

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.



強制性公積金計劃管理局
MANDATORY PROVIDENT FUND
SCHEMES AUTHORITY

Standard Information / Document Request List

Application for the Authority’s Consent to the Merger of MPF Schemes

This Standard Information / Document Request List (the “Standard Information List”) is to assist applicants¹ in preparing an application for merger of MPF Schemes pursuant to section 34B of the MPFSO (the “Scheme Merger”)². The list is divided into 3 parts as follows:

- Part I : Application Documents to be submitted to the Authority
- Part II : Content of the Application Documents
- Part III : Scope of Special Audit in relation to the Scheme Merger

Important Notes:

- 1. Applicants must be able to demonstrate to the satisfaction of the Authority that the interests of the members of the scheme or those schemes, as the case may be, will be adequately protected and that, if the restructuring is consented to, members’ accrued benefits will be transferred to the transferee scheme or schemes, as the case may be, as appropriate.***
- 2. 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***

¹ The applicant is the approved trustee of a registered scheme or the approved trustees of 2 or more registered schemes. As such, the term “trustee” in this Standard Information List means the trustees of the transferor scheme(s) and/or transferee scheme(s) as the case may be.

² References in this Standard Information List to “Scheme Merger” are the same as “restructuring of registered scheme” as set out in section 34B(11) of MPFSO.



or fully completed, and/or negative responses in this 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.

- 3. Applicants should note that the below list of documents / information is by no means exhaustive, 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 documents requested herein.*
- 4. 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.*
- 5. Applicants should annotate contents of application documents with the item numbers provided in the list, e.g. mark Part II (1)(iii) for the proposed effective date of the Scheme Merger in the Scheme Merger proposal.*



Part I Application Documents to be submitted to the Authority

- (1) A Scheme Merger proposal (please refer to Part II(1))
- (2) Draft of all documents necessary for effecting the Scheme Merger (please refer to Part II(2))
- (3) Draft notice / other communication means to scheme members and participating employers of the transferor scheme (please refer to Part II(3))
- (4) Draft deed of merger between the trustees of the transferor scheme and transferee scheme, and deed of undertaking provided by the trustees of the transferor scheme and transferee scheme to the Authority (please refer to Part II(4))



Part II Content of the Application Documents

1. A Scheme Merger proposal

The Scheme Merger proposal should set out in detail how the Scheme Merger is to be carried out. The proposal is expected to include the information items listed in (i) to (xxii) below:

- (i) Name and registration number of each of the registered schemes proposed to be merged i.e. the transferor scheme and the transferee scheme.
- (ii) Reasons for and the expected outcome of the proposed Scheme Merger supported by clear explanations why the proposed Scheme Merger is in the interests of scheme members of both the transferor and transferee schemes.
- (iii) Proposed effective date of the Scheme Merger.
- (iv) Chronological timeline setting out key milestones and responsible parties for implementation of the Scheme Merger.
- (v) Number of the following category of persons in each of the transferor and transferee schemes:
 - (a) participating employers;
 - (b) members who are relevant employees;
 - (c) members who are self-employed persons; and
 - (d) members holding personal accounts.
- (vi) Net asset value of each of the constituent funds (the “CFs”) to be merged as of the latest available month end for both the transferor and transferee schemes.
- (vii) Proposed date on which notice of the Scheme Merger is to be given to participating employers and scheme members of transferor scheme.
- (viii) A statement as to whether or not consent of participating employers or scheme members to the Scheme Merger is required to be obtained under the governing rules of the transferor or transferee schemes.
(Where Applicable) If yes, please provide the Authority with the following:
 - (a) when and how such consent must be obtained; and
 - (b) a draft notice to participating employers and scheme members seeking their consent to the Scheme Merger as required under the trust deed(s) of transferor scheme and/or transferee scheme, where applicable.
- (ix) Estimation of the cost of the Scheme Merger including:



