

BUSINESS OPERATIONS

MPFA at a Glance

MPFA is a statutory body established in 1998 under the MPFSO to regulate and supervise MPF schemes.

Our vision

To build a retirement savings system that is valued by Hong Kong people.

Our mission

- To regulate and supervise privately managed provident fund schemes;
- To educate the working population about saving for retirement and the role of the MPF System as one of the pillars supporting retirement living; and
- To lead improvements to provident fund schemes to make them more efficient and user-friendly, and better meet the needs of the working population.

MPFA has multi-faceted roles and diverse service targets.

Role	Functions
Financial regulator	<ul style="list-style-type: none">• Supervises MPF industry participants (trustees and intermediaries)• Regulates MPF products (schemes and funds)• Acts as Registrar of Occupational Retirement Schemes
Law enforcer	<ul style="list-style-type: none">• Ensures compliance of MPF industry participants• Ensures compliance of employers and self-employed persons (SEPs)• Monitors compliance of schemes registered under the Occupational Retirement Schemes Ordinance (ORSO)
Scheme members protector	<ul style="list-style-type: none">• Recovers contributions in arrears• Educates scheme members about MPF rights and obligations, MPF investments, retirement planning
Reforms advocate	<ul style="list-style-type: none">• Conducts researches on policy reform initiatives• Proposes policy reform for the Government to consider• Implements reform and enhancement measures

Key Figures about MPF (31.3.2020)

Approved trustees ¹	14
Registered intermediaries (total)	35 102
Principal intermediaries ²	413
Subsidiary intermediaries ³	34 689
Registered schemes ⁴	28
Approved constituent funds (CF) ⁵	417
Approved pooled investment funds (APIF) ⁶	311
Approved index-tracking collective investment schemes (ITCIS) ⁷	136

Latest lists of MPF trustees, schemes and funds are available on MPFA's website:

http://www.mpfa.org.hk/eng/public_registers/index.jsp

1 Excluding one approved trustee which operates only approved pooled investment funds and does not operate any MPF schemes.

2 A principal intermediary is a business entity registered by MPFA as an intermediary for selling, marketing or giving advice on MPF schemes.

3 A subsidiary intermediary is a person registered by MPFA as an intermediary for selling, marketing or giving advice on MPF schemes on behalf of the principal intermediary to which the person is attached. A subsidiary intermediary may be attached to more than one principal intermediary or none (normally, for a period not exceeding 90 days).

4 Excluding two registered schemes that are to be terminated.

5 Excluding 22 funds that are to be terminated.

6 APIF is a type of investment fund that a CF invests into. An APIF can be in the form of an insurance policy or a unit trust.

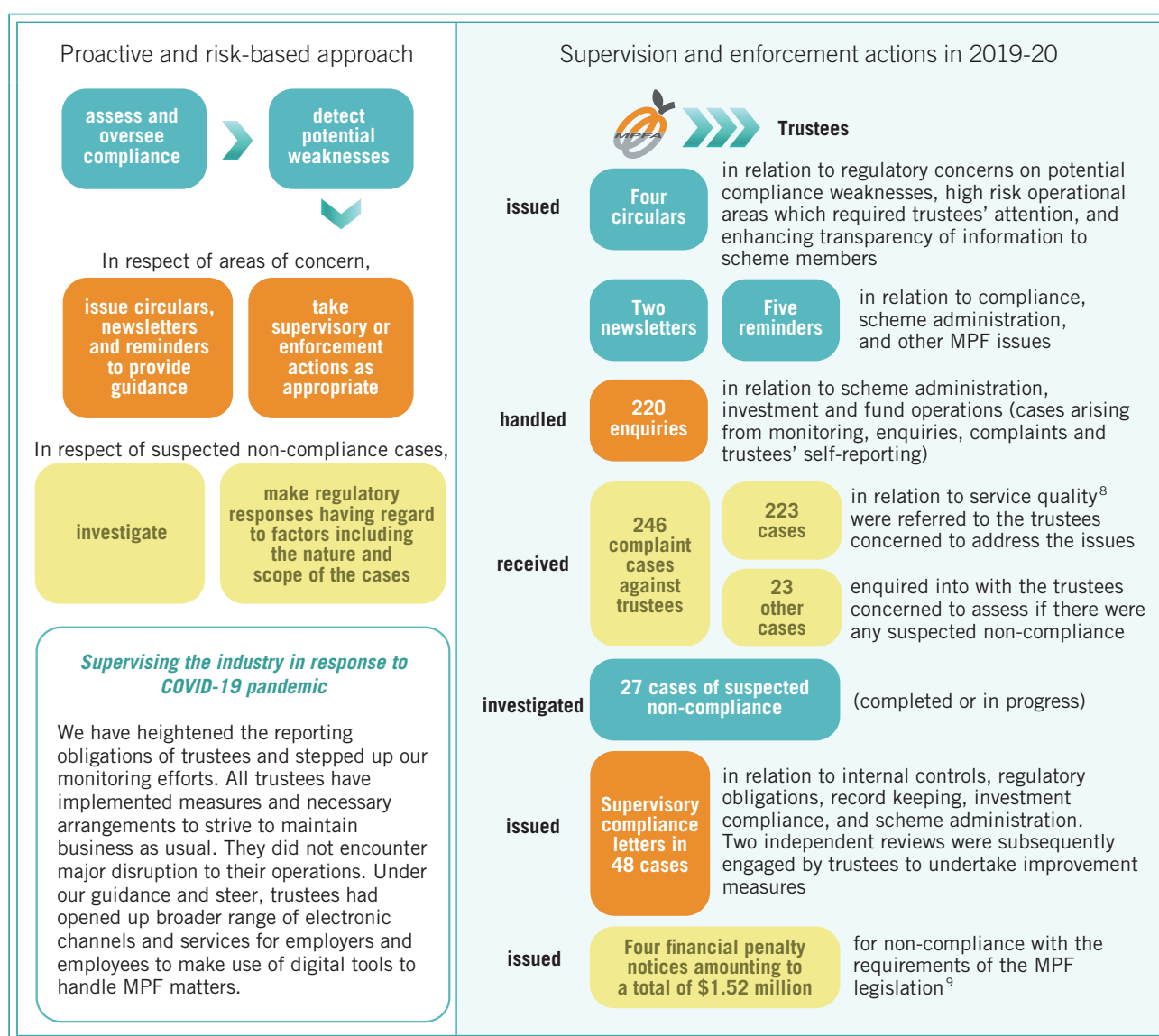
7 ITCIS is a type of investment fund that a CF invests into. An ITCIS is a collective investment scheme which has the sole investment objective of tracking a particular market index.

MPF Industry Supervision

MPF trustees

Surveillance and monitoring

We adopt a proactive and risk-based approach in monitoring and supervising trustees.



8 Out of the 223 cases:

- seven were related to trustees' customer services associated with the implementation of the Default Investment Strategy;
- two were either withdrawn or non-pursuable.

9 The non-compliance was in relation to scheme administration, which included late reporting of default contributions to MPFA and late processing of transfer or payment of MPF benefits.

Thematic programmes

On trustees' compliance

We pursued a focused supervisory programme to address operational risks and governance of trustees with key compliance issues.

A trustee undertook to implement a transformation programme to overhaul its governance, risk management, administration infrastructure and processes.

We closely monitored its programme through regular meetings with the trustee and the appointment of an independent consultant to assist us in this matter.

On data risk management and cybersecurity risk management

We carried out thematic on-site inspections to selected trustees focusing on the areas of cybersecurity risk management, data risk management, digital readiness and operational efficiency. A circular summarizing the key findings and observations as well as industry good practices identified was issued to trustees in November 2019.

On trustees' fees and expenses charging practices

We engaged a consultant to conduct a thematic review on trustees' practices on fees and expenses charging arrangement, overall expenditure management, conflicts of interest management and oversight of service providers. The review is in progress.

