

**Hong Kong Retirement Schemes Association Christmas Luncheon**  
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**Keynote Speech**

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Good afternoon, Janet, distinguished guests, ladies and gentlemen.

1. First of all, I would like to thank the Hong Kong Retirement Schemes Association (HKRSA) for inviting us to the Christmas luncheon this year. HKRSA has always been our treasured partner in promoting the interests and best practices of retirement schemes in Hong Kong. I am indeed very honoured and happy to be here today, with so many familiar faces around. It is fabulous to be speaking to people who have been working hand in hand with the MPFA to grow our MPF and ORSO Systems.

2. The year 2019 is coming to a close very soon and I think all of you would agree that this has been a particularly eventful and challenging year for all of us. Despite all these challenges and disruptions, the MPF industry managed to provide continuous service to our 4 million MPF members and 300,000 employers. As our Chairman mentioned in his blog recently, it was encouraging to note that the return for the MPF system in the first 10 months of 2019 is 8.6%, net of fees and charges. Not only that, a number of achievements were made throughout the year - 4 schemes were merged, 27 funds had reduced fees and by up to 20 basis points, 2 new APIFs were launched, 10 ETFs were launched within the MPF space, to name just a few.

3. While the product development side was vibrant and active, on the regulatory side, we have not spared any efforts to promote greater transparency of all our MPF products. We continued our efforts to promote greater transparency of MPF funds to members to help them make wise choices amongst the 400 plus funds. A Working Group has been formed with the industry to take forward two initiatives, the online dashboard and ABS made easy i.e. simplify the presentation of information in the

annual benefit statement. Key scheme member account information will be presented in a simple, standardized manner so that members can see how much goes to contribution, fees and returns. Our previous surveys showed that the better informed an MPF member is, the more engaged the member becomes in managing retirement savings.

4. Dialogues with the industry have been underway for quite a while on the establishment of the Investment Solutions Lab. The Lab enables industry to offer innovative solutions and product development that would cater for the investment needs of scheme members during the accumulation and withdrawal phases. Upon retirement, members could choose to retain the entire accumulated sum in the MPF System to continue investing or they may choose phased withdrawal after they have reached the age of 65. Currently, “in scheme” phased withdrawal products are lacking to serve retiring members who wish to “stay invested” for post-retirement especially during low interest rate environment. We welcome the industry’s submission of product proposals to the Investment Solutions Lab and we are hopeful to see approval of the first batch of retirement solution products in the first quarter of 2020.

5. Looking back at the past 19 years, the MPF System has undergone a number of economic downturns and crises. The MPF System has since its inception in 2000 encountered several economic downturns in Hong Kong, such as SARS in 2003 and the global financial crisis in 2008. However, it seems that it has been in our DNA that in the face of turbulences, the MPF industry and the Authority stand shoulder to shoulder to ride through the storms and to strive our very best to deliver positive returns for the MPF system. Looking round the globe, even some of the most advanced economies that started off with defined benefit (DB) plans invariably fell into problems of meeting the longevity challenges. As for countries which took the pre-emptive approach to convert into defined contribution (DC) plans, in recent years, they need to upgrade and reform themselves in order to meet rising challenges. We can see these cases across various parts of Europe and Latin America.

6. Coming back to Hong Kong, I think we should be thankful that our MPF System started with a small but robust architecture, a system which is capable of providing fully-funded pension solutions to our 4 million members without relying on fiscal reserves. The design was proven to be sustainable in the past two decades despite all the ups and downs. That said, we could not be complacent in the face of even bigger financial downturns, broader geopolitical conflicts, prolonged low interest rate environment and rise of longevity risks ever so great.

7. Our experience tells that every cloud has a silver lining. For every crisis faced by the MPF System, it could be a blessing in disguise. Challenges and opportunities always come hand in hand, if perceived from a positive light. The MPF System is now half-way to maturity after about twenty years of establishment. We are at a crossroads and we need to figure out the path ahead.

