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Opening Speech

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Good afternoon, Thomas, colleagues of Bloomberg, distinguished guests, ladies and gentlemen,

2. Thank you very much for inviting me to this special occasion.
3. First of all, I would like to congratulate all the recipients of the Top Fund Awards 2019. As representative of the regulatory authority of the MPF System, I am obliged to the award winners today who have achieved exceptional performances in their respective categories of funds, particularly those under the MPF funds category. Our members will be pleased to see more asset managers work harder towards the goal of adding value to their retirement savings.
4. In retrospect, 19 years ago, Hong Kong was the first in Asia to set up a mandatory defined contribution (DC) retirement protection system. With the support of asset managers and other industry practitioners, the MPF System came into place in 2000 at a time when globally, the challenges brought about by old age, longevity, etc. were not even in the horizon of most governments' radar screen. However, retirement protection is nowadays becoming one of the most imminent social and economic issues faced by many societies.
5. With the great efforts of our MPF investment fund managers, the total MPF assets under management (AUM) as at end of October 2019 reached HK\$930 billion, including HK\$258 billion in investment returns, net of fees and charges, meaning that close to 28% of our AUM are investment returns. The MPF AUM has rocketed by 80 times when compared to the AUM figure which

was first available in early 2001. To put in context, it was equivalent to 84% of the fiscal reserves of Hong Kong as at end of September 2019.

6. MPF funds contribute significantly to Hong Kong's asset management and equity markets. There are currently over 400 MPF constituent funds which are all domiciled in Hong Kong. Around 16% of the assets of the popular Tracker Fund of Hong Kong are held through MPF schemes. Meanwhile, 64% of MPF assets are held in equities and among which 56% are invested in Hong Kong stocks. In other words, MPF is an integral part of Hong Kong's financial market.

7. Owing to the reform impetus spearheaded by the Government and MPFA, Hong Kong was amongst the first few DC systems to introduce a low cost retirement solution embedding the behavioural economic concept of "nudging" in the form of the Default Investment Strategy (DIS). It is characterized by an automatic de-risking investment glide path with fee caps which is particularly suitable for members who are not interested in or have little knowledge in managing their retirement savings.

8. Since its launch in April 2017, DIS has been popular among MPF members. Currently, around HK\$46 billion or 5% of total AUM are invested in DIS funds. For every four new MPF accounts opened recently, there will be one investing in DIS funds.

9. The investment performances of DIS and DIS funds are also encouraging. Up till September 2019, the annualized returns of the two DIS funds, namely Core Accumulation Fund and Age 65 Plus Fund were 5.7% and 4.5% respectively, outperforming the returns of comparable mixed assets funds during the same period of time. This indicates that DIS and its funds are able to provide stable returns, in particular during markets of uncertainty which characterized the period concerned.

10. MPFA spares no effort in exploring new initiatives to enhance MPF members' retirement protection. Apart from mandatory contributions, we also

promote voluntary contributions by members. Therefore, the introduction by the Government of tax deductible voluntary contributions (TVC) starting from the assessment year of 1 April 2019 laid another milestone in our reform journey. As at end of October this year, more than 20,000 TVC accounts have been set up accumulating a total contribution of \$544 million, representing a 28-time increase from the first month TVC became effective.

11. Meanwhile, we press ahead with new products for meeting the needs of our retiring members. In the near future, we hope to develop via our Investment Solutions Lab “in-scheme” benefits withdrawal products that suit the needs of retirees after they have reached the age of 65 or above, so that they could remain invested and at the same time have access to a steady stream of income after retirement.

12. While we have excellent products in the pipeline, we will need a good platform to deliver the products and services to our four million MPF members. MPFA is going to call for tender later this month for the build of the eMPF Platform, which probably is the biggest public Fintech platform around the world in recent years. We wish to see the eMPF Platform ready for launch starting 2022.

13. The eMPF Platform will be a centralized electronic platform that effectively connects over 4 million MPF members on which they would handle all their MPF matters in future. With such a huge platform in place, enormous business potential will be opened up for those who manage to provide the best business and investment solutions to the users.

14. The eMPF Platform will be owned by the MPFA and operated with services outsourced. It will lower the entry barrier and create a level-playing field benefiting all current and prospective fund managers who wish to sponsor and launch cost-efficient schemes and innovative MPF products. The eMPF Platform will be able to support all types of fund managers to participate in the MPF System. Whether you are an active fund manager, an ETF provider or an index

fund manager. This will ultimately create a win-win situation for all parties involved.

15. Last but not least, I understand this is the 6th edition of the “Top Fund Awards” organized by the Chinese Edition of Bloomberg Businessweek. Every year, the ceremony attracted over hundreds of leaders and personalities from the fund management industry, business sector and academia, etc to witness this meaningful occasion for recognizing the outstanding performances of investment fund managers. I highly commend the initiative which helps promote hard work and outstanding performances of our investment fund management professionals that have translated into higher returns for investors including our MPF members.

16. On that note, I conclude my speech and wish you all a very prosperous and peaceful year ahead!

17. Thank you.