Governance of trustees

Good governance is an essential element of an efficient pension system. Promoting a high standard of governance among trustees has always been our key regulatory objective. In 2019-20, we

maintained a supervisory dialogue on governance with trustees based on their business and governance plans

provided recommendations or training to trustees on the expected governance standards

required trustees to conduct self-assessment on whether their existing governance framework and arrangements are in adherence to the governance principles rolled out in 2018

In January 2020, we organized a



more than 100 attendees included:

- Board of Directors and Chief Executive Officers of trustees
- Representatives of financial regulators

MPFA shared

- trustees' progress of implementation of the governance principles rolled out in 2018
- key observations identified from trustees' self-assessment results

Speakers from the Office of Privacy Commissioner for Personal Data and professional consultancy firm gave sharing on

- ethical data governance
- use of personal data in Fintech development
- key ways to enhance board effectiveness

Communication with trustees

We maintain regular dialogues with trustees on MPF-related issues and work closely with them to pursue initiatives to enhance the MPF System.

Communication Group / Channel	Participation	In 2019-20
Trustees Operations Liaison Group	Representatives of trustees and MPFA	Met twice to discuss: <ul style="list-style-type: none"> • developments of the MPF System • MPF scheme operation • compliance issues • development of information systems • cybersecurity issues • digital transformation in scheme administration
Education Liaison Group	Representatives of trustees and MPFA	Met once and also through ongoing liaison to join hands in promoting the MPF System and providing MPF investment education to scheme members
Roundtable discussions	Managing Director of MPFA and trustees' Chief Executive Officers	Two meetings were held to: <ul style="list-style-type: none"> • share updates on the development and strategic direction of the MPF System and the focus of MPFA's work • exchange views on matters relating to governance and risk management
Supervisory meetings	Representatives of MPFA and senior management of individual trustees	Eight meetings were held to: <ul style="list-style-type: none"> • discuss supervisory concerns on trustees' operation and governance • discuss risk areas identified and trustees' mitigating measures • discuss initiatives to support the development of MPF products or services
Working group meetings	Representatives of trustees and MPFA	Five meetings were held to: <ul style="list-style-type: none"> • explore further enhancement of transparency of information of MPF schemes • discuss the development of retirement solutions under the MPF System that can better meet scheme members' needs

Symposium on "The eMPF Platform: A New Digital Era for MPF"



In September 2019, we organized the symposium to discuss the roadmap and challenges of digital transformation of pension systems, and introduce the latest developments of the eMPF Platform.

Speakers from Australian Tax Office and the National Employment Savings Trust Corporation shared their experience in building a digital pension administration platform and the development of Fintech and innovation in financial services industry.

The symposium was well received by around 300 participants representing trustees, pension industry practitioners, financial regulators, local and overseas IT professionals, academics, and experts on overseas pension systems.

MPF intermediaries

Registration

We process applications for registration as MPF intermediaries to engage in MPF sales and marketing activities.

New applicants or applicants who have left the industry for three years or more are required to take an examination.

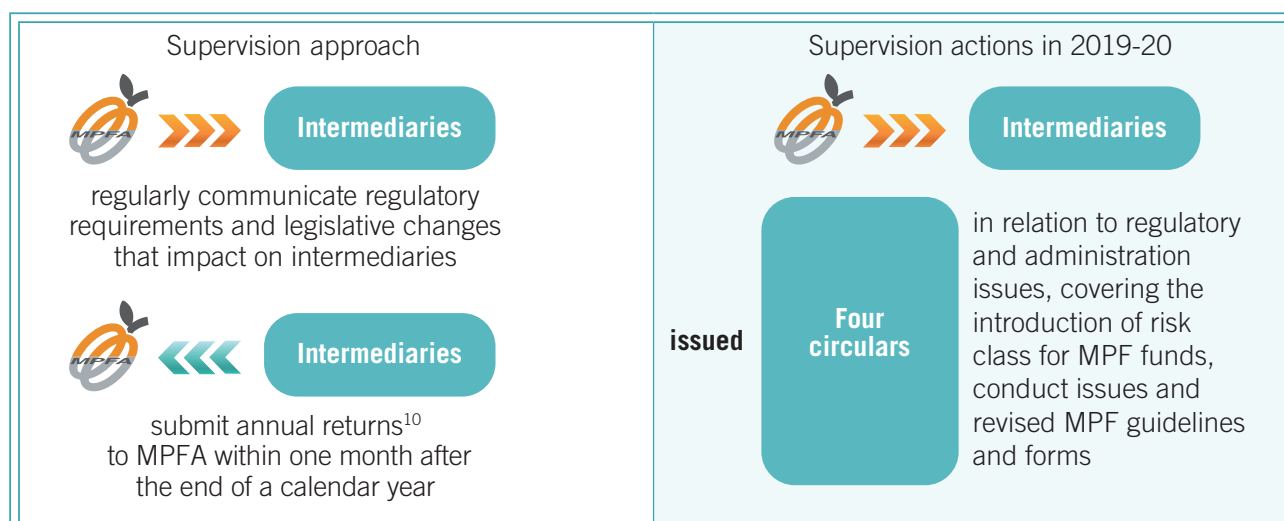
Members of the public can check MPF intermediaries' registration through MPFA's website or hotline.

Professional development

To maintain professional competencies in MPF business, subsidiary intermediaries must undertake a minimum of 10 hours of Continuing Professional Development (CPD) activities on MPF each year. Non-compliance may result in suspension or revocation of registration.

As at 31 March 2020, 32 activities in the form of courses, seminars, lectures or conferences were recognized as core CPD activities for MPF intermediaries. We carry out quality assurance checks on these activities, which include vetting the materials used, visiting classes and reviewing participants' evaluation.

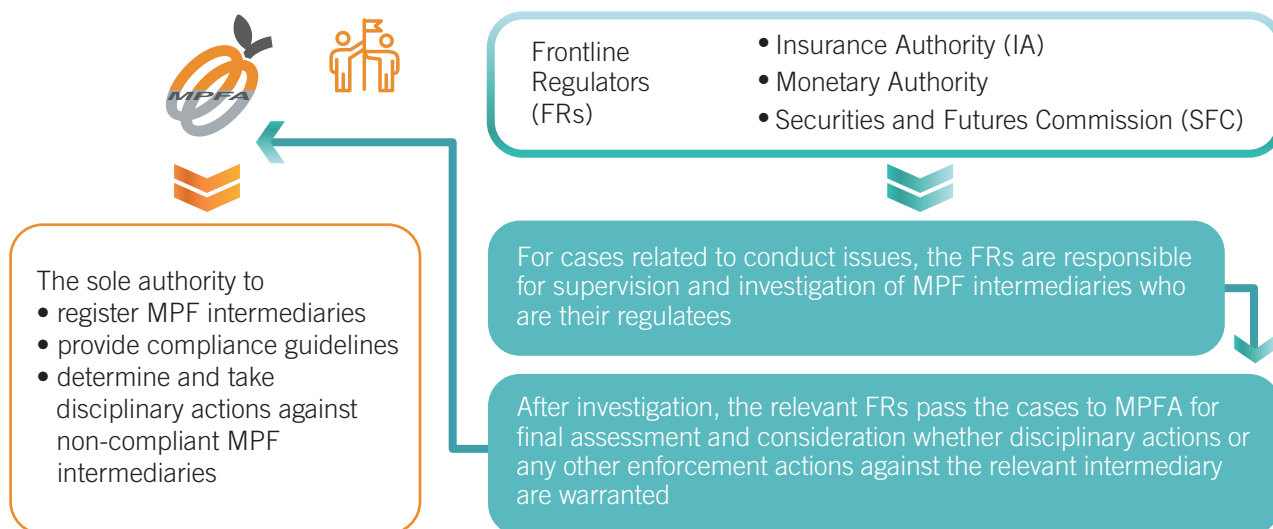
Supervision




¹⁰ Principal intermediaries' annual returns cover business statistics on MPF sales and marketing activities conducted during the year in report. Subsidiary intermediaries' annual returns cover the number of hours of core and non-core CPD activities on MPF they attended during the year in report.

Enforcement

Multi-regulatory model to regulate MPF intermediaries



In 2019-20



FRs

- Received 10 complaints and referral cases against MPF intermediaries, mainly concerning allegation of failure to comply with statutory conduct requirements.
- Issued eight compliance advice letters or reminder letters to principal or subsidiary intermediaries in six cases.
- Imposed two disciplinary orders:

One principal intermediary was fined \$500,000 for deviating from the Guidelines on Conduct Requirements for Registered Intermediaries (Conduct Guidelines)

One former subsidiary intermediary was disqualified from registration as an MPF intermediary for 10 months for contravening the conduct requirements of acting honestly, fairly, in the best interests of scheme members and with integrity under the MPFSO and the Conduct Guidelines
- Conducted five on-site inspections.
- Investigated three cases concerning the conduct issues of MPF intermediaries.

