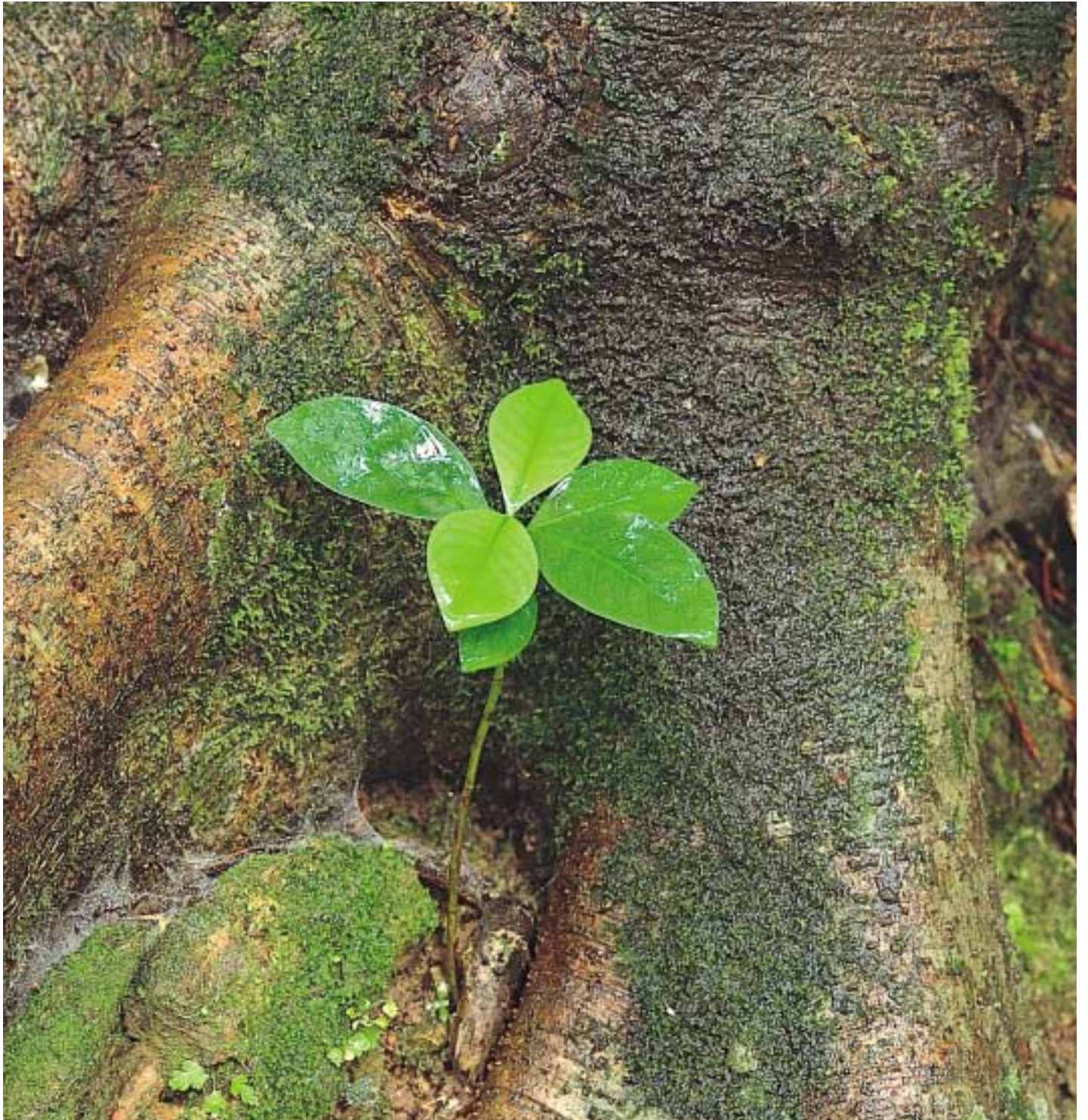
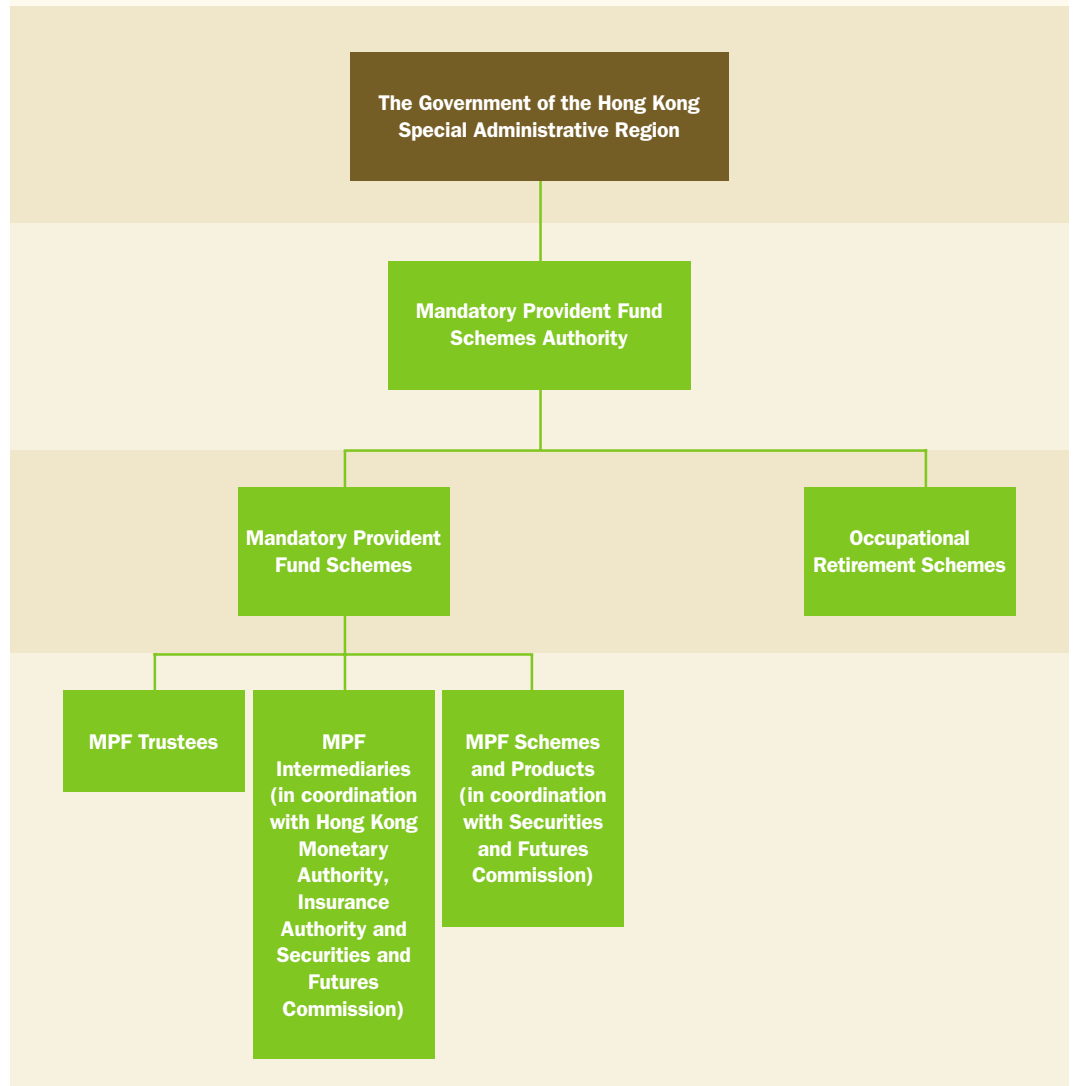