- (a) a statement as to whether or not the cost of the Scheme Merger is required to be borne (whether wholly or partly) by participating employers or scheme members³; and
 - (b) how the costs as mentioned in (a) are to be paid and by whom the costs of the Scheme Merger are proposed to be borne.
- (x) A detailed plan on how to carry out the Scheme Merger including:
- (a) a chart showing how the transferor and transferee schemes and the CFs of the schemes are to be merged/restructured;
 - (b) in respect of (a) above, reasons and justifications for the proposed merger of each of the CFs under the transferor scheme with their respective CFs under the transferee scheme;
 - (c) arrangements for transferring the accrued benefits of scheme members to the transferee scheme including:
 - (1) how scheme members' assets are to be transferred (e.g. cash redemption, in-specie transfer);
 - (2) timeline showing the sequence of events of transfer including the timing of (i) redemption of units in the CFs under the transferor scheme, (ii) redemption of units in the underlying Approved Pooled Investment Funds (“APIFs”) of the CFs under the transferor scheme, (iii) subscription of units in the CFs under the transferee scheme, (iv) subscription of units in the underlying APIFs of the CFs under the transferee scheme. The trading date of subscription and redemption for each of the events (x)(c)(2)(i) to (iv) must be provided;
 - (3) relevant due dates and deadlines for handling switching requests, subscription, change of investment mandate, withdrawal claims and transfer(s) before the effective date of the proposed Scheme Merger; and
 - (4) confirmation that the proposed arrangements set out in (x)(c) are in the interests of members;
 - (d) confirmation that there will be continual compliance with MPF legislation, governing rules of the scheme(s) and meeting of trustee's service pledge notwithstanding the implementation of the Scheme Merger;
 - (e) (where Applicable) where the transferor scheme trustee is not be able to meet its service pledge during the merger process, please (i) provide explanations as to why the transferor scheme trustee's service pledge could not be met; (ii) confirm that there will be proper communication arrangements to inform scheme members and participating employers that the transferor scheme trustee's service pledge cannot be met; and (iii) provide details of how and when this will be communicated to scheme members;
 - (f) arrangements for compensating scheme members for any potential loss of accrued benefits due to the Scheme Merger;

³ Please refer to the Authority's letter to all MPF trustees dated 13 May 2004 titled, “*Costs of Restructuring Exercises Charged to MPF Schemes and Funds*”.



- (g) mechanism for handling grievances (including enquiries and complaints) of scheme members arising from the Scheme Merger;
- (h) (where Applicable) arrangements in respect of any guaranteed fund that will be provided by the transferor scheme trustee (e.g. where applicable, provide exit options available to participating employers and scheme members with guaranteed benefits entitlement) together with relevant amendments to the offering document(s) (“OD”) and /or trust deed(s) (“TD”) of
 - (i) the affected guaranteed fund(s) of the transferor scheme and/or
 - (ii) the underlying fund(s) of the affected guaranteed fund(s), if necessary;
- (i) confirmation that there will be proper transitional arrangements with all related service providers including custodian, administrator, investment manager of the transferor scheme and transferee scheme to ensure there will be a smooth transition and proper handover of the relevant functions from existing to new services providers;
- (j) summary of administrative/ operational arrangements with the trustee(s) / investment manager(s) / custodian(s) of the transferor scheme and transferee scheme and/or their respective underlying fund(s);
- (k) transitional arrangements regarding (i) unclaimed benefits of scheme members, and (ii) unpresented cheques issued for payment of scheme members’ accrued benefits that will be arranged by the trustee of each of the transferor and transferee schemes;
- (l) in relation to suspension of dealing and valuation, please specify the following:
 - whether any suspension of dealing and valuation is proposed, and if so, the duration of the suspension period;
 - requirements on suspension of dealing and valuation according to the governing rules of the scheme and whether the proposed suspension of dealing and valuation will comply with the governing rules of the scheme;
 - whether the transferor scheme 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 transferor scheme trustee before determining to suspend dealing and valuation;
 - impact of any suspension of dealing and valuation on normal scheme operations and corresponding actions to be taken; and
 - 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 the



interests of members.

The duration of such suspension of dealing and valuation will be disclosed in a notice to participating employers and members of the transferor scheme and Frequent Asked Questions (“FAQ”). If the suspension period exceeds one day, the chronology of events for such suspension period should be disclosed in the notice to participating employers and scheme members of the transferor scheme and FAQ.

- (xi) Arrangements for employers / self-employed persons (“SEPs”) and personal account holders wishing to opt out from the transferor scheme in view of the proposed Scheme Merger have been established⁴.
- (xii) (Where Applicable) Details of the change of the investment policies and objectives of the CFs of the transferor scheme if it is necessary for matching with that of the corresponding CFs of the transferee scheme for the purpose of the Scheme Merger.
- (xiii) The trustee should state the following:
 - (a) - (1) Whether **scheme rules** of the registered schemes proposed to be merged are identical (if not see (a) – (2) below).
 - (b) - (1) Whether **fee structure and levels** of the registered schemes proposed to be merged are identical (if not see (b) – (2) below).