• Received 10 complaints and referral cases against MPF intermediaries, mainly concerning allegation of failure to comply with statutory conduct requirements.

• Issued eight compliance advice letters or reminder letters to principal or subsidiary intermediaries in six cases.

• Imposed two disciplinary orders:

One principal intermediary was fined \$500,000 for deviating from the Guidelines on Conduct Requirements for Registered Intermediaries (Conduct Guidelines)

One former subsidiary intermediary was disqualified from registration as an MPF intermediary for 10 months for contravening the conduct requirements of acting honestly, fairly, in the best interests of scheme members and with integrity under the MPFSO and the Conduct Guidelines

• Conducted five on-site inspections.

• Investigated three cases concerning the conduct issues of MPF intermediaries.

Liaison with Frontline Regulators

We maintain a close dialogue with the FRs through regular liaison meetings. During 2019-20, two MPF Intermediaries Regulation Committee meetings were held with the FRs to share regulatory experience, observations and issues identified by the FRs and the latest development in respective regimes relating to MPF intermediaries.

Two meetings were held with IA for mutual progress updates of the cases handled by MPFA and IA in relation to MPF intermediaries, including those referred to IA by MPFA for considering any investigation, and cases initiated by IA, as well as the supervisory work conducted by IA over MPF intermediaries.

In addition, close communication was maintained with the FRs to explore any enhancement of procedures and practices for more effective case handling.

MPF schemes and funds

Product and entity approval

We provide approval checklists on MPFA's website to facilitate better preparation of documents and information by trustees to expedite the processing time of applications for approval of MPF products and entities.

In 2019-20,

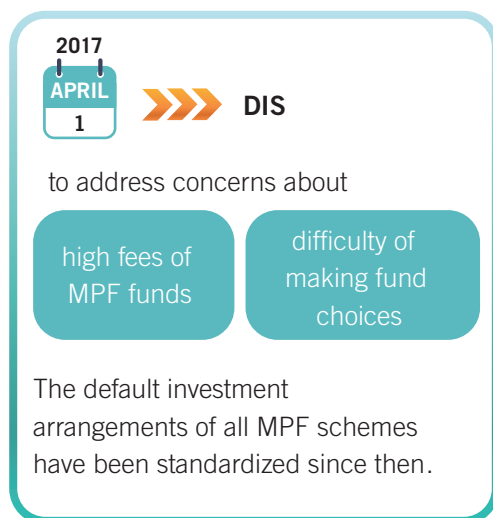
- Two APIFs and five ITCISs were approved.
- 27 CFs reduced fees.
- Approval status of 37 CFs and seven APIFs was cancelled.
- Registration of two schemes was cancelled.
- Approved status of one overseas bank was withdrawn.

Registration of Industry Schemes (IS)

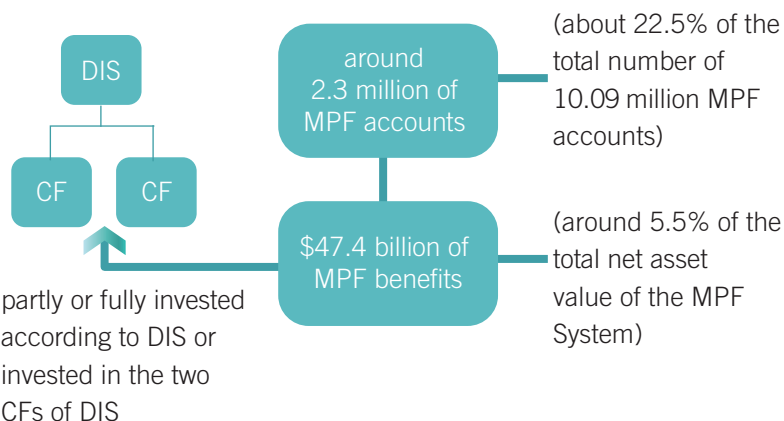
The registration of the existing two MPF IS (i.e. BCT (MPF) Industry Choice and BEA (MPF) Industry Scheme) will lapse on 1 December 2020.

An invitation for application for registration of IS was issued to all trustees in May 2019. The applications received were assessed against the selection criteria. After completion of the assessment, we will grant the licence(s) to the suitable trustee(s) for operating MPF IS for a period of 10 years commencing from 1 December 2020.

Default Investment Strategy (DIS)

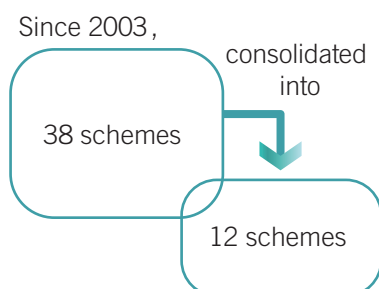


As at 31 March 2020,



Scheme merger and consolidation

MPF trustees make continuous efforts to enhance the cost-effectiveness of their MPF schemes.

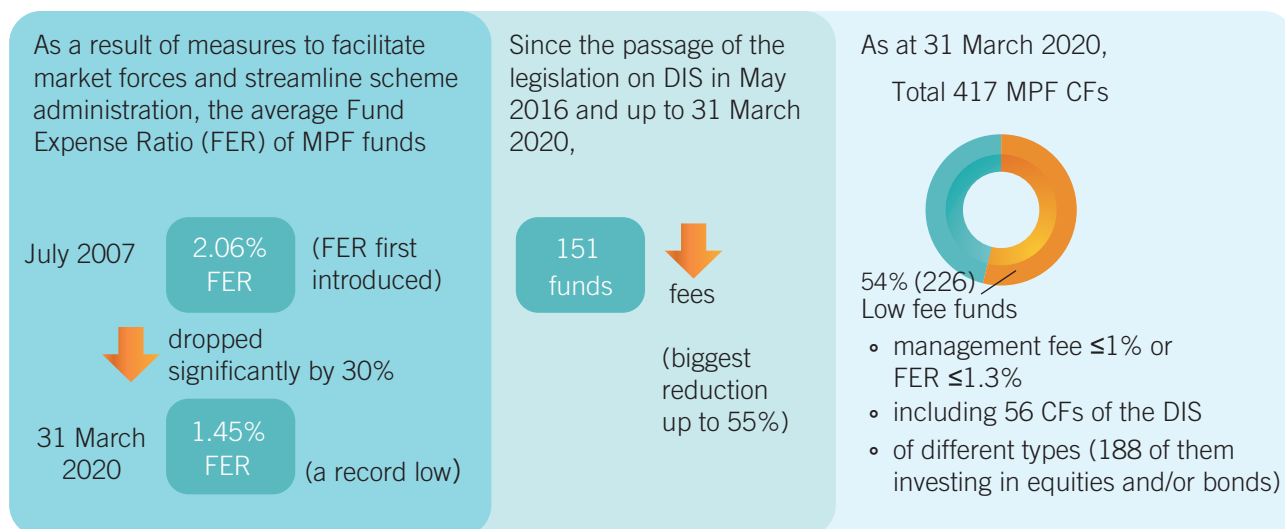


We have an internal specialist team to ensure that timely and effective regulatory responses are provided in complex transactions of scheme restructuring and mergers and to ensure the orderly conduct of trustees' business consolidation and scheme changes.

In 2019-20, we approved two merger applications that consolidated four MPF schemes into two. The scheme mergers took effect on 1 July 2019.

Fees and charges

Lower fees can have a significant contribution to long-term investment return.



Transparency of MPF information

We make efforts to drive improvements to the presentation and disclosure of MPF information so that scheme members are provided with useful information in an easily accessible way to facilitate retirement planning and decision-making of MPF investment.

A working group is set up with trustees to further enhance transparency of information of MPF schemes, with initiatives to be pursued in phases. Three initiatives are being taken forward:

- A template has been developed for trustees to present key MPF account information in a standardized format on their online platforms (i.e. website and/or mobile application). The enhancements are being rolled out from the first quarter of 2020.

- A “Trustee’s Commentary” icon was added under “Public Register” of MPFA’s website in October 2019 to provide a quick access for viewing of trustees’ commentaries in the investment reports of annual consolidated reports of their MPF schemes ¹¹. Such commentaries facilitate understanding and comparison of performance of MPF schemes and funds.
- We redesigned the layout of annual benefit statement to improve readability. The enhanced layout will be applicable to schemes with financial year ending on/after 30 June 2020.

