

Index Page

**Replies to supplementary questions raised by Finance Committee Members in examining the
Estimates of Expenditure 2014-15**

Director of Bureau : Secretary for Financial Services and the Treasury

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Reply Serial No.	Question Serial No.	Name of Member	Head	Programme
S-FSTB(FS)01	S026	TANG Ka-piu	148	(1) Financial Services
S-FSTB(FS)02	S020	WONG Kwok-hing	148	(1) Financial Services

CONTROLLING OFFICER'S REPLY

S-FSTB(FS)01

(Question Serial No. S026)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau
(Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial
Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to Reply Serial No. FSTB(FS)044, the majority of the registered Mandatory Provident Fund ("MPF") schemes have mixed asset funds or MPF Conservative Funds as their default funds. Other types of default funds include equity funds, guaranteed funds, bond funds and money market funds. In this regard, please list, by the 41 registered schemes, the names, types, asset values, annualised returns, fund expense ratios and fund expense amounts of the default funds for the past three years.

Asked by: Hon. TANG Ka-piu

Reply:

The information required is tabulated at the Annex.

Statistics on Default Funds

Scheme	Name of Default Fund	Fund Type	Net Asset Value (HKD)			Annualised Return (3 Year) (%)	Fund Expense Ratio ("FER") (%) (Note 1)		
			31.12.2011	31.12.2012	31.12.2013		2011	2012	2013 (Note 2)
			AIA MPF - Prime Value Choice	Guaranteed Portfolio	Guaranteed Fund	3,164,222,513	3,754,436,888	4,229,207,077	1.27
AIA MPF - Simple Value Choice	Guaranteed Portfolio	Guaranteed Fund	250,272,850	264,066,785	285,342,074	1.27	1.72	1.78	-
AIA MPF - Basic Value Choice	Guaranteed Portfolio	Guaranteed Fund	1,763,574,630	1,817,004,703	1,859,511,460	1.27	1.64	1.81	-
AXA MPF - Simple Plan AXA	AXA MPF Conservative Fund AXA	Money Market Fund - MPF Conservative Fund	282,684,177	305,681,390	345,838,293	0.00	0.36	0.83	-
AXA MPF - Smart Plan AXA	AXA MPF Conservative Fund AXA	Money Market Fund - MPF Conservative Fund	610,386,017	690,655,447	842,465,515	0.03	0.34	0.83	-
AMTD MPF Scheme AMTD	AMTD RCM Capital Stable Fund AMTD RCM	Mixed Assets Fund	24,996,792	29,255,071	32,787,440	1.92	2.47	2.36	-
Allianz Global Investors MPF Plan (Note 3)	Allianz MPF Conservative Fund	Money Market Fund - MPF Conservative Fund	517,442,590	612,369,514	695,596,431	0.02 to 0.03	0.60	1.35 to 1.36	-
BCT (MPF) Industry Choice	BCT (Industry) E30 Mixed Asset Fund	Mixed Assets Fund	460,040,186	538,392,394	603,229,350	3.23	1.80	1.82	-
BCT (MPF) Pro Choice	BCT (Pro) E30 Mixed Asset Fund	Mixed Assets Fund	2,349,866,798	2,546,608,656	2,646,885,717	2.05	1.77	1.75	-
BCOM Joyful Retirement MPF Scheme	BCOM Stable Growth (CF) Fund	Mixed Assets Fund	196,413,279	263,014,217	309,528,432	3.47	1.88	1.89	-
BEA (MPF) Industry Scheme	BEA (Industry Scheme) Stable Fund	Mixed Assets Fund	1,224,671,177	1,484,545,255	1,717,749,307	2.57	1.96	1.90	1.80