(Where Applicable)

- (a) - (2) If **scheme rules** are not identical⁵:
 - each of the transferor scheme and transferee scheme trustee must separately provide a confirmation⁶ that there will be proper measures and arrangements to ensure the interests of members of the transferor scheme will not be adversely

⁴ Withdrawal conditions and/or penalty clauses which may apply to voluntary withdrawals or transfers-out by participating employers or scheme members should not be applicable to opt-out arrangements in relation to a Scheme Merger.

⁵ Certain differences in governing rules may affect a member’s benefits or benefit entitlement in a Scheme Merger. These may include, amongst other things, differences in benefit calculation methodology, benefit withdrawal conditions, eligibility requirements for membership / contribution, fees and charges. Please note that these examples are for illustrative purposes only and not intended to be exhaustive.

⁶ Only a single confirmation will be required in case whether the transferor scheme and transferee scheme trustees are the same legal entity.



affected and their interests will be adequately protected.

- (i) TD or OD of the transferee scheme may need to be amended by the trustee of the transferee scheme to provide members of transferor scheme no less favorable rights and benefits that previously enjoyed under the transferor scheme.
 - (ii) Any right and benefits not aligned must be disclosed in a notice to participating employer and members.
 - In respect of (i) and (ii) above, the trustee should provide a list with detailed explanation on the treatment of each of these items.
- (b) - (2) If **fee structure and levels** are not identical, details of the action that will be taken by the trustee of the transferee scheme. If there are any proposed fee increases, please explain how such increases are in the interests of members.
- (xiv) Name, correspondence address and telephone number of the contact person of each of the transferor scheme and transferee scheme in relation to the proposed Scheme Merger.
- (xv) Communication arrangement (we expect that the trustee of transferor scheme will provide a 3-month prior written notice to each participating employer and scheme member of the scheme, organize seminar(s) and post a Scheme Merger FAQ on their website), which should include the following information:
- (a) notice period requirements according to the governing rules of the transferor scheme;
 - (b) notification arrangements to members after the completion of the transfer of accrued benefits and the time frame for such notification to be sent to members (e.g. transfer statement);
 - (c) means of communication (e.g. written notice, briefing session/seminar etc);
 - (d) treatment of untraceable members; and
 - (e) notification arrangements for members enrolling in the transferor scheme during the notification period.
- (xvi) confirmation that the communication arrangements to inform members of the Scheme Merger including untraceable members and members enrolling in the transferor scheme during the notification period are sufficient and proper taking into account the



interests of members.

- (xvii) Confirmation that the scope of the special audit covers the matters as set out in Part III of this Standard Information List.
- (xviii) Confirmation that there will be adequate training and resources for the transferor scheme and transferee scheme trustees' and/or administrators' call center to handle Scheme Merger related enquiries and complaints.
- (xix) Confirmation that an assessment of the stability and readiness of the proposed Scheme Merger (e.g. stress test) has been/ will be conducted, on aspects including but not limited to, system readiness, adequate resources, etc.
- (xx) A brief summary of contingency plan and the considerations and reasons for concluding to adopt such contingency plan.
- (xxi) Confirmation that the trustees of the transferor scheme and transferee scheme have liaised with the Authority's members protection department on the transitional arrangements regarding chasing and reporting of default contributions and contribution discrepancies that will be arranged by the trustee of the transferor scheme and transferee scheme.
- (xxii) Other information that the applicant wishes to provide to the Authority in relation to the proposed Scheme Merger.

The Authority may provide comments on the Scheme Merger proposal. The Scheme Merger proposal must be signed and submitted by the CEO(s) of the trustees of the transferor scheme and transferee scheme (a) at the time of the application and (b) at such other time as requested by the Authority (if changes made to the proposal).

2. **Draft of all documents necessary for effecting the Scheme Merger**

Draft documents for effecting the Scheme Merger may include proposed amendments to TD and OD of the transferee scheme and transferor scheme (if any), and ([where applicable](#)) documents for establishing a new scheme, proposed amendments related to guaranteed fund arrangements.