¹¹ Starting from the financial year ending on 31 December 2017, trustees provide commentaries in the investment reports of annual consolidated reports of their MPF schemes.

Additional requirements were set out in the Code on Disclosure for MPF Investment Funds ¹² to improve and standardize information presentation and risk disclosure in the offering documents, including:

- Standardizing the name of the offering document and the information provided on the cover page;
- Presenting scheme structure by a chart and key features of CFs in a table;
- Providing a separate section for risk disclosure with standardized risk classification for CFs, etc.

The new requirements will be applicable to offering documents issued on or after 31 March 2020.

Further to the roll-out of the website version of the one-stop MPF Fund Platform, a mobile application for MPF Fund Platform was launched in July 2019. The application provides a one-stop solution for the public to examine information on different MPF funds and compare management fees, investment performance, etc, on smartphones or tablets, anytime and anywhere.

Sustainable investment of MPF funds

It is a global trend that pension funds in different jurisdictions incorporate environmental, social and governance (ESG) factors into the investment decision-making process.

The International Organisation of Pension Supervisors (IOPS), a standard-setting body on pension supervisory issues and on regulatory issues related to pension supervision, has recently provided guidance to encourage supervisory authorities to require pension funds to integrate ESG factors in their investment and risk management process. As a member of IOPS, MPFA will consider how to adopt them accordingly.

Meanwhile, we continue to communicate with trustees and their investment managers on the global trend and market development in green and sustainable finance and adoption of ESG standards by MPF funds.

We encourage them to take into account ESG factors in the decision-making process and disclose their investment approach in this regard to scheme members.

Trustees are also encouraged to discuss with their investment managers the inclusion of green bonds in their MPF portfolio holdings.

We coordinate with the financial regulators in Hong Kong to facilitate cross-agency policy direction and coordination on promoting green and sustainable finance. During the year, we invited trustees to participate in SFC's survey on integrating ESG factors and climate risks in asset management.

"Investment Solutions Lab"

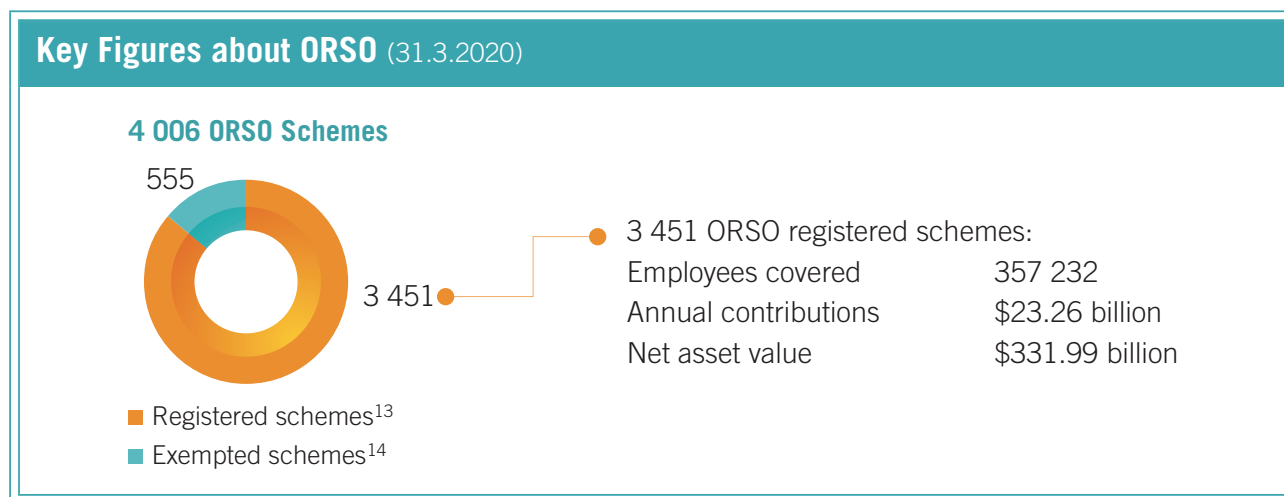
We set up a working group with the MPF industry to discuss the development of retirement solutions under the MPF System that can better meet scheme members' investment needs in both contribution and withdrawal phases.

Following discussions at the working group, we established an "Investment Solutions Lab", a supervisory arrangement under which interested parties, including trustees and their service providers, may submit proposals of retirement solutions to MPFA to receive feedback at an early stage of development.

A set of principles that provides a high-level framework to assist interested parties to develop suitable retirement solutions was issued on 1 April 2020.

¹² The Code was published by MPFA to give guidance to MPF trustees and other service providers on the disclosure of information about MPF schemes and funds and, in particular, information about fees, charges and performance. It also gives guidance to operators of APIFs on the disclosure of information (particularly expense information) to operators of funds that invest in those APIFs. It also specifies the information to be contained in annual benefit statements.

Schemes Governed by the ORSO



Work of the Registrar of ORSO Schemes

The MPFA is the Registrar of ORSO Schemes. We process applications and notifications of changes, monitor compliance, recover default contributions, collect periodic fees, handle enquiries and complaints, and maintain a public register of ORSO schemes.

In 2019-20, we

- Approved 37 applications for registration of ORSO schemes.
- Approved the MPF exemption ¹⁵ in respect of eight ORSO registered schemes.
- Approved the withdrawal of MPF exemption in respect of 107 ORSO registered schemes and five ORSO exempted schemes.
- Approved 37 applications for change of trustees for MPF exempted ORSO registered schemes.
- Processed 588 notifications of changes in relation to name, administrator, employer and address of ORSO schemes.
- Processed 3 423 annual returns and financial statements of ORSO registered schemes.
- Processed 14 overseas compliance certificates and 436 membership statements of ORSO exempted schemes.
- Processed notices of termination given by 141 ORSO registered schemes and 26 ORSO exempted schemes.
- Granted consent to 12 ORSO registered schemes for cessation of application of pooling agreements to the schemes.
- Granted consent to 93 applications for consent for disclosure of information in compliance with the Foreign Account Tax Compliance Act of the United States.

¹³ An ORSO registered scheme refers to one registered under section 18 of the ORSO.

¹⁴ An ORSO exempted scheme refers to one in respect of which an exemption certificate has been issued under section 7 of the ORSO and any withdrawal under section 12 of the ORSO has not come into effect; or an ORSO scheme within the meaning of the ORSO where the employer of the scheme is the government of a place outside Hong Kong or an agency or undertaking of or by such a government which is not operated for the purpose of gain.

¹⁵ MPF exemption refers to an exemption under section 5 of the MPFSO. Members, or a class of members, of an MPF exempted ORSO scheme and their employer are exempt from the operation of all or any specified provisions of the MPFSO. This is an interface arrangement with the MPF System when the System was launched in 2000.

Funding status of ORSO registered schemes

We monitor the funding status of ORSO registered schemes by examining annual returns and audited financial statements. For defined benefit schemes, actuarial certificates must be supplied by designated persons at least once every three years.

According to the relevant reports received up to 31 March 2020,

Five (about 3%) out of 188 defined benefit ORSO schemes were under-funded, covering around 5 300 scheme members.

Total asset size of these under-funded schemes amounted to \$11.546 billion.

Total shortfall of these under-funded schemes was \$180 million (about 2% of their total assets). The shortfall was caused by investment loss and/or salary increase higher than the assumption used by actuaries.

The relevant employers have to make up the shortfall in funding by a lump sum contribution or monthly contributions within three years and to submit actuarial certificates annually until the schemes were fully funded. We closely monitored the situation, and the process of making up the shortfall by the relevant employers was smooth.

Relinquishing of MPF exemption status of ORSO schemes

In 2019-20, 112 MPF exempted ORSO schemes, covering about 2 000 scheme members of ORSO registered schemes, relinquished their exemption status. The employers subsequently terminated these schemes and enrolled the employees in MPF schemes.

Review and Reform

Review investment regime

We have started a review of the MPF investment regime in order to further enhance the general investment rules governing MPF investments.