Scheme	Name of Default Fund	Fund Type	Net Asset Value (HKD)			Annualised Return (3 Year) (%)	Fund Expense Ratio ("FER") (%) (Note 1)		
			31.12.2011	31.12.2012	31.12.2013		2011	2012	2013 (Note 2)
			BEA (MPF) Master Trust Scheme	BEA (MPF) Stable Fund	Mixed Assets Fund	1,368,553,047	1,554,841,723	1,610,757,235	2.39
BEA (MPF) Value Scheme	BEA Stable Fund	Mixed Assets Fund	(Note 4)	118,727	1,185,277	(Note 5)	(Note 6)	(Note 6)	-
BOC-Prudential Easy-Choice MPF Scheme	BOC-Prudential Stable Fund	Mixed Assets Fund	5,119,663,677	5,845,830,063	6,493,867,415	2.20	1.70	1.69	1.70
China Life MPF Master Trust Scheme	China Life Balanced Fund	Mixed Assets Fund	148,634,599	178,570,958	212,877,148	4.44	2.10	1.84	-
Fidelity Retirement Master Trust	MPF Conservative Fund	Money Market Fund - MPF Conservative Fund	1,751,617,829	1,864,530,549	2,058,283,790	0.00	0.17	0.23	-
	Capital Stable Fund	Mixed Assets Fund	976,813,968	1,120,803,412	1,256,356,628	3.37	1.61	1.56	-
	Fidelity SaveEasy 2020 Fund	Mixed Assets Fund	63,086,422	86,732,193	131,377,173	5.12	1.75	1.65	-
	Fidelity SaveEasy 2025 Fund	Mixed Assets Fund	44,486,661	70,838,453	111,662,290	5.36	1.79	1.67	-
	Fidelity SaveEasy 2030 Fund	Mixed Assets Fund	48,229,116	84,471,393	135,783,160	5.38	1.78	1.66	-
	Fidelity SaveEasy 2035 Fund	Mixed Assets Fund	53,967,837	89,799,745	137,024,018	5.34	1.77	1.66	-
	Fidelity SaveEasy 2040 Fund	Mixed Assets Fund	132,038,560	236,792,605	393,494,110	5.44	1.71	1.61	-
Haitong MPF Retirement Fund (Note 3)	Haitong Asia Pacific (excluding HK) Fund	Equity Fund	48,545,538	55,930,802	45,337,983	-0.06 to -0.23	2.26 to 2.54	2.19 to 2.33	-
	Haitong Global Diversification Fund	Equity Fund	39,162,082	42,445,129	41,506,287	4.56 to 4.74	2.49 to 2.77	2.14 to 2.29	-

Scheme	Name of Default Fund	Fund Type	Net Asset Value (HKD)			Annualised Return (3 Year) (%)	Fund Expense Ratio ("FER") (%) (Note 1)		
			31.12.2011	31.12.2012	31.12.2013		2011	2012	2013 (Note 2)
	Haitong Hong Kong SAR Fund	Equity Fund	182,043,890	211,481,485	183,828,481	0.14 to 0.30	1.73 to 2.01	1.78 to 1.92	-
	Haitong Korea Fund	Equity Fund	40,768,120	43,922,322	32,268,700	-5.06 to -5.21	2.12 to 2.40	2.15 to 2.29	-
	Haitong MPF Conservative Fund	Money Market Fund - MPF Conservative Fund	74,866,152	70,740,189	61,001,275	-0.03 to 0.03	0.42 to 0.48	0.81 to 0.91	-
Hang Seng MPF-Simple Choice	Global Bond Fund	Bond Fund	2,287,880	3,876,559	5,449,435	0.88	1.22	1.03	-
	Global Equity Fund	Equity Fund	4,438,753	8,078,060	11,623,117	5.40	1.63	1.61	-
	MPF Conservative Fund	Money Market Fund - MPF Conservative Fund	1,456,072	2,415,248	4,206,675	0.29	0.32	0.34	-
Hang Seng MPF - Super Trust	MPF Conservative Fund	Money Market Fund - MPF Conservative Fund	3,315,854,579	3,458,154,144	3,553,234,009	0.29	0.34	0.35	-
Hang Seng MPF - Super Trust Plus	MPF Conservative Fund	Money Market Fund - MPF Conservative Fund	1,559,852,514	1,888,897,881	2,135,407,156	0.29	0.34	0.34	-
Hang Seng MPF - Value Choice	MPF Conservative Fund	Money Market Fund - MPF Conservative Fund	5,085,656	21,108,175	46,777,459	(Note 5)	(Note 6)	0.33	-
HSBC MPF - Simple Choice	Global Bond Fund	Bond Fund	34,499,823	39,104,473	43,371,914	0.88	1.27	1.07	-
	Global Equity Fund	Equity Fund	48,482,048	62,371,752	78,490,793	5.40	1.65	1.64	-
	MPF Conservative Fund	Money Market Fund - MPF Conservative Fund	21,920,300	24,727,443	29,264,413	0.29	0.33	0.35	-
HSBC MPF-Super Trust	MPF Conservative Fund	Money Market Fund - MPF Conservative Fund	7,269,752,186	7,831,822,349	8,141,570,243	0.29	0.34	0.35	-