8. Our piece of silver lining may lie in the launch of the eMPF Platform, a new initiative of the MPF System that you are all aware of, I believe. Riding on the benefits of easier and more cost effective access to technology, the MPF industry and ecosystem are going to introduce its own disruption to reform and springboard to a new ecosystem, for the many decades to come.

9. With the administrative burden off-loaded to the future eMPF platform, MPF trustees could finally focus on their expertise, i.e. be the gatekeeper of our members' assets by allowing suitable MPF products, seeking to enhance returns to members through the appointment of diligent fund managers, negotiating better fees structures with service providers like brokers, custodians etc. MPF System is premised on the belief that the private pension market will work more cost efficient in price discovery, and where such theory fails to deliver, external intervention may have to step in and lead reforms to disrupt existing business propositions. This is also one of the reasons in support of the build of the eMPF Platform. Our recent study shows that the fee component for MPF scheme administration has failed to come down further despite a year on year increase of the assets under management (AUM) of the entire MPF System which reached HK\$930 billion as at end of October this year. It is obvious

that something has to be done and the Government is committed to funding the build and development of the eMPF Platform as a start to reform the existing landscape.

10. I must emphasize that the eMPF Platform is not just an IT project. It represents a whole new ecosystem of the MPF industry by integrating hardware, software and services. So let me spend a few minutes to outline the preparation of the MPFA in this respect and what you as the industry or prospective tenderers could prepare in view of the upcoming tendering process.

11. Further to the issue of a Request for Information (RFI) in March this year where we had received a good number of positive responses from local, regional and global financial services providers and technology companies, the MPFA has initiated the first step of a “three-step process” of the Request for Proposal (RFP) exercise last month. We are going to call for tender soon in December. The MPFA will release the RFP package for the eMPF Platform project which consists of three categories, i.e. the hardware, the software and the services. The award of tender is expected to be made in the second half of 2020 and we wish to see the eMPF Platform ready for launch starting 2022.

12. We hope to bring together the “best of breeds” with in-depth knowledge of the operation of the MPF System and regulation and our Fintech companies which are capable of delivering business and technology solutions, so that they can join hands to provide user-centric, technology-driven and people-oriented services to over 4 million users with diverse backgrounds, diverse cohorts, diverse age groups, diverse literacies: financial literacy and digital literacy. We are talking about a public utility that we have to be financially inclusive. We have to make sure “no one is left behind”. What we need is people who have a big heart in doing this project for the public of Hong Kong. So prospective tenderers must be aware that this is not a platform building for private bank or investment bank, we are building it for the people. This is the people’s platform.

13. I want to stress that building a “public utility” in the form of the eMPF Platform whose ownership is the Government and MPFA will be different from running an enlarged version of a third-party administrator. The orientation and value proposition must be clear at the outset so that the bidders of the project are fully aware they remain accountable to the public and not just to one or two trustees. Clear and visible improvements in terms of process designs, cost savings and efficient pricing to benefit MPF members must be seen and felt all along. We also expect there would be efficiency gains in the supervisory and enforcement efforts on the MPFA when the eMPF Platform helps to automate reporting and filings.

14. Finally, the funding arrangement was mentioned in the LegCo Panel of Financial Affairs on 2 December 2019. There will be three tranches of funding and for the first tranche, the \$3.36715 billion for system build and development was allocated, the second tranche would be requested in 2020 for the eMPF Entity and certain additional functionalities, and the third tranche is expected in year 2021.

15. We are cautiously optimistic about the outcome of the eMPF Platform as we have both the will and the means to achieve this huge social service platform for the benefits of several millions of stakeholders involved. After all, we have the partnership and support of the many retirement protection and MPF industry professionals, many of whom are around today.

16. 2020 marks the 20th anniversary of the MPF System which is an important milestone to all of us here. We will continue to count on your expertise and participation in bringing improvements to the MPF System and to deliver good outcomes for scheme members. The HKRSA will continue to be our most important and solid partner on our reform journey in meeting various challenges ahead. I hope that we can join hands with HKRSA and the industry in celebrating the 20th anniversary of the MPF System next year, and on this note, I conclude my speech and wish you all a joyous Christmas and a happy and peaceful new year.

17. Thank you.