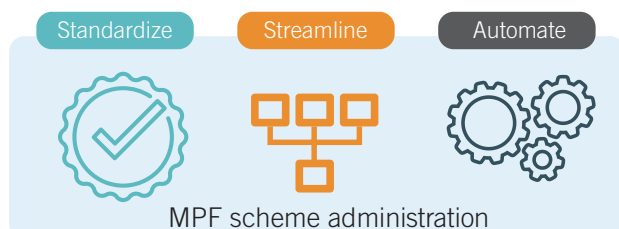
In the first phase of the review, we considered different regulatory models and investment regulations, taking into account local and international trends and developments. We will review detailed requirements in relation to MPF investments in the next phase.

Review level of fee controls under the DIS

We have conducted a review of the level of fee control under the DIS. We will discuss the preliminary results of the review and recommendations with the Government and other key stakeholders.

eMPF Platform Project

The Government and MPFA are working on a project to put in place a smart digital eMPF Platform to:



transform and enhance the MPF System, benefit employers, scheme members, the MPF industry and MPFA, create more room for reduction of MPF management fees, and pave way for future reforms.

The eMPF Platform is more than just an information technology project. It aims to bring a “faster”, “simpler”, “better” and “more economical” MPF experience to all parties involved.

Latest progress

Setting common standards

The Government, MPFA and trustees worked closely to develop a set of common standards for key scheme administration processes, data and business logic for the eMPF Platform.

The set of common standards was concluded in October 2019 and included in the tender documents. They are essential in enabling the eMPF Platform to support as much MPF scheme administration as possible for maximizing benefits and saving costs.

Request for Information (RFI)

To benchmark market intelligence and latest operation solutions, we conducted an RFI exercise inviting interested parties to provide information on the design and development of the eMPF Platform, cybersecurity risk management, operating models for MPF scheme administration, as well as implementation and deployment strategies.

The exercise was concluded in May 2019 with positive feedback from local MPF industry as well as international and regional technology firms and Fintech industry. The information gathered was useful in charting the digital transformation strategy, preparing the tender exercise, and contemplating amendments to the legislation for the eMPF Platform.

Stakeholders engagement exercise

From October to December 2019, a stakeholders engagement exercise was conducted to collect views, expectations and suggestions on the functions, services and design of the eMPF Platform from end users including employers, employees, SEPs, human resources professionals and MPF industry practitioners. Over 100 constructive and useful views and suggestions were collected through discussion sessions, telephone interviews and questionnaires and were incorporated in the tender documents.

Request for Proposal (RFP)

On 9 December 2019, the RFP exercise was launched, openly inviting interested tenderers to submit proposals for designing, building and operating the eMPF Platform. The RFP is structured into three categories:

Category A: <ul style="list-style-type: none"> • eMPF solutions • application maintenance 	Category B: <ul style="list-style-type: none"> • infrastructure • maintenance • information security
Category C: <ul style="list-style-type: none"> • MPF scheme operation services • transformation services • user delivery services 	

Interested parties were required to submit proposals for all three categories in a bundling approach.

A total of five tender briefing sessions were held from December 2019 to April 2020, each with 65 companies attending on average, to provide an overview of the eMPF Platform, walk through the RFP package and respond to enquiries. Responses have been provided to 581 clarifications. The RFP closed on 29 April 2020 and the target is to award the tender in the second half of 2020.

Legislative amendments

MPFA is tasked by the Government to set up a wholly-owned subsidiary to build, own and operate the eMPF Platform. We provided support to the Government in introducing the Mandatory Provident Fund Schemes (Amendment) Bill 2019 into the Legislative Council (LegCo) on 23 October 2019 which aims to provide a solid legal basis enabling MPFA to set up the subsidiary. The Bill was passed by LegCo on 17 July 2020.

In parallel, we are assisting the Government in taking forward the next phase of the legislative amendment exercise to enable the implementation of the eMPF initiative. Key amendments include a framework to mandate trustees to subscribe to the scheme administration services of the eMPF Platform, defining respective responsibilities and liabilities under the law, simplifying the legislation, as well as enabling greater flexibility in streamlining operation and re-engineering MPF administrative work flows.

In anticipation of changes to the roles and responsibilities of trustees after the launch of eMPF, we examined trustees' duties with reference to the existing legislation in various scheme administration processes. Proposed reduction of the regulatory burden of trustees is included in the legislative proposals in order to optimize operational efficiency of the MPF System.

A Regulatory Work Group and a Business Reform Issues Work Group have been set up to engage the MPF industry in shaping the legislative proposals. We will further assist the Government in the wider stakeholder consultation process.

Institutional set-up and project funding

With the passage of the Mandatory Provident Fund Schemes (Amendment) Bill 2019, we will set up the

subsidiary to pursue the project. In the interim, an eMPF Platform Provisional Office has been set up and operating on a mode using a combination of managed services and MPFA's resources to develop and implement the eMPF Platform.

The Government has committed to providing funding for the development of the eMPF Platform. The first and second tranches of funding of about \$3.3 billion and \$0.5 billion have been approved by LegCo in May 2019 and May 2020 respectively. Subsequent to the conclusion of a Grant Agreement with the Government in December 2019 governing the use of the funding, we have submitted to the Government a request for reimbursement of expenses already incurred, and a budget and work plan for the purpose of getting funding for relevant expenses to be incurred in 2020-21.

Digital transformation

The eMPF ecosystem will be predominantly paperless. The wider the adoption of electronic means for handling MPF transactions among employers and scheme members from now, the smoother the transition to the eMPF Platform will be in the future.

We have devised dedicated programmes to promote digital take-up and create an ambience of digitalized and paperless MPF administration. An animated video and a dedicated webpage on digital transformation were launched in May 2019. The video highlights the benefits of using digital channels for MPF administration while the webpage offers easy access to the electronic tools and services provided by trustees.

"MPF e-Tools Experience Day", co-organized by MPFA and the Environmental Protection Department (EPD), was held from 26 to 27 November 2019 to further promote the use of electronic tools to handle MPF administration. 1 300 visitors participated in the event and over 160 participants attended the two symposium sessions at the event. The pre- and post-event publicity recorded a total of 4.3 million counts of reach.

We have set up a working group with trustees to explore the feasibility of increasing the take-up rate for scheme members receiving notices and documents by electronic means to reduce printing cost and contribute to a greener environment.

Amendments to the ORSO

Introduced into LegCo on 17 April 2019, the Occupational Retirement Schemes (Amendment) Bill 2019 seeks to amend the ORSO to empower MPFA to effectively deal with ORSO schemes that cover members who do not have employment relationship with the relevant employers of the schemes and to refine the ORSO regime for better protecting the interests of scheme members.

The Bill was passed by the LegCo on 17 June 2020.

Support for Government initiatives

Progressively abolish the arrangement for offsetting of severance payments (SP) and long service payments (LSP) with MPF benefits

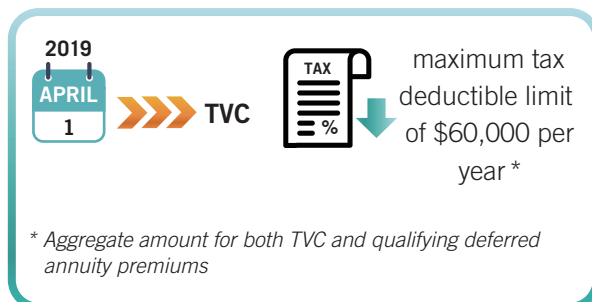
The Government has enhanced its proposal to progressively abolish the arrangement for offsetting of SP and LSP with MPF benefits derived from employers' mandatory contributions and has proposed to help employers save to meet their future SP/LSP liabilities by way of a Designated Saving Account (DSA). The future eMPF Platform will be leveraged on to facilitate the collection of DSA contributions.

We assisted the Government to draw up the technical and operational requirements of DSA for inclusion in the RFP of the eMPF Platform project. We also provided technical support to the Government on the proposed legislative amendments on the abolition of the offsetting arrangement and the set-up of DSA.

MPFA will continue to assist the Government in this initiative.

Tax-deductible voluntary contributions (TVC)

The Government introduced tax incentive to encourage scheme members to make TVC starting from 1 April 2019 in order to save more for retirement.



We coordinated with trustees to ensure that their resources, systems and operations are ready for launch of TVC. We actively promoted the adoption of digital platforms for opening TVC accounts and electronic payment channels for efficiency. Currently, 21 out of 28 MPF schemes are offering TVC, among which 11 MPF schemes have launched online platforms to facilitate opening of TVC accounts electronically by scheme members.