Scheme	Name of Default Fund	Fund Type	Net Asset Value (HKD)			Annualised Return (3 Year) (%)	Fund Expense Ratio ("FER") (%) (Note 1)		
			31.12.2011	31.12.2012	31.12.2013		2011	2012	2013 (Note 2)
			HSBC MPF - SuperTrust Plus	MPF Conservative Fund	Money Market Fund - MPF Conservative Fund		6,482,262,804	7,753,492,526	8,892,195,112
HSBC MPF - Value Choice	MPF Conservative Fund	Money Market Fund - MPF Conservative Fund	85,315,184	196,806,703	349,392,968	(Note 5)	(Note 6)	0.35	-
FWD MPF Master Trust Basic Scheme	FWD MPF Basic Scheme Capital Guaranteed Portfolio	Guaranteed Fund	245,255,749	285,004,265	305,165,429	1.68	1.95	2.29	-
FWD MPF Master Trust Comprehensive Scheme	FWD MPF Comprehensive Scheme Capital Guaranteed Portfolio	Guaranteed Fund	120,758,358	164,402,683	223,841,730	1.54	2.08	2.42	-
Invesco Strategic MPF Scheme (Note 3)	Capital Stable Fund	Mixed Assets Fund	930,289,850	1,106,515,295	1,230,108,377	3.76 to 3.87	1.22 to 1.34	1.22 to 1.34	1.21 to 1.33
Manulife Lifestyle (MPF) Scheme	Manulife MPF Interest Fund	Guaranteed Fund	2,976,396,773	2,990,091,674	2,962,276,693	0.01	1.84	1.83	1.83
Manulife Global Select (MPF) Scheme	Manulife MPF Interest Fund	Guaranteed Fund	3,873,324,485	4,646,149,104	5,943,694,697	0.01	1.84	1.83	1.83
MASS MPF Scheme	Global Bond Fund	Bond Fund	61,652,752	73,760,102	86,019,943	2.06	1.77	1.70	-
	Asian Pacific Equity Fund	Equity Fund	112,453,235	167,490,954	217,996,141	4.95	1.89	1.84	-
	European Equity Fund	Equity Fund	12,822,272	16,455,200	29,540,196	13.29	1.83	1.84	-
	Global Equity Fund	Equity Fund	112,878,069	136,675,895	174,376,842	11.03	1.79	1.77	-
	Greater China Equity Fund	Equity Fund	21,257,584	48,802,974	79,036,126	(Note 5)	(Note 6)	1.80	-
	Hong Kong Equities Fund	Equity Fund	132,273,025	176,253,170	190,671,663	-2.24	1.53	1.65	-
	US Equity Fund	Equity Fund	11,376,219	14,819,176	27,861,307	12.82	1.74	1.66	-
	Guaranteed Fund	Guaranteed Fund	96,247,325	107,826,847	115,486,486	1.09	3.86	3.83	-

