



Hong Kong Investment Funds Association

1505 Tak Shing House, 20 Des Voeux Road Central, Hong Kong
 Tel: (852) 2537 9912 Fax: (852) 2877 8827, 2877 2368
 Website: <http://www.hkifa.org.hk> E-mail: hkifa@hkifa.org.hk

August 15, 2007

Honorary Chan Kam-lam, SBS, JP
 Chairman of the Bills Committee
 Legislative Council, HKSAR of the PRC
 Legislative Council Building
 8 Jackson Road
 Central, Hong Kong

Dear Mr. Chan,

Re: Mandatory Provident Fund Schemes (Amendment) Bill 2007 (the “Bill”)

I refer to your letter dated July 24 and thank you for inviting HKIFA to provide our views on the subject.

The Hong Kong Investment Funds Association (please refer to Appendix 1 for the backgrounder) is in support of the proposals covered in the Bill.

With respect to the proposals to improve the administration of the MPF schemes, we fully support any initiatives to further enhance the transparency of the system. MPFA has launched the “Fee Comparative Platform” on its website since July and it would be embarking on the second phase, which will entail providing more detailed information on fees. Whilst we fully support this initiative, we believe that apart from providing information on fees, the platform should also carry information which are provided in the fund fact sheet, namely:

- *fund size,*
- *launch date,*
- *investment objectives,*
- *portfolio allocation,*
- *top ten portfolio holdings,*
- *fund performance,*
- *fund risk indicators,*
- *fund descriptor,*
- *commentary, and*
- *others, such as performance measured against any benchmarks used.*

If the comparative platform has capacity constraint, we believe that it should at least carry the performance data of each fund (such as three and five years’ data), its risk level/risk indicator as well as services offered by each provider. Only with these will employers and employees have a more comprehensive picture of the service offering and be in a better position to make informed investment decisions.

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In addition, at present, providers cannot make full use of electronic means to disseminate information for MPF purposes. With the increasing popularity of internet, we would like to exhort MPFA to allow the industry to have a more extensive use of electronic means to disseminate information for MPF purposes. We would welcome the opportunities to work with the Authority and other stakeholder groups to further this cause.

If you have further questions or need clarification, please don't hesitate to contact me on 2537-9912.

Yours sincerely,



Sally Wong
Executive Director

Hong Kong Investment Funds Association - Introduction

The Hong Kong Investment Funds Association ("HKIFA") is the professional body that represents the asset management industry in Hong Kong.

Established in 1986, the HKIFA has two major roles, namely consultation and education. On consultation, it acts as the representative and consulting body for its members and the fund management industry generally in all dealings concerning the regulation of unit trusts, mutual funds, retirement funds and other funds of a similar nature. Towards this end, it reviews, promotes, supports or opposes legislative and other measures affecting the fund management industry in Hong Kong. Another very important task is to educate the public about the role of investment funds in retirement planning and other aspects of personal financial planning.

The HKIFA has four categories of members, namely full member, overseas member, affiliate member and associate member. A fund company can qualify as a full member or an overseas member if it is either the manager or the investment adviser of at least one Investment Fund.

An "Investment Fund" means

- an authorized unit trust/mutual fund; or
- a pooled retirement fund authorized under the Code on Investment-Linked Assurance Schemes or the Code on Pooled Retirement Funds; or
- a retirement scheme registered under the Occupational Retirement Scheme Ordinance; or
- a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance; or
- a closed-end investment company listed on a recognized exchange.

The main difference between these two types of members is that a full member must be a company incorporated in Hong Kong or if it is incorporated outside Hong Kong, has established a place of business in Hong Kong whereas an overseas member must be a company incorporated outside Hong Kong.

An affiliate member is a company that has obtained a licence from the Hong Kong Securities and Futures Commission for type 9 regulated activities or it is a fund company incorporated in the People's Republic of China; and its primary business is fund management including the management of discretionary accounts, segregated portfolios or providing investment management services for non-collective investment schemes or the manager or investment adviser of any fund investment company or arrangement not included as an Investment Fund.

An associate member is a company conducting or providing any service of accounting, legal, trustee, custodian, administration, banking, distribution, and technological support to the fund management industry or any related professional services.

At present, HKIFA has 43 fund management companies as full/overseas members, managing about 1,120 active SFC-authorized funds. Assets under management amounted to about US\$709 billion as at the end of June 2007. In addition, it has 51 affiliate and associate members.

www.hkifa.org.hk

(Prepared: August 2007)