As at 31 March 2020, there were more than 38 000 TVC accounts, with over \$1.7 billion of TVC received. This reflects that more scheme members recognize the benefits of MPF and make use of TVC, the third pillar of retirement protection, to prepare better for retirement.

Government paying MPF contributions for persons earning below minimum relevant income level

In January 2020, the Chief Executive announced 10 initiatives to benefit livelihoods for grassroots and underprivileged people, including the initiative to pay 5% MPF contribution for low-income persons who are exempted from making MPF contributions under the MPF legislation. The proposal will be implemented with the launch of the eMPF Platform at around the end of 2024 at the earliest.

We are providing support to the Government in drawing up the preliminary parameters of the proposal.

OECD's Automatic Exchange of Financial Account Information in Tax Matters (AEOI) Regime

The AEOI regime covers MPF schemes and ORSO registered schemes with effect from 1 January 2020 and the first reporting to the Hong Kong Inland Revenue Department (IRD) will begin in 2021. The Hong Kong financial industry including the MPF industry is now in full compliance with the AEOI regime.

We have been working closely with the Financial Services and the Treasury Bureau (FSTB), the Hong Kong Trustees' Association (HKTA) and IRD on preparing the AEOI reporting.

Under the AEOI standard, financial institutions (FIs) are required to identify financial accounts held by tax residents of reportable jurisdictions in accordance with the due diligence procedures of OECD. FIs are also required to collect information of the financial accounts held or controlled by tax residents of reportable jurisdictions, and provide the information to IRD for exchange with the relevant AEOI partners.

Protecting Retirement Benefits

Non-compliant employers under the MPFSO

Striving to protect the rights and interests of MPF scheme members is one of MPFA's primary missions. We continue to take rigorous enforcement actions against non-compliant employers, including filing civil claims to recover default contributions on behalf of affected employees, imposing financial penalty and initiating criminal prosecutions to deter non-compliance.

To enhance the protection of casual employees participating in the IS, i.e. catering and construction industries, and to facilitate compliance of those employers, we conducted seminars targeting the employers of the two industries to help them understand their MPF obligations and responsibilities.

Enforcement actions in 2019-20

1 428 employment establishments were inspected (major targets included catering establishments, retail outlets and construction companies).

261 100 payment notices were issued in respect of default contribution under MPF schemes ¹⁶.

38 827 cases were investigated.

breakdown by suspected non-compliance [△]

Default contribution	38 798	cases
Non-enrolment	1 341	cases
Forced change to SEP	28	cases
Others ¹⁷	105	cases

[△] as one case may involve several types of suspected non-compliance, the total number of suspected non-compliances may exceed the total number of cases investigated

123 Garnishee Orders were granted by court to seize money from defaulting employers' bank accounts.

63 Bailiff actions were taken to seize assets of defaulting employers.

Seven court orders were granted by court to compel convicted employers to rectify non-compliance.

134 financial penalty notices were issued to repeat defaulters ¹⁸ (involving 124 employers and a total penalty of \$1,038,350).

\$157.8 million default contributions were recovered on behalf of employees.

For defaulting employers who failed to rectify default contributions, civil claims were filed with

Small Claims Tribunal	725	cases
District Court	69	cases
High Court	0	case
Liquidators	94	cases

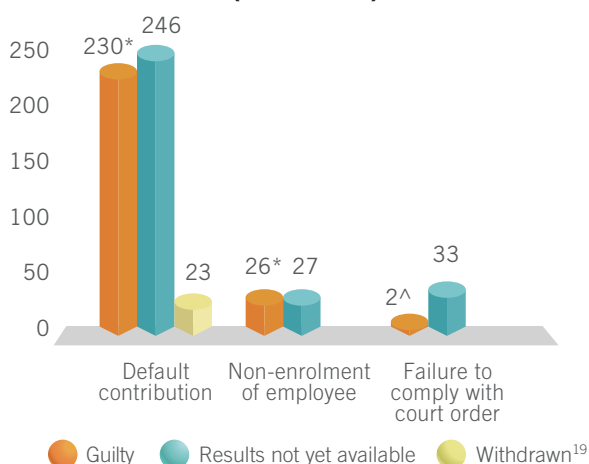
¹⁶ A surcharge calculated at 5% of the amount of MPF contributions in arrears is imposed on employers who failed to make MPF contributions for their employees within the prescribed period. The surcharges received are credited into the MPF accounts of the employees concerned.

¹⁷ Others include failure to notify trustees of termination of employment, failure to issue monthly pay record, etc.

¹⁸ Failure to pay MPF contributions in respect of an employee to the trustee within the prescribed period.

587 summonses were issued to employers and directors/managers of limited companies for prosecution in respect of suspected non-compliance.

Prosecution status (31.3.2020)



* Involving 44 employers and two directors of limited companies (total fine: \$808,000).

^ Involving one director of a limited company (fined \$8,000).

We maintain a database of Non-Compliant Employer and Officer Records on MPFA's website. Members of the public can view and search for information on employers and officers with MPF non-compliance records.

As at 31 March 2020, 2 894 non-compliance records were kept in the database, including:

- 2 338 civil awards or judgments
- 556 criminal conviction records

Non-compliant employers under the ORSO

In 2019-20, the following actions were taken to recover default contributions on behalf of affected employees under ORSO schemes:

- 111 payment notices were issued in respect of default contributions under MPF exempted ORSO registered schemes ²⁰.
- One garnishee order was granted by court to seize money from defaulting employer's bank account.

- \$60,000 default contributions in MPF exempted ORSO registered schemes were recovered on behalf of employees.

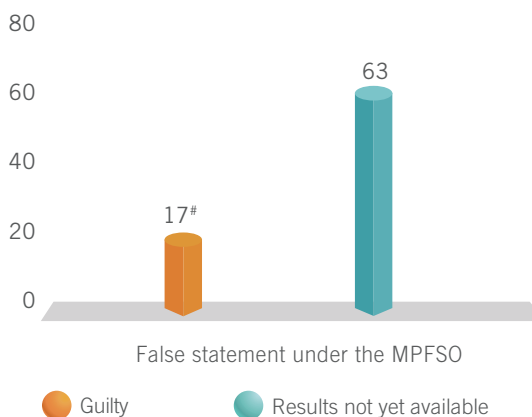
Non-compliant members of MPF and ORSO schemes

To deter members of MPF or ORSO schemes from making false declaration to withdraw their MPF benefits early on grounds of permanent departure from Hong Kong, we continue to take prosecution actions against claimants who made such false statements.

Moreover, to tackle syndicate crime in inducing scheme members to make false statement for withdrawing MPF benefits, we refer cases to the Police for investigation from time to time.

In 2019-20, 80 summonses were issued to MPF scheme members for making false statements.

Prosecution status (31.3.2020)



[#] Involving 16 MPF scheme members (average fine: about \$4,690).

In 2019-20, six scheme members or individuals involved in the cases referred to the Police were convicted of making false declarations or statements or forgery. They were fined, sentenced to community service order, or sentenced to imprisonment.


¹⁹ Summonses were withdrawn due to the absence of key witnesses, plea bargaining or summons not being effectively served by the Police or Bailiff as the defendant became untraceable or wound-up.

²⁰ A surcharge calculated at 15% or 20% of the amount of ORSO contributions in arrears is imposed on employers who failed to make ORSO contributions for their employees. No surcharge will be imposed in the first payment notice in respect of ORSO contributions.

Public Education, Engagement and Publicity

Education programmes

We make continuous efforts to enhance public understanding and acceptance of the MPF System as a retirement savings system for the working population in Hong Kong. A variety of activities were organized to educate scheme members and prospective scheme members on the MPF System, their rights and obligations, and skills to manage MPF investment.

