



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

電話號碼 Tel No : 2292 1016
傳真號碼 Fax No :
電郵地址 Email :
本局檔號 Our Ref : MPFA/PR/TR/91/6(C)
來函檔號 Your Ref :

By Email

13 November 2020

Circular Letter: PR/CTR/2020/002

To All Approved Trustees of MPF Schemes

Dear Sirs,

Duties of approved trustees with respect to management of risks of constituent funds

In order to facilitate the development of retirement solutions by the MPF industry with a view to better meeting MPF scheme members' investment needs, the Authority has undertaken a number of initiatives to expand the MPF investment universe, including the recent revisions to Guidelines III.2 on Equities and Other Securities and Guidelines III.4 on Approved Exchanges, to allow a higher permissible asset allocation to real estate investment trusts and securities listed on stock exchanges in certain markets. The purpose of expanding the MPF investment universe is to enhance diversification opportunities for achieving better risk-adjusted returns of constituent funds. It should not be viewed by approved trustees and sponsors of MPF schemes as a means to expand the offering of constituent funds which will invest in a concentrated manner.

This circular letter serves to remind all approved trustees of MPF schemes about their duties to maintain appropriate risk management measures in respect of constituent funds under their trusteeship.

Duties of trustees

Under section 43 of the Mandatory Provident Fund Schemes (General) Regulation, approved trustees of MPF schemes must perform certain duties with respect to their administration of MPF schemes. They include, without limitation, the duty to ensure that the funds of the scheme are invested in different investments so as to minimize the risk of losses of those funds, the duty to act in the interest of the scheme members and not in the trustee's own interest, and the duty to supervise and exercise proper control over all service providers appointed or engaged for the purposes of the scheme.

Risk Management Measures

With respect to the duty to ensure diversification of investments of constituent funds to minimize the risks of losses, approved trustees have an important role in the development and amendment of investment policies, in addition to the monitoring of ongoing adherence to them. Approved trustees should ensure that their appointed investment managers manage constituent funds in a well-diversified manner in light of related risks and observe applicable guidance issued by the Authority from time to time and meet all the regulatory requirements in respect of diversification of investments. Diversity in this sense would not relate merely to the number of securities in the applicable investment universe, but also to factors such as the size, sectoral diversity and stage of development of the economies of the relevant investment markets; the equity market size of the relevant markets; and the underlying return volatility of those markets.

With respect to the duty to act in the best interests of scheme members, approved trustees should see to it that their appointed investment managers have appropriate risk management and control systems which are commensurate with the risk profiles of different constituent funds, taking into account the prevailing regulatory requirements and market conditions. For example, they should regularly review the liquidity risks and liaise with investment managers to ensure that the constituent funds have sufficient liquidity in meeting redemption requests at all times.

Please note that the risk management measures set out above are by no means exhaustive. It is incumbent upon approved trustees to properly monitor and manage the risks of constituent funds and to ensure that investment managers take prompt and effective measures to reduce and mitigate any potential risks that may emerge from time to time.

If you have any questions on the above, please contact Mr Henry Leung on 2292 1380.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'J Lee', with a stylized flourish at the end.

Joseph Lee
Director
Product Regulation Division