

# 立法會 *Legislative Council*

LC Paper No. CB(1)199/19-20(01)

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## **Panel on Financial Affairs**

### **Meeting on 2 December 2019**

#### **Updated background brief on the centralized electronic platform for the administration of Mandatory Provident Fund registered schemes**

#### **Purpose**

This paper provides background information on the development of a centralized electronic platform for the administration of mandatory provident fund registered schemes ("eMPF Platform"). It also summarizes the views and concerns expressed by Members of the Legislative Council ("LegCo") on the subject since 2017.

#### **Background**

##### The Mandatory Provident Fund System

2. The Mandatory Provident Fund ("MPF") system is a mandatory, privately-managed and fully-funded pension system established under the Mandatory Provident Fund Schemes Ordinance (Cap. 485) ("MPFSO") and was launched in December 2000 to offer basic retirement protection to the working population. Employees and self-employed persons are required under MPFSO to join a registered MPF scheme selected by the employers or self-employed persons (as the case may be) and make choice from a range of constituent funds available under the scheme for investment of contributions. All provident fund schemes intended to be operated as MPF schemes must be registered with the Mandatory Provident Fund Schemes Authority ("MPFA"), and registered MPF schemes must be operated by MPF trustees approved by MPFA. The major service providers in the MPF System include approved trustees, custodians, scheme administrators and investment managers. Other than investment management, service providers of registered MPF schemes provide a range of

services covering collection and allocation of contributions, providing assistance in the recovery of outstanding contributions, providing statutory reporting to regulators, handling transfers between schemes and fund switches within schemes, and administration of withdrawals of accrued benefits.

Centralized electronic platform for the administration of Mandatory Provident Fund registered schemes

3. The development of the eMPF Platform, which was an initiative in the Chief Executive's 2017 Policy Address delivered in January 2017, aims to handle MPF-related transactions electronically, such as enrolment of scheme members, processing Remittance Statements submitted by employers, managing fund and scheme switching, and to enhance the administrative efficiency of MPF schemes thereby providing more room for fee reduction. The Administration and MPFA set up a Working Group on eMPF<sup>1</sup> ("the Working Group") in June 2017 to steer the development of the eMPF Platform, which involves the following major challenges:

- (a) the design and building of an online centralized portal for employers and employees to handle their MPF transactions;
- (b) the design and building of an information technology system, including a database, that would capture the MPF-related data of contributing employers and MPF scheme members and handle the transactions of the existing over nine million MPF accounts;
- (c) managing a data transfer process from the existing systems of the approved trustees to the eMPF Platform during the transitional phase that would not cause data loss or confusion to employers and employees; and
- (d) managing the interfacing between the eMPF Platform and the existing systems of the approved trustees.

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<sup>1</sup> The Working Group on eMPF is co-chaired by the Financial Services and the Treasury Bureau and the Mandatory Provident Fund Schemes Authority ("MPFA"). Members of the Working Group include the Deputy Government Chief Information Officer (Infrastructure and Operations), the Executive Director (Supervision) of MPFA and representatives of the Mandatory Provident Fund ("MPF") approved trustees who are operating MPF schemes.

4. After evaluating four options<sup>2</sup> of institutional arrangements for owning and operating the eMPF Platform, the Administration concludes that the optimal option is to task MPFA to own and operate the Platform. MPFA will establish a wholly-owned subsidiary as a legal entity to own and operate the eMPF Platform following the necessary empowering legislative amendments. In December 2018, the Administration estimated that the development of the eMPF Platform would require a public funding of \$3,367.15 million.<sup>3</sup>

5. As there is no express power under MPFSO for MPFA to set up a limited company to perform its own functions, the Administration considers that the prudent approach is to amend MPFSO to provide a legal basis for MPFA to set up a wholly-owned subsidiary for building, owning and operating the eMPF Platform. For this purpose, the Administration introduced the Mandatory Provident Fund Schemes (Amendment) Bill 2019 into LegCo in June 2019 which received its First Reading at the Council meeting of 23 October 2019.<sup>4</sup>

### **Major views and concerns expressed by Members**

6. Members raised concerns about the development of the eMPF Platform during the briefing on relevant policy initiatives in the Chief Executive's 2017 Policy Address at the Panel on Financial Affairs ("FA Panel") meeting on 20 October 2017. FA Panel discussed the funding proposal for developing the eMPF Platform at the meeting on 18 December 2018. Members further enquired about the development of the eMPF Platform when the Establishment Subcommittee ("ESC") and the Finance Committee ("FC") considered the Administration's proposal to create one supernumerary Administrative Officers Staff Grade C post in the Financial Services and the Treasury Bureau at the meetings on 29 May and 22 June 2018 respectively. Issues relating to the implementation of the eMPF Platform were also discussed during the special meetings of FC on 3 April 2017, 17 April 2018 and 9 April 2019 for the

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<sup>2</sup> The four options considered by the Administration are:  
(a) setting up a privately-owned model;  
(b) setting up a dedicated statutory body;  
(c) forming a government-owned company; and  
(d) tasking MPFA to own and operate the centralized electronic platform.