Scheme	Name of Default Fund	Fund Type	Net Asset Value (HKD)			Annualised Return (3 Year) (%)	Fund Expense Ratio ("FER") (%) (Note 1)		
			31.12.2011	31.12.2012	31.12.2013		2011	2012	2013 (Note 2)
	MPF Conservative Fund	Money Market Fund - MPF Conservative Fund	111,429,171	115,818,750	131,198,331	-0.05	0.40	0.53	-
	Asian Balanced Fund	Mixed Assets Fund	224,596,338	292,167,481	342,061,882	3.17	1.82	1.79	-
	Global Growth Fund	Mixed Assets Fund	275,240,454	315,943,403	361,258,554	6.23	1.65	1.63	-
	Global Stable Fund	Mixed Assets Fund	180,531,428	201,997,918	220,703,580	4.90	1.66	1.65	-
My Choice MPF Scheme	My Choice Stable Fund	Mixed Assets Fund	13,851,340	33,644,237	55,057,452	4.34	(Note 6)	1.10	1.11
Principal MPF Scheme Series 500 (Note 3)	Stable Growth Fund	Mixed Assets Fund	595,936,650	654,672,223	642,553,997	2.34 to 2.72	1.60 to 2.07	1.61 to 2.06	1.57 to 2.03
Principal MPF Scheme Series 600 (Note 3)	Principal HK Dollar Savings Fund	Others	403,005,739	402,644,481	415,123,030	0.16	1.34 to 1.43	1.36 to 1.43	-
Principal MPF Scheme Series 800 (Note 3)	Principal HK Dollar Savings Fund	Others	519,193,459	588,319,051	673,260,040	0.10	1.33 to 1.36	1.34 to 1.44	-
Schroder MPF Master Trust (Note 3)	Schroder MPF Conservative Portfolio	Money Market Fund - MPF Conservative Fund	38,242,421	38,694,348	43,268,081	-0.03 to 0.00	0.26	0.61 to 0.63	-
	Schroder MPF Balanced Investment Portfolio	Mixed Assets Fund	153,331,329	188,868,840.06	228,425,674.42	4.21 to 4.64	1.80 to 2.24	1.78 to 2.21	
	Schroder MPF Capital Stable Portfolio	Mixed Assets Fund	51,363,649	56,661,718	61,635,036	1.62 to 2.04	1.92 to 2.36	1.91 to 2.33	-
	Schroder MPF Stable Growth Portfolio	Mixed Assets Fund	81,966,466	93,120,478	105,764,868	3.19 to 3.60	1.81 to 2.25	1.78 to 2.21	-
SHKP MPF Employer Sponsored Scheme	Standard Chartered MPF Conservative Fund - SHKP	Money Market Fund - MPF Conservative Fund	250,517,025	280,938,631	308,563,649	-0.02	0.64	1.24	1.11
Standard Chartered MPF Plan - Advanced	Standard Chartered MPF Conservative Fund - Advanced	Money Market Fund - MPF Conservative Fund	434,606,647	472,315,965	533,277,671	-0.02	0.67	1.25	1.12

Scheme	Name of Default Fund	Fund Type	Net Asset Value (HKD)			Annualised Return (3 Year) (%)	Fund Expense Ratio ("FER") (%) (Note 1)		
			31.12.2011	31.12.2012	31.12.2013		2011	2012	2013 (Note 2)
			Standard Chartered MPF Plan - Basic	Standard Chartered MPF Conservative Fund - Basic	Money Market Fund - MPF Conservative Fund		1,394,198,190	1,509,650,556	1,612,304,642
Sun Life Rainbow MPF Scheme (Note 3)	Sun Life First State MPF Stable Income Fund	Mixed Assets Fund	882,794,455	1,140,907,307	1,463,996,669	2.59 to 2.80	1.66 to 1.86	1.65 to 1.85	-

Note 1: The Mandatory Provident Fund Schemes Authority ("MPFA") has introduced FER since 2007, requiring each trustee to calculate FER based on a standardised formula and submit the ratio to it. FER already reflects the expenses incurred in MPF funds and all underlying funds. The information submitted by trustees to MPFA does not include the amount of expenses incurred in the aforementioned funds and underlying funds.

