

For information

**Legislative Council
Panel on Financial Affairs**

**Development of
a centralized platform for the
administration of Mandatory Provident Fund registered schemes
- progress update and first-phase legislative amendments**

PURPOSE

This paper aims to inform Members of -

- (i) the progress of the development of the Centralized Platform (“CP”) to facilitate standardization, streamlining and automation of Mandatory Provident Fund (“MPF”) scheme administration processes; and
- (ii) the Government’s plan to take forward the first-phase legislative amendments to give the Mandatory Provident Fund Schemes Authority (“MPFA”) explicit power to set up a wholly-owned subsidiary to carry out the necessary work for the development of the CP.

LATEST PROGRESS

2. We briefed the Panel on Financial Affairs (“FA Panel”) on 18 December 2018 on the Government’s proposal to provide public funding of \$3,367.15 million for the development of the CP to handle MPF scheme administration processes and related expenses. Members supported the proposal.

3. To prepare for the tendering exercise, the MPFA will issue a Request for Information by the end of March 2019. At the same time, the Task Force under the eMPF Working Group¹ is currently formulating standardised administration processes for MPF registered schemes to prepare for the Request for Proposal for the CP project (“RFP”). Our target is to issue the RFP for the CP project within 2019, with a view to completing the development of the CP in 2022 and implementing the CP by phases thereafter.

FIRST-PHASE LEGISLATIVE PROPOSAL

4. As explained in paragraph 15 of the FA Panel paper², after taking into account various considerations, the Government considers that tasking the MPFA to set up a wholly-owned subsidiary to own and operate the CP is the optimal way forward. The subsidiary is neither an approved trustee nor a regulatee under the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (“MPFSO”).

Statutory functions of the MPFA

5. Section 6E(1)(eb) of the MPFSO states that one of the functions of the MPFA is “to promote and encourage the development of the retirement scheme industry in Hong Kong, including the adoption of a high standard of conduct and sound prudent business practices by trustees and other service providers”. The CP will bring a number of benefits to MPF scheme members, employers and the MPF industry, including the reduction of the time required for processing instructions and the provision of much potential for improving reliability, accuracy and operational efficiency of MPF scheme administration. The development and

¹ Under the direction of the Financial Secretary, a Working Group on eMPF co-chaired by the Financial Services and the Treasury Bureau and the MPFA was set up on 2 June 2017 to steer the development of the CP. The Working Group is comprised of representatives of the Office of Government Chief Information Officer, the MPFA and the existing 14 MPF approved trustees who are administering MPF schemes.

² LC Paper No. CB(1)309/18-19(04).

operation of the CP therefore falls within the function of the MPFA as stated under section 6E(1)(eb) of the MPFSO.

Powers of the MPFA

6. On the setting up of a wholly-owned subsidiary, section 6(2)(d) provides, among other things, that the MPFA may do all other things that bodies corporate may do and that are necessary for, or are incidental to, the exercise of its functions. Likewise, section 6E(2) states that the MPFA has such ancillary powers as may be necessary to enable it to exercise its functions. However, there is no express power under the MPFSO for the MPFA to set up a limited company. Hence, whilst the MPFA may develop and operate the CP, it is not entirely certain whether it has power to set up a wholly-owned subsidiary to take forward the necessary work. The prudent approach is to amend the MPFSO to provide a legal basis for the MPFA to set up a wholly-owned subsidiary for the purposes of owning and operating the CP.

7. Before completion of the CP by 2022, there is a series of preparatory tasks that will need to commence and which requires the MPFA and its wholly-owned subsidiary's involvement and coordination, including industry data cleansing and migration, business process standardization, test runs, user acceptance tests, internal capacity building through recruitment, resource redeployment within the MPFA and outsourcing, etc. Thus it is desirable that the first-phase legislative exercise is taken forward before the comprehensive overhaul of the MPFSO (please see paragraph 9 below).

8. Specifically, a new provision will be added to provide that subject to the approval of the Financial Secretary, the MPFA may establish a wholly-owned subsidiary to facilitate the exercise or performance of its functions. Provisions on the employment of staff, immunity and delegation of powers, etc. will also be amended accordingly.

9. Further to this first-phase legislative exercise to enable the MPFA to set up a subsidiary to perform the preparatory tasks for the development

of the CP, the Government and the MPFA will carry out the second-phase legislative exercise to conduct a comprehensive overhaul of the MPFSO to streamline scheme administration workflows by reducing administrative burden and re-aligning regulatory responsibilities of trustees under the MPFSO to support the establishment of the CP in 2022 and its operation thereafter.

WAY FORWARD

10. In order to tie in with the development timeframe of the CP, the Government plans to introduce into the Legislative Council in the 2018-19 legislative year the first-phase legislative proposal on the MPFSO as set out in paragraphs 6 to 8 above.

**Financial Services Branch
Financial Services and the Treasury Bureau
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