

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

III.3 Guidelines on Eligible Overseas Banks

INTRODUCTION

Section 11 of Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation (“the Regulation”) provides that the funds of a constituent fund may be deposited with an authorized financial institution or an eligible overseas bank.

2. Section 13 of the Regulation provides that a bank is an eligible overseas bank if -

- (a) it is an overseas bank within the meaning of section 2 of the Protection of Investors Ordinance (Cap. 335); and
- (b) it satisfies a minimum credit rating set by the Mandatory Provident Fund Schemes Authority (“the Authority”), based on the credit rating of the bank as determined by an approved credit rating agency.

3. Section 2 of the Regulation defines approved credit rating agency as a credit rating agency approved by the Authority for the purposes of the Regulation.

4. 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 and other persons concerned with the Ordinance.

5. The Authority hereby issues guidelines to specify the minimum credit rating that needs to be met by an eligible overseas bank, based on the credit rating of bank as determined by an approved credit rating agency.

ELIGIBLE OVERSEAS BANK

6. For the purpose of section 13(b) of the Regulation, an overseas bank is an eligible overseas bank if the short-term debt securities (less than one year) issued by the bank meet at least one of the following credit ratings, determined by the respective approved credit rating agencies.

| <u>Approved Credit Rating Agency</u> | <u>Minimum Credit Ratings</u> |
|---------------------------------------------|-------------------------------|
| Fitch IBCA, Inc./Fitch IBCA Ltd. | F1 |
| Japan Rating & Investment Information, Inc. | a-1+ |
| Moody’s Investors Service, Inc. | Prime-1 |
| Standard & Poor’s Corporation | A-1 |
| Thomson BankWatch, Inc. | TBW-1 / LC-1 |

DEFINITIONS OF TERMS

7. Except where otherwise specified in the Guidelines, the terms common to the Ordinance and the subsidiary legislation of the Ordinance carry the same meanings as defined in the Ordinance and the subsidiary legislation. References should be made to the Ordinance and the subsidiary legislation, where necessary.