- (i) Examples of additional provisions in the OD/TD that may be required include:
 - (a) provisions that empower a trustee to accept members and benefits from another MPF scheme;
 - (b) provisions for equitable treatment of the transferred participating employers and scheme members and transferred benefits;
 - (c) provisions to recognize scheme service years and benefit entitlement for all transferred participating employers and scheme members under the transferee scheme; and



- (d) provisions related to guaranteed terms and entitlement for guaranteed funds, e.g. continuation of any qualifying balance and qualifying periods of transferring members under the transferee scheme; availability of exit options to transferring members and how relevant benefit entitlement is to be determined.

3. **Draft notice / other communication means to Scheme Members and Participating Employers**

- (i) Generally, a draft notice to participating employers and scheme members informing them of the Scheme Merger refers to a notice to the scheme members of the transferor scheme. However, if there is/are amendment(s) in the OD/TD of the transferee scheme which may adversely affect members' interests of the transferee scheme or containing information concerning the transferee scheme which, in the reasonable opinion of the trustee of the transferee scheme, is necessary to be provided to scheme members of the transferee scheme, a separate notice to the members of the transferee scheme may be required.

The draft notice to the scheme members of the transferor scheme is expected to include at a minimum the following information:

- (a) reason for the Scheme Merger;
- (b) effective date of the Scheme Merger;
- (c) how interests of scheme members will be adequately protected during the Scheme Merger;
- (d) whether there will be any adverse impact on members in terms of accrued benefits and services currently enjoyed by members of the transferor scheme;
- (e) members' rights and action to be taken by members in relation to the Scheme Merger;
- (f) all related arrangements in relation to the Scheme Merger⁷;
- (g) product information of the transferee scheme, including how CFs are to be merged (e.g. CF "A" under the transferor scheme will be merged with CF "B" under transferee scheme);
- (h) (where applicable) handling of the guaranteed fund of the transferor scheme;
- (i) mechanism of conversion into new unit holdings for the members of the transferor scheme during the Scheme Merger, with details of the price ratio and unit swap calculations for unitized funds;

⁷ Such arrangements may include but are not limited to the handling of switching requests, change of member's investment mandate, withdrawal claims, subscription, transfers and their respective cut-off dates for submission of instructions by participating employers and scheme members.



- (j) a statement to the effect that no bid-offer spread will be applied for redemptions of the transferor scheme units and subscriptions of the transferee scheme units under the Scheme Merger process;
- (k) in respect of (i) 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;
- (l) a statement that members will not need to bear the costs and expenses incurred in the Scheme Merger;
- (m) procedures for employers / SEPs / personal account holders wishing to opt out the transferor scheme (**should be without penalty**), where applicable;
- (n) information in relation to inspection of the TD of the transferee scheme by the transferring employers/members e.g. place and time for inspection;
- (o) a statement and explanation that the Scheme Merger will be in the interests of members; and
- (p) any right and benefits not aligned between the transferee scheme and transferor scheme and reasons/actions taken by transferee scheme trustee to ensure that there is no adverse impact on the rights and benefits of scheme members of the transferor scheme consequential to these non-alignment rights and benefits.

- (ii) Scheme Merger notice in newspapers
Draft Scheme Merger notice that the trustee will publish (in one English and one Chinese newspaper), after the Authority has granted approval-in-principle to the Scheme Merger.
- (iii) Draft bilingual FAQ which should be posted on the transferor scheme trustee's website after issuance of notice to participating employers and scheme members of the transferor scheme.

4. **Draft deed relating to merger of the schemes between the trustees of the transferor scheme and transferee scheme, and deed of undertaking provided by the trustees of the transferor scheme and transferee scheme to the Authority⁸**

- (i) (**Where applicable**) A deed relating to merger of the schemes between the trustees of the transferor scheme and transferee scheme regarding all their obligations, duties and liabilities in respect of the Scheme Merger.

⁸ The Authority may request additional undertaking depending on the circumstances of the proposed Scheme Merger on a case by case basis.