<sup>3</sup> The Legislative Council approved in May 2019 the non-recurrent public funding of \$3,367.15 million which had been incorporated into the Appropriation Bill 2019.

<sup>4</sup> The House Committee is yet to consider whether to form a Bills Committee to scrutinize the Mandatory Provident Fund Schemes (Amendment) Bill 2019.

examination of the Estimates of Expenditure 2017-2018, 2018-2019 and 2019-2020 respectively. The major views and concerns expressed by Members at the above meetings are summarized in the ensuing paragraphs.

#### Progress of the development of the eMPF Platform

7. At the FA Panel meeting on 20 October 2017 and the special meetings of FC on 3 April 2017 and 9 April 2019, LegCo Members enquired about the timetable for implementing the eMPF Platform.

8. The Administration advised that the aim was to award the tender of eMPF Platform in the first quarter of 2020, commence system design and development of the Platform by phases in mid-2020, carry out data cleansing and standardization, and implement business process reengineering in preparation for transition to the Platform in 2022. Data migration and phased migration of administrative work of MPF schemes to the Platform would be conducted after 2022. It was expected that the majority of the administrative work of MPF schemes could be migrated to the Platform between 2024 and 2025.

9. At the FA Panel meeting on 18 December 2018, some members enquired whether the eMPF Platform would have the ability to handle both digital and paper-based MPF scheme administration processes and the estimated duration for the Platform to operate in parallel with the paper-based MPF scheme system. The Administration responded that the Working Group had developed a set of technical specifications covering 18 major areas of MPF scheme administration processes. The Working Group would examine the feasibility to digitalize the various processes in each of the 18 areas to facilitate their handling by the eMPF Platform. For those administration processes that could not be digitalized, MPFA would discuss with trustees to explore ways to standardize the processes concerned where possible. As it was inevitable that certain level of paper-based transactions would remain and that some users might not readily adapt to full electronic transactions, there would be service centres to assist users during the inception years of the eMPF Platform.

10. The Administration also advised that as promotion of digital take-up was vital to the success of the eMPF Platform, a dedicated task force had been formed under the Working Group to tackle the issue. MPFA together with trustees would formulate and implement relevant measures to raise the digital take-up rate prior to the launch of the eMPF Platform. While all trustees had been providing digital tools for use by employers and scheme members, it was noticed that the usage rate of such tools varied greatly among trustees. The dedicated task force would examine the practices of trustees with higher digital

take-up rates and encourage them to share the successful experience with their counterparts.

### Benefits of implementing the eMPF Platform

11. At the FC meetings on 3 April 2017 and 22 June 2018, Members enquired about the initial assessment on the level of MPF fees reduction, and whether the Administration would charge users of the eMPF Platform under the user-pays principle or waive the charges upon commitment of trustees to drive down MPF fees.

12. The Administration advised that the objective of the eMPF Platform was to enhance the efficiency of the MPF system, thereby providing more room for fee reduction to benefit scheme members through the switching from the current predominantly paper-based MPF-related transactions to electronic transactions. Trustees would be required to pay for using the eMPF Platform in order to cover its operating cost.

13. As regards the level of MPF fees reduction after the launch of the eMPF Platform, the Administration responded that it had not assessed the implications of the eMPF Platform for MPF management fees, but a consultancy report had indicated that MPF administration fees amounted to approximately 0.75% per annum of the net asset value of MPF constituent funds. As such, it was believed that establishment of the eMPF Platform could result in a substantial reduction in MPF fees. Moreover, the eMPF Platform would assist employers and employees in the disbursement and collection of monies after the abolishment of the arrangement of offsetting severance payments and long service payments against MPF accrued benefits, as well as facilitate the implementation of MPF full portability. The Administration and MPFA were finalizing a set of technical specifications for the eMPF Platform, and the level of reduction in trustees' administrative cost arising from the use of the Platform would have to be assessed after the commencement of operation of the online centralized portal for the handling of MPF transactions.

