HKSFA 香港財經分析師學會
THE HONG KONG SOCIETY OF FINANCIAL ANALYSTS

5th January 2016

Sent by Email

Bills Committee on
Mandatory Provident Fund Schemes (Amendment) Bill 2015
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Sirs/Madams,

Re: HKSFA Views on Mandatory Provident Fund Schemes (Amendment) Bill 2015

The Hong Kong Society of Financial Analysts (HKSFA) is pleased to provide our views on the captioned bill. The HKSFA is supportive of this Bill to mandate each trustee to provide a standardized, fee-controlled Default Investment Strategy under each MPF scheme. This stance is consistent with our comment on Consultation Paper of Providing Better Investment Solutions for MPF Members to Financial Services and the Treasury Bureau and Mandatory Provident Fund Schemes Authority in September 2014.

Based on our positions, we state our comments to the specific elements of the Bill as follows.

- **Default Investment Strategy:** The HKSFA is supportive to adopt a standardized DIS arrangement by utilizing two default CFs for investments with the aim to gradually reduce a scheme member's exposure to relatively high risk assets according to his age. The opt-out from DIS mechanism will protect the MPF members' right of adopting other investment strategies for managing their own MPF Fund.

- **"De-risking based on age" Investment Principles:** The Age-based Life-Cycle Investment Strategy has been widely adopted by the practitioners in wealth management. The core idea is to construct the investment portfolio commensurate with the risk appetite of the target investors. This is a prudent strategy in line with the industry practice.

- **Statutory Fee Control Mechanism:** The HKSFA would like to raise a concern on regular fee review with a view to adjusting the level further downward. An optimal fee level is a function of multiple factors including but not limited to fund size, operational efficiency, service level and other economic factors such as inflation. We are aware that the relevant authority in countries which have a relatively smaller MPF size scale has been rendering centralized administrative support for trustees to contain their operating cost. The HKSFA has opined that the assumption of fee cap should be qualified and carefully elaborated in order to maintain the flexibility of fee adjustment. A mechanism for adjusting the ceiling for management fees of DIS CFs has to be explained in detail.

Last but not least, investor education is important to ensure the smooth roll out of the DIS CFs and raise the standards of retirement fund management.

The HKSFA appreciates the opportunity to comment on this Bill. We do hope you find our comments useful and constructive.

Yours sincerely,
For and on behalf of
The Hong Kong Society of Financial Analysts

Frederick Tsang, CFA
President and Chair, Advocacy Committee

Jimmy Jim, CFA
Chair, Advocacy Committee