- (ii) The trustees of the transferee scheme and transferor scheme must separately undertake to the Authority in the form of a deed, that it shall:
- (a) (for transferor scheme only) provide all necessary assistance to ensure that all affected parties including existing employers and members are aware of the Scheme Merger;
 - (b) during the implementation of the Scheme Merger, take such measures and steps to ensure that accrued benefits of all members transferring from [transferor scheme] to [transferee scheme] shall continue to be adequately protected and where necessary, compensate any losses to the accrued benefits of any such members arising from the implementation of the Scheme Merger;
 - (c) inform the Authority of any complaints, grievances or concerns received from the members of [transferor scheme] in relation to the Scheme Merger and address them to the reasonable satisfaction of the MPF Authority;
 - (d) (Where applicable – for transferee scheme only) ensure that scheme members (who are investing in the guaranteed fund of the [transferor scheme]) shall continue to enjoy the guarantee entitlement under [transferee scheme] following the Scheme Merger as if it is a continuation of the [transferor scheme];
 - (e) carry out the Scheme Merger in accordance with the provisions of the Scheme Merger proposal except for any circumstances beyond its reasonable control; and
 - (f) ensure that all fees and expenses arising from the Scheme Merger will not be borne by the participating employers and scheme members of the transferor scheme.



Part III: Scope of Special Audit in relation to the Scheme Merger

Important Notes:

- 1. The trustees of transferor and transferee schemes should engage an external auditor to perform a special audit to ensure the interest of members have been fully protected throughout the Scheme Merger process.**

- 2. The audit scope set out in this document should be used by the trustees of both the transferor scheme and transferee scheme as reference and is not an exhaustive list nor intended to substitute the role and independent judgement of transferor scheme and transferee scheme trustees in meeting its legal and regulatory obligations. Each trustee must form its own view on the audit scope it adopts. Where necessary a trustee should expand the scope of its audit taking into account factors that are relevant to the specific circumstance of the Scheme Merger 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 any audit engagement letter relating to the Scheme Merger process during the application stage. Please note that it is trustee's responsibility to ensure the scope and testing performed for the special audit is adequate.**

(i) Data Conversion

For schemes operated by different trustees, scheme data may be stored in different scheme administration systems and data conversion may need to be carried out by the trustees of the transferor and transferee schemes. In such circumstances, an independent audit (either internal or external) should be performed and completed before the merger effective date to ensure the readiness of the data conversion so as to convert the data properly and the interests of members have been fully protected during the Scheme Merger. The Authority will not consider issuing a no comment letter until the transferor and transferee trustees have confirmed to the Authority that the result of the special audit is satisfactory.



The scope of the special audit in relation to data conversion should cover, but is not limited to, the following aspects:

- (a) status of system enhancements;
- (b) results of data conversion testing or relevant user acceptance testing; and
- (c) whether any issues or problems were identified during the conversion testing and that all such matters have been satisfactorily resolved.

(ii) Scheme Merger Process

The trustees of the transferor and transferee schemes should engage an external auditor to perform a special audit following the completion of the Scheme Merger to ensure the interest of members have been fully protected in the Scheme Merger process.

The scope of the special audit should cover, but is not limited to, the following:

- (a) proper books and records of the transferor scheme have been maintained immediately before the effective date of the Scheme Merger;
- (b) proper books and records of the transferee scheme have been established immediately after the effective date of the Scheme Merger;
- (c) assets of the transferor scheme members have been properly transferred from the respective CFs of the transferor scheme into the corresponding CFs of the transferee scheme on the effective date of the Scheme Merger;
- (d) both redemptions of units of CFs of the transferor scheme and subscriptions of units of CFs of the transferee scheme units have been conducted properly on the effective date of the Scheme Merger;
- (e) both redemptions and subscriptions of units of the underlying APIFs have been conducted properly on the effective date of the Scheme Merger;
- (f) trustees of transferor and transferee schemes have taken reasonable steps to ensure that transferor scheme members' exposure to market risks is minimized through proper mitigation measures;
- (g) members of the transferor scheme have not been exposed to additional transaction costs as a result of the Scheme Merger;
- (h) no bid and offer spreads have been levied in respect of the redemptions of the transferor scheme units and subscriptions of the transferee scheme units;



- (i) all costs and all other fees and expenses associated with the Scheme Merger have been borne by the trustee and/or sponsor of the transferor scheme and/or transferee scheme and there has been no financial impact on the members of the transferor scheme;
- (j) the unit holdings of members of the transferor scheme have been properly recorded and correctly valued before and after the Scheme Merger;
- (k) the transferor scheme has no scheme members, scheme assets or liabilities (including obligations to participating employers and scheme members of the transferor scheme) after the Scheme Merger;
- (l) trustees of transferor and transferee schemes have considered as part of the Scheme Merger proposal, and taken necessary steps and measures to ensure that, the accrued benefits of all members have not been adversely affected; and
- (m) transitional arrangements for unclaimed benefits and unpresented cheques have been executed properly.