14. At the FA Panel meeting of 18 December 2018, members enquired about the measures that the Administration and MPFA would take to ensure that scheme members could benefit with the launch of the eMPF Platform. The Administration advised that MPFA was empowered under MPFSO to require trustees to provide detailed cost breakdown of their MPF schemes (including trustee fees, administration fees, fund management fees, custodian fees and sponsor fees) and conduct inspections to verify the information if necessary. MPFA was conducting a transparency exercise to collect and disclose the aforesaid information to facilitate scheme members' comparison. As the

service charges of the eMPF Platform would be transparent and imposed on trustees on a cost-recovery basis, it would be easier for scheme members to compare the administration costs and management fees of various trustees after the launch of the eMPF Platform.

15. At the ESC meeting on 29 May 2018, Members enquired whether the eMPF Platform could improve the current situation where an MPF scheme member with more than one trustee account would be required to log in to the website of every trustee in order to check and manage his/her MPF accounts. The Administration advised that the eMPF Platform was a centralized electronic administration platform where MPF scheme members could check and manage all of their MPF accounts through a single password, thereby providing convenience to scheme members in managing their accounts.

### **Relevant questions raised at Council meetings**

16. At the LegCo meeting of 2 May 2018, Hon CHAN Kin-por raised a written question on the work of the Working Group. The question covers the work progress of the Working Group, the latest timetable for launching the eMPF Platform, and the Administration's plan to apply various types of financial technologies to enhance the effectiveness of the Platform. Details of the question and the Administration's reply are given in the hyperlinks in the **Appendix**.

### **Latest development**

17. The Administration will brief the FA Panel on the latest development of the eMPF Platform at the meeting on 2 December 2019.

### **Relevant papers**

18. A list of relevant papers is set out in the **Appendix**.

## List of relevant papers

Date	Event	Paper
3 April 2017	Special meetings of the Finance Committee to examine the Estimates of Expenditure 2017-2018 (session on financial services)	<a href="#">Speaking note of the Secretary for Financial Services and the Treasury</a> <a href="#">Report on the examination of the Estimates of Expenditure 2017-2018</a>
20 October 2017	Meeting of the FA Panel	<a href="#">Administration's paper</a> (LC Paper No. CB(1)47/17-18(01))  <a href="#">Minutes</a> (paragraphs 18-19) (LC Paper No. CB(1)312/17-18)
5 March 2018	Meeting of the FA Panel	<a href="#">Administration's paper</a> (LC Paper No. CB(1)625/17-18(07))  <a href="#">Background brief</a> (LC Paper No. CB(1)625/17-18(08))  <a href="#">Minutes</a> (paragraphs 43-49) (LC Paper No. CB(1)924/17-18)
17 April 2018	Special meetings of the Finance Committee to examine the Estimates of Expenditure 2018-2019 (session on financial services)	<a href="#">Speaking note of the Secretary for Financial Services and the Treasury</a> <a href="#">Report on the examination of the Estimates of Expenditure 2018-2019</a>
2 May 2018	Hon CHAN Kin-por raised a written question on Work of the Working Group on eMPF	<a href="#">Hansard</a> (pages 9011- 9012)

<b>Date</b>	<b>Event</b>	<b>Paper</b>
29 May 2018	ESC deliberated on the staffing proposal	<a href="#">Administration's paper</a> (EC(2018-19)4)  <a href="#">Minutes</a> (paragraphs 97-103) (LC Paper No. ESC142/17-18)
22 June 2018	FC deliberated on the staffing proposal	<a href="#">Administration's paper</a> (FCR(2018-19)26)  <a href="#">Minutes</a> (paragraphs 17-27) (LC Paper No. FC72/18-19)
18 December 2018	FA Panel meeting	<a href="#">Administration's paper</a> (LC Paper No. CB(1)309/18-19(04))  <a href="#">Minutes</a> (paragraphs 46-59) (LC Paper No. CB(1)806/18-19)
27 March 2019	FA information paper	<a href="#">Administration's paper</a> (LC Paper No. CB(1)791/18-19(01))
9 April 2019	Special meetings of the Finance Committee to examine the Estimates of Expenditure 2019-2020 (session on financial services)	<a href="#">Speaking note of the Secretary for Financial Services and the Treasury</a>  <a href="#">Report on the examination of the Estimates of Expenditure 2019-2020</a>
23 October 2019	First reading of the Bill	<a href="#">Legislative Council Brief</a> (File Ref.: MPF/2/1/42C)