Objectives and foci	Strategy
To educate scheme members on MPF investment, retirement planning and management of MPF	Promotion on multi-channels to maximize public exposure to MPF education programmes and publicity materials
Activities	Outcome
<ul style="list-style-type: none"> A series of three short videos about the impact of and solutions to behavioural biases on retirement planning telecast on online platforms, complemented by quiz games on MPFA Investment Education Facebook Messenger Bot A series of six advertorials about the adverse effect of behavioural biases on retirement planning and ways to make proper decisions on MPF investment on online platforms, complemented by quiz games on MPFA Investment Education Facebook Messenger Bot In-company workshops with a Certified Financial Planner to explain the main factors to consider in retirement planning and introduced the MPFA retirement planning mobile application “樂享退休 GPS”, as well as useful tools on MPFA’s website MPF education messages published regularly on the MPFA Investment Education Facebook Page “全積特攻” in an interesting and interactive manner through videos and infographics, while the Messenger Bot of the Facebook Page served as a convenient information hub and a one-on-one communication point with users 	<ul style="list-style-type: none"> Achieved over 6.8 million counts of reach and over 5.4 million views during the promotion period from December 2019 to January 2020 <div data-bbox="911 1093 1321 1323">  </div> <ul style="list-style-type: none"> Achieved over 14.2 million counts of reach during the promotion period from July to August 2019 22 workshops arranged, reaching out to about 500 scheme members in the workplace Messages reached over 3.9 million counts of people throughout the year

Objectives and foci

To educate prospective scheme members about key concepts of the MPF System and MPF investment, and the importance of early retirement planning

Activities



- Online promotion – two short videos on the MPFA Facebook fan page Rolling My Money, and Instagram page 職場 meme; and the smartphone application MVP (Most Valuable Player)@Workplace promoted on various publicity platforms
- MPF talks, financial planning cum MPF workshops, and career cum MPF workshops
- Dissemination of information on the MPF System and MPF investment to final year students of 2019-20 to enhance their understanding of the importance of early retirement planning and key features of the MPF System before they join the workforce upon graduation
- Life-planning workshops simulating different life stage experiences related to financial needs and MPF enrolment and investment, career-cum-MPF workshops and drama performances on money management and MPF
- A training workshop to equip teachers with MPF knowledge and encourage them to disseminate MPF messages to their students

Strategy

Spreading MPF messages to young people in an interesting manner through online publicity programmes and education institutions

Outcome



- The videos achieved over 8.4 million counts of reach and attracted over 5.5 million views
- The video titled “Journey to the West: Subduing Lady White Bone”(西遊記之收服白骨精) won the Grand Award “Best of the Show” in the category of Corporate Videos in the 29th Annual Questar Competition, an international festival which honours the best commercials and promotional videos from corporations, governments and organizations all over the world
- Reached out to over 1 300 students of tertiary institutions
- Reached more than 400 secondary schools and around 43 000 graduates of tertiary institutions
- Reached out to over 5 000 students of secondary schools



- Reached out to over 60 teachers

Publicity programmes

<p>Objectives and foci</p> <p>On TVC – to enhance the public’s understanding of the initiative and encourage scheme members to make more savings for retirement by making TVC</p>	<p>Strategy</p> <p>A three-phase publicity campaign with different foci</p>
<p>Activities</p> <ul style="list-style-type: none"> • First phase to arouse awareness and explain the key features of TVC with a thematic webpage; an advertising and publicity campaign on online and social media, print media and MTR stations; an animated video on YouTube channel and various media channels; and interviews with various electronic media • Second phase to sustain the momentum of publicity on TVC with online articles and Facebook feeds on popular pages; three Facebook “wall games” with a 30-second animated video; and advertisement on 200 panels of display at bus stop shelters across different districts • Third phase to remind scheme members to make TVC before the end of the 2019-20 tax assessment year with online articles and Facebook feeds; two Facebook “wall games”; advertisement on YouTube channel, directing viewers to a 30-second animated video on MPFA Channel; and that animated video screened on TV panels at 588 office buildings in different districts 	<p>Outcome</p> <ul style="list-style-type: none"> • As at 31 March 2020, more than 38 000 TVC accounts were opened, with over \$1.7 billion of TVC received • About 70 talks were arranged within the year with different target groups on TVC <div data-bbox="815 976 1220 1585"> <p>積金局 TVC</p> <p>理財要及時</p> <p>快開戶 即扣稅 靈活自主 儲蓄未來</p> <p>可扣稅自願性供款(TVC)扣稅額上限高達\$60,000*, 最多可節省\$10,200**稅款!</p> <p>2020年3月31日前作出的TVC供款, 可於2019-20課稅年度享扣稅優惠。</p> <p>方便自主 自由選擇強積金計劃開立TVC帳戶, 直接向受託人供款。</p> <p>靈活清晰 供款不受期數、金額限制; 清晰TVC供款摘要, 方便納稅人報稅。</p> <p>有關TVC詳情, 請聯絡積金局或瀏覽以下網址。——</p> <p>☎ 2918 0102 🌐 www.mpfa.org.hk/tvc 📺 電視台 MPFA</p> <p><small>* 此上限為TVC和自願性供款(非自願性供款)合計上蓋。 ** 個人可選擇將自願性供款用於供款人, 如享有稅務優惠及免稅額, 以及自願性供款中全數供款可扣除自願性供款金額(免稅額除外)。</small></p> </div>

<p>Objectives and foci</p> <p>On DIS – to enhance awareness and deepen the understanding of DIS and encourage scheme members to consider DIS as an MPF investment choice</p>	<p>Strategy</p> <p>Promotion for young people of the workforce and those who have less knowledge and experience in MPF investment</p> 
<p>Activities</p> <ul style="list-style-type: none"> Two videos in an upbeat and trendy manner launched on online platforms 	<p>Outcome</p> <ul style="list-style-type: none"> Attracted 2.4 million views and four million counts of reach during the publicity period in December 2019
<p>Objectives and foci</p> <p>On digital transformation – to promote the use of e-tools offered by trustees, create an ambience of digitalized and paperless MPF administration and to introduce the concept and key functionalities of the eMPF Platform with a view to soliciting support</p> <p>Activities</p> <ul style="list-style-type: none"> An animated video and a dedicated webpage targeting employers An e-Tools Experience Day for employers and human resources practitioners with the support of EPD, HKTA, Pension Schemes Association, Hong Kong Institute of Human Resources Management and with the participation of trustees and sponsors Two symposium sessions at the e-Tools Experience Day to introduce the benefits of handling MPF administration electronically and the concept and key features of the eMPF Platform Online publicity crossing over with the Big Waster, a mascot of EPD for promoting the e-Tools Experience Day and digital transformation 	<p>Strategy</p> <p>Promotion through dedicated programmes of the wider adoption of electronic means for handling MPF transactions amongst employers and employees</p> <p>Outcome</p> <ul style="list-style-type: none"> Attracted over 21 000 page views of the webpage during the campaign period Over 1 300 visitors participated in the event Over 160 participants attended The pre- and post-event publicity recorded a total of 4.3 million counts of reach 

Objectives and foci

Good MPF Employer Awards (GMEA) – to give recognition to employers who are compliant with the MPF legislation and provide extra retirement benefits to their employees beyond the statutory requirements

Strategy

To mark the 5th anniversary of the event, two new award categories were introduced, namely the Good MPF Employer 5 Years Award and the MPF Excellent Employer Award





Activities

- A presentation ceremony
- An exhibition staged during the ceremony to allow participants, mainly employers and human resources practitioners, to learn more about the benefits of using electronic tools to handle MPF matters. A drama session was staged as a highlight of the ceremony in which two awardees shared their experience in using electronic tools. The latest update of the eMPF Platform project was also introduced



Outcome

- The number of awardees has doubled in five years
- A total of 1 385 employers received the 2018-19 award, setting a new record for the programme
- 374 enterprises received the Good MPF Employer 5 Years Award for being awarded the GMEA for five consecutive years

<p>Objectives and foci</p> <p>A thematic campaign for SEPs – to arouse the awareness of SEPs on their MPF obligations to enrol in MPF and make MPF contributions for their retirement</p>	<p>Strategy</p> <p>A year-long SEP Thematic Awareness Campaign, targeting slashies and young SEPs</p>
<p>Activities</p> <ul style="list-style-type: none"> • A series of short videos on social media platforms • An “MPF Enquiry Day for SEPs” in collaboration with an operator of co-working space for slashies as a pilot and for Friends of MPF ²¹ • An outreach activity in a handicraft market • Talks in collaboration with professional bodies for self-employed practitioners and non-governmental organizations serving members working as SEPs 	<p>Outcome</p> <ul style="list-style-type: none"> • Attracted over one million views • As at 31 March 2020, there were about 5 000 Friends of MPF 
<p>Objectives and foci</p> <p>Programmes for casual employees of IS – to equip them with correct understanding of their MPF rights</p>	<p>Strategy</p> <p>Talks organized in collaboration with the Construction Industry Council to reach out to prospective new joiners of IS</p>
<p>Activities</p> <ul style="list-style-type: none"> • Talks for trainees who were about to join the construction industry as well as Labour Relations Officers who would enhance employers’ MPF arrangements for workers in the construction industry 	<p>Outcome</p> <ul style="list-style-type: none"> • The talks allowed MPFA’s representatives to share the intended messages with prospective new joiners of IS and address their concerns and enquiries face to face 

²¹ Members of the programme receive periodically information updates about MPF and MPFA and can join activities exclusively organized for them.

