

Mandatory Provident Fund Schemes (Amendment) Bill 2019 gazetted

The Government published the Mandatory Provident Fund Schemes (Amendment) Bill 2019 (the Amendment Bill) in the Gazette today (June 28).

Specifically, the Amendment Bill seeks to amend the Mandatory Provident Fund Schemes Ordinance (Cap. 485) and relevant subsidiary legislation to:

(a) give the Mandatory Provident Fund Schemes Authority (MPFA) explicit power to set up a wholly owned subsidiary as the legal entity to build, own and operate the eMPF Centralised Platform (CP) for more efficient administration of Mandatory Provident Fund (MPF) schemes; and

(b) enable the MPFA to charge MPF approved trustees the statutory Annual Registration Fee (ARF) at a level of 0.03 per cent of the net asset value (NAV) of an MPF scheme starting from January 1, 2020.

"The CP will facilitate the standardisation, streamlining and automation of MPF scheme administration processes to create room for reduction of MPF management fees, and to create a predominantly paperless MPF experience. After taking into account various considerations and the views of the industry, we consider that tasking a subsidiary under the MPFA to implement the CP project is the optimal institutional arrangement," a spokesman for the Financial Services and the Treasury Bureau said.

The MPFA has completed a Request for Information exercise to collect market information and is now preparing for the tendering exercise and the next-phase legislative proposal. The current target of the Government and the MPFA is to complete the development of the CP in 2022 and implement it in phases thereafter.

As for the ARF, it is the Government's policy that the MPFA should be self-financing by recovering from approved trustees its costs of exercising and performing its functions with respect to MPF registered schemes. However, due to various reasons, the MPFA has never charged trustees the statutory ARF. As such, the ARF level has been set at 0 per cent of the NAV of a registered scheme since the commencement of the operation of the MPF regime in 2000.

"To protect the interests of scheme members, trustees will be prohibited from charging any constituent fund of a registered scheme, any registered scheme or any scheme member any ARF-related fee. With such prohibition, the Government suggests adopting an incremental approach by starting with a lower level of 0.03 per cent of the NAV of a registered scheme for the first six years to allow room for trustees to adjust to the new expenses. The ARF level will be revised with effect from the seventh year after review with a view to achieving cost recovery from then," the spokesman added.

The Amendment Bill will be introduced into the Legislative Council for first reading on July 3.