Note 2: Due to the different end date of the financial year and timing in preparing the financial statements for each fund, FER for 2013 of over 80% of the default funds is not yet available to MPFA.

Note 3: The relevant default fund provides more than one fund class.

Note 4: The relevant default fund has not yet been established in the calendar year concerned.

Note 5: The relevant fund has been established for less than three financial years.

Note 6: As the relevant default fund is a relatively new fund and as FER is calculated based on the financial statement of the corresponding financial year, FER for the relevant year is not yet available.

CONTROLLING OFFICER'S REPLY

S-FSTB(FS)02

(Question Serial No. S020)

Head: (148) Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch)

Subhead (No. & title): (-) Not Specified

Programme: Financial Services

Controlling Officer: Permanent Secretary for Financial Services and the Treasury (Financial Services) (Miss AU King-chi)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to Reply Serial No. FSTB(FS)057, the Financial Services and the Treasury Bureau proposes amending the Clearing and Settlement Systems Ordinance to establish a more comprehensive licensing and supervision regime for stored value facilities, and empower the Hong Kong Monetary Authority (“HKMA”) to designate and supervise relevant retail payment systems. At present, Octopus cards are widely used in Hong Kong, but incidents of erroneous deduction occur from time to time. Will the Administration also consider the upgrading of the Octopus cards system in the legislative proposal? If not, what measures will be taken to improve the Octopus cards system so as to prevent recurrence of erroneous deduction?

Asked by: Hon. WONG Kwok-hing

Reply:

Octopus Cards Limited (“OCL”) is currently an Authorized Institution under the Banking Ordinance and subject to the regulation of the multipurpose stored value card regime under the Ordinance. The Hong Kong Monetary Authority (“HKMA”) has all along requested OCL to adopt effective measures to avoid the occurrence of operational incidents and minimise the impact arising from such incidents. As regards the handling of incomplete transactions, OCL has recently launched a new refund channel such that customers can receive automatic refund for incomplete transactions during transactions at about 120 outlets of a convenience store at all MTR stations. The HKMA will continue to monitor the progress and effectiveness of the relevant refund arrangements. Earlier on, there were three incidents leading to erroneous deduction of transport fare from Octopus. One was caused by the upgrading of a bus company’s card reader software by OCL. OCL has rectified all the reader software involved and reviewed the related procedures. The other two incidents were caused by a public transport operator and did not involve any malfunctioning of the Octopus system. The HKMA is very concerned about the relevant incident, and has urged OCL to strive to minimise the impacts to customers arising from the incident.

We propose to amend the Clearing and Settlement Systems Ordinance to cover stored value facilities (“SVF”), which include both device-based multipurpose stored value products (such as Octopus), and non-device based multipurpose SVF which store value on mobile network accounts or computer network-based accounts, in the regulatory regime. If the proposal is to be implemented, issuers of the above-mentioned products will be required to be licensed by the HKMA before they are allowed to conduct SVF business in Hong Kong. The SVF licensees will be required to comply with on-going regulatory requirements, including management of the business, management of the float, appropriate risk management and control systems, and “fit and proper” ownership and management, etc. If the SVF licensees fail to comply with the regulatory requirements or there are system disruptions that may cause financial loss to users, the HKMA will have the powers to conduct detailed investigation into the incidents and impose a range of necessary sanctions proportionate to the severity and circumstances of the incidents.