

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

III.6 Guidelines on Capital Preservation Funds

INTRODUCTION

Section 37(8) of the Mandatory Provident Fund Schemes (General) Regulation (“the Regulation”) defines:

- (a) “authorized financial institution” as an authorized financial institution belonging to a class specified from time to time for the purposes of that subsection by notice published in the Gazette;
- (b) “Hong Kong dollar savings account” as a Hong Kong dollar savings account established by an authorized financial institution; and
- (c) “prescribed savings rate” as a rate prescribed by the Mandatory Provident Fund Schemes Authority (“Authority”) for the purposes of that subsection by notice published in a manner that the Authority considers appropriate as-
 - (i) the rate at which interest is for the time being payable in respect of a Hong Kong dollar savings account; or
 - (ii) if different authorized financial institutions pay interest on Hong Kong dollar savings accounts at different rates, the rate determined by the Authority as the average of those rates.

2. 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, participating employers and

their employees, self-employed persons, regulated persons and other persons concerned with the Ordinance.

3. The Authority hereby issues guidelines to specify:
 - (a) the class of authorized financial institutions;
 - (b) the basis for determining the prescribed savings rate; and
 - (c) when and where the prescribed savings rate would be published.

4. The class of authorized financial institutions was published by notice in the Gazette on 10 July 2000.

EFFECTIVE DATE

5. These revised Guidelines (Version 5 – March 2017) shall become effective on the date of commencement of operation of the Mandatory Provident Fund Schemes (Amendment) Ordinance 2016, i.e. 1 April 2017. The previous version of these Guidelines (October 2001) shall be superseded on that day.

CLASS OF AUTHORIZED FINANCIAL INSTITUTIONS

6. For the purposes of defining “authorized financial institution” under section 37(8) of the Regulation, the note-issuing banks in Hong Kong shall constitute the class of authorized financial institutions. Under the Schedule to the Legal Tender Notes Issue Ordinance (Cap. 65), the note-issuing banks in Hong Kong at present comprise Bank of China (Hong Kong) Limited, Standard Chartered Bank (Hong Kong) Limited and the Hongkong and Shanghai Banking Corporation Limited.

DETERMINATION OF THE PRESCRIBED SAVINGS RATE

7. The prescribed savings rate is the rate at which interest is for the time being payable in respect of a Hong Kong dollar savings account with

deposit amount of HK\$120,000. Where different authorized financial institutions pay interest on Hong Kong dollar savings accounts at different rates, the prescribed savings rate is the simple average of the interest rates offered for deposit amount of HK\$120,000 by the authorized financial institutions belonging to the class. In determining the prescribed savings rate, any fees which the institutions charge for maintaining the deposits will not be taken into account.

8. The prescribed savings rate would be rounded to the nearest 4 decimal places.

PUBLICATION OF THE PRESCRIBED SAVINGS RATE

9. The Authority will, by notice, publish the prescribed savings rate(s) for a particular month on the Authority's website at www.mpfa.org.hk on the second specified working day of the following month.

DEFINITION OF TERMS

10. Where a term used in the Guidelines is defined in the Ordinance or the subsidiary legislation then, except where specified in the Guidelines, that term carries the meaning as defined in the Ordinance or the subsidiary legislation.