

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

I.7 Guidelines on Central Securities Depositories

INTRODUCTION

Section 73(1) of the Mandatory Provident Fund Schemes (General) Regulation (the Regulation) provides that an agreement entered into between the approved trustee of a registered scheme and a custodian of scheme assets or between the custodian and delegate of the custodian may provide for scheme assets to be held in a central securities depository.

2. Under section 2 of the Regulation, a central securities depository means a depository in Hong Kong, a depository or a clearing agency outside Hong Kong that is approved by the Mandatory Provident Fund Schemes Authority (the Authority) for the purposes of the Regulation.

3. The Authority hereby issues guidelines to:

- (a) set out the list of central securities depositories that are approved by the Authority for the purpose of the Regulation;
- (b) provide guidance on the criteria which the Authority will apply in determining whether to approve a central securities depository; and
- (c) specify the information that needs to be submitted when seeking the approval of the Authority with respect to a depository which is not on the list of approved central securities depositories.

LIST OF CENTRAL SECURITIES DEPOSITORIES

4. For the purpose of section 2 of the Regulation, the central securities depositories in which scheme assets may be held are set out in Annex A. The

Authority also approves a central securities depository formed through the merger of two approved central securities depositories or the acquisition of one approved central securities depository by another approved depository.

5. ***Treasuries, central and reserve banks:*** Annex A includes all depositories or clearing facilities (including any central registration system, book entry system or equivalent) operated by the treasury, the central bank or the reserve bank of a country/place. No further or prior approval is required from the Authority where MPF scheme assets are to be held in such depository or clearing facilities. An illustrative list of treasuries, central banks and reserve banks that act in such capacities is shown in Annex B. For the avoidance of doubt, separately incorporated subsidiaries owned by the government or the central/reserve bank of a jurisdiction will not be considered as part of the treasury/central bank and must be separately approved.

6. Prior approval of the Authority is required if scheme assets are to be held in central securities depositories other than those listed in Annex A.

7. Notwithstanding approval by the Authority of a central securities depository, approved trustees of registered schemes should ensure that their custody arrangements provide reasonable safeguards against the custody risks associated with maintaining assets with such central securities depositories.

8. Approved trustees with scheme assets under safe-custody of approved central securities depositories should notify the Authority in writing of any proposed changes to the name or identity of the central securities depository as soon as practicable.

APPROVAL CRITERIA OF A CENTRAL SECURITIES DEPOSITORY

9. The following is a set of criteria which the Authority will apply in considering an application for approval of a central securities depository for the purposes of the Regulation:

- (a) the depository must act as or operate a system for the central handling of securities or equivalent book-entries in the country where it is incorporated, or a transnational system for the central handling of securities or equivalent book-entries;
- (b) it must be regulated by a financial regulatory authority;
- (c) it must hold assets for custodians that participate in the system under safekeeping conditions no less favorable than the conditions that apply to other participants;
- (d) it must maintain adequate records that identify the assets of each participant and segregate the system's own assets from the assets of participants;
- (e) it must provide periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account; and
- (f) it must be subject to periodic examination by regulatory authorities or independent accountants.

10. The Authority may also consider other factors which include the legal structure of the depository, whether the depository is covered by professional indemnity insurance, the credit rating of the depository (if any), and whether the use of a depository is mandatory or a market practice in the relevant jurisdiction.

INFORMATION TO BE SUBMITTED FOR APPLICATION OF APPROVAL OF A CENTRAL SECURITIES DEPOSITORY

11. In seeking the approval by the Authority of any further securities depository, the relevant applicant should submit the following information to the Authority:

- (a) the particulars of the depository to be utilized, i.e. name, address, place of incorporation;
- (b) types of securities that will be deposited;
- (c) whether the use of the depository is mandatory or a market practice;
- (d) the legal status and structure of the depository, i.e. whether it is independent, non-profit-making or privately owned, etc.;
- (e) the ownership of the depository, i.e. shareholders and their shareholding;
- (f) the regulation or statute under which the depository is established and governed as well as the name of the regulatory body;
- (g) a confirmation from the depository or documentation from an independent source that the depository satisfies the conditions listed in paragraph 9 above;
- (h) whether the depository is guaranteed by a government, state, central bank or other authorities or organizations;
- (i) whether the depository is covered by professional indemnity insurance;
- (j) the credit rating of the depository, if available; and
- (k) any other information that may assist the Authority in considering the application.

12. The Authority will inform the applicant in writing whether a depository is approved as a central securities depository for the purposes of the Regulation. The applicant should notify the Authority in writing as soon as

practicable if there is any change in the information submitted to the Authority that may affect the approval given with respect to that depository. The list of Approved Central Securities Depositories in Annex A will be amended when a central securities depository is approved.

13. Approved trustees should note that these Guidelines relate only to custody and holding arrangement for assets and that nothing in these Guidelines affect what is a permissible investment of a constituent fund or approved pooled investment fund. Part 2 of Schedule 1 to the Regulation and the Guidelines issued for the purpose of that Part set out the permissible investments for constituent funds and approved pooled investment funds.