Objectives and foci

To enhance the public's understanding of MPFA's mission, core values, and keep them updated of the latest news and development of MPFA including its efforts and plans for continuous improvement of the MPF System

Activities

- The MPFA's corporate Facebook fan page was launched in August 2019. Interactive posts and game posts were organized with good response



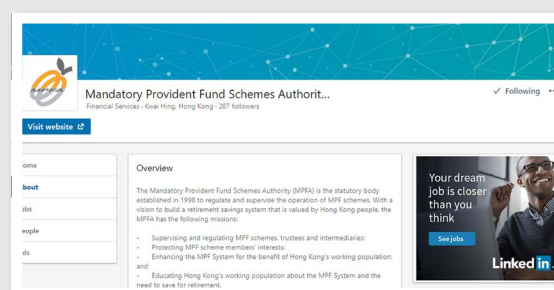
- The MPFA's LinkedIn Page was launched in December 2019. Through this channel, we share our corporate events and latest news, useful information about the MPF System, and new initiatives including the eMPF Platform project

Strategy

Launched MPFA's corporate **Facebook fan page** and **LinkedIn page** to reach out to the public

Outcome

- The fan page has attracted more than 5 000 followers by end March 2020



Media relations

Objective and strategy

We proactively engage with news organizations with a view to enhancing public understanding of and support to the MPF System through the mass media, which is also in line with our open and transparent corporate governance principle.

Media events

April to May 2019

- Media interviews on local media, contributed articles and MPFA Chairman's blog post to introduce the features of TVC

April to August 2019

- Media interviews with local, Mainland and tech media to expound the vision of eMPF Platform, and introduce the RFI exercise and invite submissions



April to August 2019

- Media briefing, interviews and articles on the launch of the MPF Fund Platform and MPFA's efforts in enhancing transparency of information on MPF funds

August 2019

- Media briefing on the report *Statistical Analysis of Accrued Benefits Held by Scheme Members of Mandatory Provident Fund Schemes*

November to December 2019

- Interviews with local, Mainland and foreign media to elaborate on the vision and benefits of the eMPF Platform project, update the progress of the preparatory work, and promote the commencement of the RFP exercise

February 2020

- Online media briefing on the report *Investment Performance of the MPF System in 2019*



2019-20

- 10 blog posts of Chairman published on MPFA's website to enhance public understanding of the latest developments of the MPF System and the work of MPFA
- Collaboration with media outlets on articles to increase public understanding and knowledge of the MPF System

During COVID-19 pandemic

- Press releases to inform the public the latest update of MPFA's services

Networking and engagement

Collaboration with Government bureaux and departments

We communicated regularly with relevant Government bureaux and departments and collaborated with them in overseeing compliance and seeking improvements to the MPF System.

These include regular liaison with FSTB on policy and legislative issues, cooperation with the Department of Justice on preparation of legislative proposals and prosecution cases, liaison with IRD on AEOI issues, liaison with the Hong Kong Police Force on enforcement issues, and joint inspection exercises and coordination of complaint cases with the Labour Department.

A Memorandum of Understanding was signed with the Hong Kong Interbank Clearing Limited (HKICL) on 10 December 2019 to explore payment and clearing solutions for the future eMPF Platform.



Outreach programmes

We delivered over 70 sessions of talks on various topics to publicize the latest initiatives, employee rights and employer obligations under the MPF System, reaching over 6 500 audience of different cohorts who were members of the public, civil servants, employees, employers and human resources practitioners.



Many of these talks were organized in collaboration with District Council Members, Government departments, business chambers, employer and human resources bodies, labour unions, and professional bodies.

Stakeholder relations activities

Objective and foci

We strive to maintain close and regular engagement with various stakeholders in the community via meetings, briefings, activities and sponsorship programmes with a view to enhancing their understanding of MPF and soliciting their support. Our target stakeholders span across a wide spectrum of the community including labour unions, chambers of commerce, employer/human resources bodies, MPF/Fintech industry organizations, professional bodies, non-government organizations, academia, think tanks and overseas pension institutes, etc.

MPFA's Chairman and senior management delivered speeches and participated in about 30 seminars, conferences, and panel discussions to spread MPF messages on various topics to different groups and members of the public with a view to fostering better understanding of the MPF System and raising the public image of the System and MPFA.

Over 70 sessions of networking and liaison activities were arranged with stakeholders, including LegCo Members and their assistants, District Council Members, labour unions, columnists, think tanks, employer, professional and industry bodies, etc, with a view to soliciting their understanding and support of the MPF System and the work of MPFA. A briefing was conducted in April 2019 to introduce and demonstrate the new MPF Fund Platform for LegCo Members, their assistants and researchers, and relevant labour unions.

Over 10 discussion sessions, briefings and focus group meetings were conducted from September to December 2019 to gauge the views of employers, human resources practitioners, services providers and scheme members on a number of topics including the functionalities of eMPF Platform and the initiatives to enhance transparency of MPF information.

Participating in international conferences and meetings

The MPFA is a member of the IOPS. With the approval of the governing members of IOPS, MPFA joined its Executive Committee as a member for a term of two years, starting from 1 January 2020.

IOPS is an international standard-setting body for pension supervisory issues with the objective of improving the quality and effectiveness of the supervision of private pension systems around the world.

With 87 members and observers from 77 jurisdictions, the IOPS co-operates closely with other international organizations involved in pension supervision, policy development and dialogue, such as the Organisation for Economic Co-operation and Development and the World Bank.

We regularly take part in the development of global thinking on private pensions through exchange of experience with IOPS members.

During the year, we engaged in the drafting of guidelines, good practices and working papers relating to pension regulation and supervision for IOPS. The IOPS platform keeps us abreast of the latest developments of private pension systems all over the world and the insights gained through our participation assisted us in undertaking on-going reforms of the MPF System and enhancing the supervisory framework of MPF schemes.

Our executives also participated in relevant international conferences and meetings to establish a close rapport and exchange information with local and global professionals of the pension industry.

International conferences and meetings

The MPFA sends delegates to international conferences and meetings to foster collaboration with overseas organizations and cross-fertilization of experience for the sake of enhancing and promoting the MPF System. In 2019-20, we sent 19 staff members to participate in overseas events as listed below:

- | | |
|-----------|--|
| June 2019 | • Joint meeting of the Working Party on Private Pensions of OECD and IOPS (Paris, France) |
| June 2019 | • Conference on “Pensions for an Evolving Economy” of OECD (Paris, France) |
| July 2019 | • Toronto Centre International Programme for Insurance and Pensions Supervisors on “Fintech and Climate Change: What can Insurance and Pensions Supervisor Do?” (Toronto, Canada) |
| July 2019 | • Symposium organized by the China Ageing and Finance Forum 50 (CAFF50) (Beijing, China)
<i>Chairman and Managing Director of MPFA delivered speeches on the development and regulatory experience of the MPF System at the event for participants who are pension experts and industry practitioners on the Mainland</i> |



- | | |
|---------------|--|
| October 2019 | • The 11 th Cross Straits Pension Forum of Hong Kong organized by the Retirement Schemes Association (Macao, China) |
| November 2019 | • IOPS Technical and Executive Committee Meetings, IOPS Annual General Meeting, OECD/IOPS Global Forum on Private Pensions (Tirana, Albania) |

Receiving visitors

We regularly receive visitors from overseas and the Mainland, briefing them on the key features and latest developments of the MPF System as well as the roles of MPFA. We also exchange views and share regulatory experience with them, thereby promoting understanding of the MPF System and enhancing the image of the System and MPFA outside Hong Kong.

However, reception of visitors has been halted since January 2020 due to travelling restrictions and other anti-epidemic measures arising from the outbreak of COVID-19.

Visitors in 2019-20 included:

- Monetary Authority of Macao on 9 August 2019
- China Securities Regulatory Commission on 29 November 2019