MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

I.3 Guidelines on Custodians

INTRODUCTION

Section 68(4) of the Mandatory Provident Fund Schemes (General) Regulation ("the Regulation") provides that an approved overseas bank, an approved overseas insurer or an approved overseas trust company which provides continuous financial support to a registered trust company acting as a custodian must satisfy a minimum credit rating set by the Mandatory Provident Fund Schemes Authority ("the Authority") based on the credit rating as determined by an approved credit rating agency.

2.   Section 71 of the Regulation provides that a person is not eligible to be a delegate of a custodian of scheme assets unless the person:

(a)   would be eligible to be a custodian of scheme assets;

(b)   is an approved overseas bank or approved overseas trust company which complies with section 68(4) of the Regulation; or

(c)   is an overseas bank or overseas trust company which is a wholly-owned subsidiary of an approved overseas bank or approved overseas trust company referred to in paragraph (b).

3.   The Authority hereby issues guidelines to set out the approved credit rating agencies and minimum credit ratings requirements with respect to an approved overseas bank, an approved overseas insurer or an approved overseas trust company for the purpose of section 68(4).

APPROVED CREDIT RATING AGENCIES

4.   For the purpose of section 68(4) of the Regulation, the approved credit rating agencies and the respective minimum credit ratings required are as follows :

	Credit rating agencies	**Minimum credit ratings on short-term debt**
(a)	Duff & Phelps Credit Rating Company	D-1
(b)	Fitch IBCA, Ltd./ Fitch IBCA, Inc.	F1
(c)	Japan Rating & Investment Information	a-1+
(d)	Moody's Investor Service, Inc.	Prime-1
(e)	Standard & Poor's Corporation	A-1
(f)	Thomson Bank Watch, Inc.	TBW-1/LC-1

5.   An approved overseas bank, an approved overseas insurer or an approved overseas trust company needs to comply with only one of the minimum ratings.