List of Approved Central Securities Depositories*

Country	Name of Depository
	All depositories or clearing facilities (including any central registration system, book entry system or equivalent) operated by the treasury, the central bank or the reserve bank of a country/place. An illustrative list of Treasuries, Central Banks and Reserve Banks is attached at Annex B.
Transnational	The Euroclear System
	Clearstream
Argentina	Caja de Valores S.A.
Australia	Austraclear Ltd.
	Clearing House Electronic Subregister System (operated by ASX Settlement Pty Limited)
Austria	OeKB CSD GmbH
Belgium	Euroclear Belgium
Brazil	Companhia Brasileira de Liquidacao e Custodia (CBLC) (Brazilian Clearing and Depository Corporation)
Bulgaria	Central Depository AD (CDAD)
Canada	The Canadian Depository for Securities Ltd.
Chile	Deposito Central de Valores, S.A.
China	China Central Depository & Clearing Co., Ltd. (CCDC)
	China Securities Depository and Clearing Corporation Ltd.
	The Central Clearing and Settlement System, Hong Kong Securities Clearing Company
	Taiwan Depository & Clearing Corporation (TDCC)
Costa Rica	Central de Valores de la Bolsa Nacional de Valores S.A. (CEVAL)
Czech Republic	Centrální depozitář cenných papírů, a.s. (Central Securities Depository Prague)
Denmark	VP Securities A/S
Egypt	Misr for Central Clearing, Depository and Registry (MCDR)

Country	Name of Depository
Estonia	The Eesti Vaartpaberikeskus (Estonian Central Securities Depository (ECSD))
Finland	Euroclear Finland
France	Euroclear France
Germany	Clearstream Banking A.G.
Greece	Hellenic Central Securities Depository S.A.
Hungary	KELER Ltd. (Central Clearing House and Depository (Budapest) Ltd.)
India	National Securities Depository Ltd. (NSDL)
Indonesia	PT Kustodian Sentral Efek Indonesia (KSEI)
Ireland	Euroclear UK & Ireland Limited
Israel	The Tel Aviv Stock Exchange Clearing House Ltd.
Italy	Monte Titoli S.P.A.
Ivory Coast	Depositaire Central/Banque de Reglement S.A.
Japan	Japan Securities Depository Center, Incorporated (JASDEC Inc.)
Kazakhstan	Central Securities Depository Joint-stock Company
Korea, Republic of	Korea Securities Depository
Latvia	Latvian Central Depository (LCD)
Lebanon	Midclear
Lithuania	Lietuvos Centrinis Vertybiniu Popieriu Depozitoriumas (Central Securities Depository of Lithuania)
Luxembourg	Clearstream Banking S.A. (operates as LuxClear)
Malaysia	Bursa Malaysia Depository Sdn. Bhd
Malta	Central Securities Depository, Malta Stock Exchange plc
Mauritius	The Central Depository & Settlement Company Ltd.
Mexico	Instituto para el Deposito de Valores (S. D. INDEVAL)
Morocco	Maroclear

Country	Name of Depository
Netherlands	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (Euroclear Nederland)
New Zealand	New Zealand Central Securities Depository Ltd. (NZCSD)
Norway	Verdipapirsentralen ASA (VPS) (The Norwegian Central Securities Depository)
Oman	Muscat Clearing and Depository Company SAOC (MCD)
Pakistan	Central Depository Company of Pakistan Ltd.
Peru	Caja de Valores y Liquidaciones (CAVALI)
Philippines	Philippine Depository and Trust Corporation (PDTC)
Poland	Krajowy Depozyt Papierow Wartosciowych SA (KDPW) (National Depository for Securities)
Portugal	Interbolsa
Qatar	Qatar Central Securities Depository
Romania	Depozitarul Central S.A. (Romanian Central Depository)
Singapore	The Central Depository (Pte) Ltd.
Slovak Republic	Centralny depozitar cennych papierov SR A.S. (The Central Securities Depository of the Slovak Republic)
Slovenia	KDD Centralna klirinsko depotna druzba d.d., Ljubljana (KDD d.d.) (Central Securities Clearing Corporation)
South Africa	Strate Limited
Spain	IBERCLEAR
Sri Lanka	The Central Depository Systems (Pvt.) Ltd.
Sweden	Euroclear Sweden
Switzerland	Six SIS Ltd
Thailand	Thailand Securities Depository Co. Ltd.
Tunisia	Tunisie Clearing
Turkey	Central Registry Agency Inc. (CRA)
United Arab Emirates	Abu Dhabi Securities Exchange
	Dubai Financial Market
	Nasdaq Dubai Ltd.

Country	Name of Depository
United Kingdom	Euroclear UK & Ireland Limited
USA	Depository Trust Company
	National Securities Clearing Corporation
Venezuela	Caja Venezolana de Valores (CVV)

- * The Authority approves a central securities depository formed through the merger of two approved central securities depositories or the acquisition of one approved central securities depository by another approved depository.

Illustrative List of Treasuries, Central Banks and Reserve Banks

The following is an illustrative list of the treasuries, the central banks and the reserve banks that operate depositories or clearing facilities (including any central registration system, book entry system or equivalent). The list is not exhaustive and there may be other treasuries, central banks or reserve banks which act in such capacities and accordingly are approved under Annex A.

Country	Name of Treasury/Central Bank/Reserve Bank
Australia	The Reserve Bank of Australia
Belgium	Banque Nationale de Belgique
Hong Kong, China	The Hong Kong Monetary Authority
Czech Republic	Czech National Bank
Greece	The Bank of Greece
India	The Reserve Bank of India
Ireland	Central Bank and Financial Services Authority of Ireland
Israel	The Bank of Israel
Italy	Banca d'Italia (Bank of Italy)
Japan	Bank of Japan
Malaysia	Bank Negara Malaysia
Malta	Central Bank of Malta
Mexico	Banco de Mexico
Netherlands	De Nederlandsche Bank, N.V.
New Zealand	Reserve Bank of New Zealand
Philippines	Bureau of the Treasury
Poland	National Bank of Poland
Singapore	Monetary Authority of Singapore (MAS)
Slovak Republic	National Bank of Slovakia
Tunisia	Central Bank of Tunisia The Tunisian Treasury
United Kingdom	Bank of England
USA	Federal Reserve Bank