

HKMC Annuity Plan launched (with photos)

The following is issued on behalf of the Hong Kong Monetary Authority:

HKMC Annuity Limited (HKMCA), wholly-owned by The Hong Kong Mortgage Corporation Limited (HKMC), announced today (July 5) the official launch of the life annuity scheme and named the scheme "HKMC Annuity Plan" (the Plan). Hong Kong Permanent Residents aged 65 years or above can register their intent to subscribe for the Plan within the Registration Period which will last for three weeks' time from July 19 to August 8.

The HKMCA held a launch ceremony for HKMC Annuity Plan today. The Chairman of the HKMC and the Financial Secretary, Mr Paul Chan, said at the ceremony, "The Plan launched today will offer another option of financial arrangement for retired people. Under the Plan, retirees can turn part of their savings into life-long streams of guaranteed, stable and fixed annuity income, so that they can make early planning and better enjoy their retirement lives. Since the Annuity Plan was announced last year, the feedback from the community has been very positive. I am glad to announce that if there is an oversubscription of the Plan by the public, the HKMCA is prepared to double the first tranche quota from currently HK\$10 billion to HK\$20 billion."

The Plan is an insurance product. The insured can immediately receive a guaranteed stream of fixed income after paying a single premium. The annuity is payable monthly for the whole of life of the insured.

The Chairman and Executive Director of the HKMCA and the Chief Executive of the Hong Kong Monetary Authority (HKMA), Mr Norman Chan, said, "The HKMA will lend its full support and collaboration to the Plan. Apart from providing the capital required, the HKMA will invest and manage the premium received by the HKMCA, with a view to obtaining a stable long-term investment return, in order to provide a solid foundation to ensure the financial viability and sustainability of the Plan. The Plan can offer the public an attractive financial arrangement for retirement and can also foster the development of the local annuity market."

The distribution channel of the Plan covers 20 retail banks in Hong Kong (see Annex 3) with a total of around 700 designated branches. There is a two-stage distribution process:

First stage – Registration of Subscription Intention (July 19 to August 8)

Applicants can obtain the Subscription Intention Forms at any one of the Agent Banks' designated branches* starting from next Monday (July 9), and submit the completed Subscription Intention Forms within the Registration Period (July 19 to August 8). Alternatively they can register online their intent to subscribe for the Plan at the HKMCA website within the Registration

Period. The applicant is not required to pay premium at this stage but will need to fill in some basic personal information, the Intended Subscription Amount and choose three Intended Agent Banks which will assist in completing the application procedures in the second stage. Applicants should fill in the Intended Subscription Amount according to their needs and affordability.

A random balloting will be conducted by the HKMCA for all eligible applicants to determine their application sequence. According to this application sequence and the order of preference of the three Intended Agent Banks as indicated in the Subscription Intention Form by the applicant, the applicant will be assigned to an Agent Bank to attend a scheduled sales meeting.

The HKMCA will try its best to satisfy the demand of the applicants as much as possible under prudent risk management principles. The HKMCA will set an allotment threshold if the total subscription amount exceeds the final issue size. Applicants whose Intended Subscription Amounts are smaller than or equal to the threshold will be fully allotted. Other applicants will only be allotted up to that threshold. However this only represents the Allotted Amount to the applicant in the first stage because the final premium amount that can be accepted will depend on the results of the financial needs analysis conducted for the applicant within the second stage of the application process.

Second Stage – Completion of the application procedures (End-September 2018 to March 2019)

Applicants will receive the notices of allotment result in succession starting from mid-September, and will be arranged to attend the sales meetings to complete the application procedures. Financial needs analysis will be conducted during the sales meeting to confirm whether it is appropriate for the applicant to fully purchase the Allotted Amount. The applicant will pay the premium after the sales meeting, and receive the Guaranteed Monthly Annuity Payment commencing from the next month. Due to an expected large number of applicants, the sales period for the Plan this time to complete all of the distribution procedures is expected to last for half a year until March 2019.

In case the processing capacity of the applicant's three Intended Agent Banks is fully-utilised, the applicant may be assigned to other Agent Banks with capacity or to the Application Servicing Centre set up by the HKMCA to complete the application procedures.

Detailed information of the Plan will be uploaded to the HKMCA website (www.hkmca.hk) next Monday. The public can also obtain an illustration summary of the annuity benefits for reference through the HKMC Annuity Plan Online Calculator from next Monday onwards. For public enquiries, please call 2512 5000.

*Not only confined to the designated branches of the three Intended Agent Banks chosen by the applicant. The list of designated branches of the Agent

Banks participating in the distribution of the Plan can be found at the HKMCA website.

