redemptions of units and the subscriptions of units of the underlying approved pooled investment fund (“APIF”) have been conducted properly on the effective date of the termination;
 - (f) the trustee has taken reasonable steps to ensure that members’ exposure to market risks is minimized through proper mitigation measures;
 - (g) members of the terminated CF have not been exposed to additional transaction costs as a result of the termination;
 - (h) no bid and offer spreads have been levied in respect of the redemptions of the terminated CF units and subscriptions of the other CF units;
 - (i) all costs and all other fees and expenses associated with the termination including, but not limited to, the legal fees, auditor’s fees for preparing the special audit and expenses related to the printing and posting of notices to members/clients have been borne by the trustee and/or sponsor and there is no financial cost or expenses passed on to members in connection with the termination of the Relevant CF(s);
 - (j) the unit holdings of the members of the terminated CFs/APIFs have been properly recorded and correctly valued before and after the termination;



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- (k) the Relevant CF(s) have no scheme members, assets or liabilities (including any obligations to participating employers and scheme members) after the termination; and
- (l) the trustee has considered as part of the Detailed Plan, and taken necessary steps and measures to ensure that the accrued benefits of all members have not been adversely affected.