

# *Good planning ...*

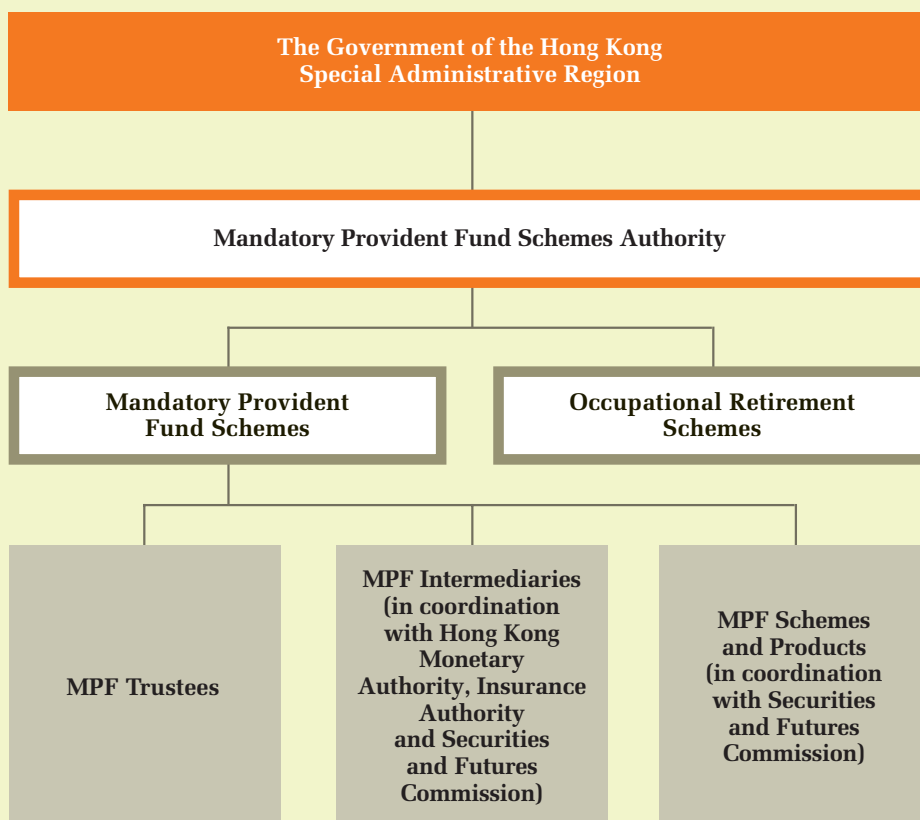
*Plan for your retirement early*



# Regulatory Framework

## REGULATORY STRUCTURE

Before the MPF System was launched in Hong Kong in December 2000, the retirement schemes set up voluntarily by employers to provide retirement benefits for their employees were regulated under the ORSO. To tie in with the implementation of the MPF System, ORSO schemes that fulfill certain conditions were exempted from MPF requirements as provided under the MPF Schemes (Exemption) Regulation. Members of such schemes may choose to remain in the existing ORSO scheme or join an MPF scheme. The MPFA is responsible for regulating both MPF schemes and ORSO schemes established pursuant to the MPFSO and ORSO respectively. The regulatory work is carried out on the basis of the legislation, guidelines and codes governing MPF schemes and ORSO schemes, under the following regulatory structure:



## MPF LEGISLATION

Subsequent to its enactment in 1995, the MPFSO was amended in 1998, 2000 and 2002 and supplemented by several regulations and rules made in 1998, 1999 and 2000 respectively.

In order to further enhance the effectiveness and efficiency of the MPF System, the MPFA continuously reviews the MPF legislation in the light of operational experience. The MPF Schemes Operation Review Committee (SORC) was set up in August 2001 to review the administrative and operational aspects of the MPF legislation to ensure that the MPF System is efficient, effective and user-friendly. The SORC comprises representatives of employer and employee bodies, service providers, professional organizations, the HKSAR Government and the MPFA. The composition and membership of the SORC are set out in Appendix 1.

From September to December 2004, the SORC held two meetings to review the MPF legislation. A total of 11 proposals to amend the MPF legislation covering issues relating to investment and scheme administration, were endorsed at those meetings. These were subsequently approved by the Management Board and provided to the HKSAR Government for consideration.

Meanwhile, the MPFA has been working with the HKSAR Government in reviewing the working drafts of an amendment bill on the proposals to amend the MPF legislation developed by the SORC in 2002-03 and 2003-04. These amendment proposals cover issues on investment regulation, scheme administration, member protection and enforcement. Due to the unavailability of a legislative time slot, the above proposals are yet to be introduced into the Legislative Council.

A list of the subsidiary legislation and legislative amendments made in respect of the MPFSO since its enactment is at Appendix 2.

## ORSO LEGISLATION

Enacted in 1992 and brought into operation in 1993, the ORSO regulates all voluntarily established occupational retirement schemes (ORSO schemes) operating in or from Hong Kong. It is supported by subsidiary legislation in the form of rules made by the Registrar of Occupational Retirement Schemes.

A list of the subsidiary legislation and legislative amendments made in respect of the ORSO since its enactment is at Appendix 3.

In 2002-03, the MPFA developed a number of proposals to amend the ORSO for the purposes of facilitating the administration of ORSO schemes and improving the overall effectiveness of ORSO schemes regulation. The MPFA is working closely with the HKSAR Government on a draft bill on the proposed amendments, with a view to introducing it into the Legislative Council as soon as a legislative timeslot is available.

## GUIDELINES AND CODES

The MPFA issues guidelines and codes to elaborate on the legislative requirements and to facilitate compliance with the MPF and ORSO legislation. As at 31 March 2005, 58 sets of guidelines and three sets of codes were in force. Among these, four sets of guidelines on investment, four sets on reporting, two sets on schemes operation and one set on licensing were revised during the year. The revisions were made to amend the specified form of returns to be submitted by trustees in order to improve the consistency and usefulness of the information submitted, to include additional types of investments (such as real estate investment trusts authorized by the Securities and Futures Commission) as permissible investments, to clarify certain technical details and to reflect the changes in the list of approved exchanges and overseas regulatory authorities. The Guidelines on Disclosure of Annual Fees were repealed in June 2004 upon the publication of the Code on Disclosure for MPF Investment Funds. A complete list of all the guidelines and codes issued by the MPFA is set out in Appendix 4. These guidelines and codes are available at the MPFA's website.

## CIRCULAR LETTERS

Apart from the guidelines and codes, the MPFA issued six circular letters to service providers during the year to clarify legislative requirements and to provide further assistance on compliance. These letters remind trustees of new developments (such as changes in relevant accounting standards) and deal with administrative issues (such as ORSO scheme administration matters and the transfer of minimum MPF benefits). A list of the circular letters issued during the year is set out in Appendix 5.