

Speech by SFST at Pledging Ceremony of the Governance Charter for MPF Trustees (English only)

Following is the speech by the Secretary for Financial Services and the Treasury, Mr James Lau, at the Pledging Ceremony of the Governance Charter for Mandatory Provident Fund (MPF) Trustees today (May 24):

David (Chairman of the Mandatory Provident Fund Schemes Authority (MPFA), Dr David Wong), Diana (Managing Director of the MPFA, Mrs Diana Chan), distinguished guests, ladies and gentlemen,

I am delighted to join you all today at this very meaningful Pledging Ceremony of the Governance Charter for MPF Trustees.

The MPF System is an important pillar of the retirement protection regime in Hong Kong. Like many other developed economies, Hong Kong has a rapidly ageing working population. The total net asset value of MPF schemes has already reached HK\$857 billion at the end of March. I was told that before long and probably by 2020, this figure is expected to reach HK\$1 trillion, which I think is a very good benchmark.

MPF trustees, all of you here, play a significant role in the MPF System. You are responsible for looking after the interests of the scheme members. Good governance among MPF trustees is absolutely critical in safeguarding our MPF system to make sure that our working population will have a basic level of retirement protection after making hard-earned contributions over their work life.

Good governance is increasingly recognised worldwide as an important aspect of an efficient private pension system, enhancing investment performance and benefit security. Last year in the UK, the Pensions Regulator (TPR) launched the campaign "21st century trusteeship – raising the standards of governance" to improve the management of workplace pension schemes. Under TPR's corporate plan released earlier this month, the promotion of good trusteeship will continue to be a major area of work of the regulator in the coming years.

In Hong Kong, the Government and our financial regulators spare no effort to make sure that our governance regime is up to date and benchmarked against international best practices, whether in the context of financial institutions or listed corporations. The Governance Charter for MPF Trustees spearheaded by the MPFA exemplifies the core values upheld by the MPF trustees.

These core values include, among other things, the provision of value-for-money MPF schemes and services, the lifting of governance standards, the provision of service with honesty and integrity, and the engagement of

members through transparency and communications.

On this last point of transparency, I am encouraged to see that MPF trustees strive to develop a transparent framework to manage and oversee the interests of the scheme members. Scheme members expect quality services and reasonable returns from a prudently managed portfolio of assets, and they ought to be given the channel and ease of access to information that would enable them to make informed MPF decisions.

This would include accurate, timely and reliable information provided by MPF trustees that would give scheme members a good understanding of the risks they are taking and how their investment is performing. The MPFA has also been working to increase fund transparency by launching the fund performance platform to enhance the disclosure of MPF information in February. With higher transparency of MPF schemes, members would be empowered to have a stronger sense of ownership and maximise their MPF savings for retirement.

To that end, I should mention that the Government and the MPFA are developing eMPF, a centralised, electronic administration platform. It seeks to standardise and increase the efficiency of MPF scheme administration, improve user experience and reduce administration cost, thereby enabling lower fees to be charged to scheme members. When implemented, eMPF will bring efficiency gains to the MPF industry and allow trustees to focus their resources in delivering better value for money for MPF scheme members.

The Government has set up a working group to work with all the 14 MPF trustees here to take forward this project. We are thankful for your tremendous contributions in drawing up the technical specifications. Our target is to finalise the specifications for the platform by August this year and the plan is to put in place the system by 2022.

Coming back to the Pledging Ceremony today, the development of the Governance Charter is a key milestone in the 17-year history of the MPF System. MPF trustees should cultivate a culture that emphasises scheme members' interests and it is crucial that these values are instilled from top management down to the front line. In that way, the MPF System will gain more trust and confidence from scheme members and the public at large.

Ladies and gentlemen, the presence of all MPF trustees today is a clear demonstration of their commitment to continue to pursue higher standards of governance for the better protection of MPF scheme members' interests and the healthy development of the MPF System. I would like to take this opportunity to call upon all MPF trustees to take a wider and more active role in attaining the goal of excellence in governance.

Finally, I look forward to continued partnership with MPF trustees in the coming years in the best interests of all scheme members of the MPF System. Thank you very much.