*Longing for wonders, a life hidden under*



REGULATORY STRUCTURE

The MPFA is responsible for regulating retirement benefit schemes set up mandatorily or voluntarily in Hong Kong. The regulatory structure is as follows:



The regulatory work is carried out on the basis of legislation governing MPF schemes and occupational retirement schemes.

MPF LEGISLATION

Subsequent to its enactment in 1995, the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (MPFSO) was amended in 1998, 2000 and 2002 and supplemented by several regulations and rules made in 1998, 1999 and 2000 respectively.



## Regulatory Framework *Continued*

In order to further enhance the effectiveness and efficiency of the MPF System, the MPFA continues to review the MPF legislation in the light of operational experience. The MPF Schemes Operation Review Committee (Review Committee) was set up in August 2001 to review the administrative and operational aspects of the MPF legislation to ensure that the MPF System is efficient, effective and user-friendly. The Review Committee comprises representatives of employer and employee bodies, service providers, professional organizations, Government and MPFA. The composition of the Review Committee is included in Appendix 1.

The Review Committee completed the first phase of its work in late 2001 and made a number of proposals to amend the MPFSO. The proposed amendments were passed by the Legislative Council and gazetted as the Mandatory Provident Fund Schemes (Amendment) (No. 2) Ordinance 2002 in July 2002. Among the changes, those mainly relating to improved regulation of MPF schemes and investments and enhanced protection for scheme members became effective immediately. To allow time for service providers and employers to make adjustments to their systems and administration procedures, other changes that are mainly related to simplification of scheme administration and the raising of the minimum level of relevant income for MPF contributions became effective in February 2003. A summary of the major legislative changes is at Appendix 2.

From June 2002 to March 2003, the Review Committee held its second round of meetings and agreed on further proposals to improve the administrative and operational aspects of the MPF legislation. These include additional proposals to enhance protection for scheme members, simplify MPF scheme administration and resolve certain technical issues. The proposals have been presented to the Government for consideration.

A list of the subsidiary legislation and legislative amendments made in respect of the MPFSO since its enactment is at Appendix 3.



## ORSO LEGISLATION

Enacted in 1992 and brought into operation in 1993, the Occupational Retirement Schemes Ordinance (Cap. 426) (ORSO) regulates all voluntarily established occupational retirement schemes (ORSO schemes) operating in or from Hong Kong. It is supported by subsidiary legislation in the form of rules made by the Registrar of Occupational Retirement Schemes.

A list of the subsidiary legislation and legislative amendments made in respect of the ORSO since its enactment is at Appendix 4.

During the year, the MPFA completed a review of the ORSO legislation for the purposes of facilitating the administration of ORSO schemes and improving the overall effectiveness of ORSO schemes regulation. A draft bill is under preparation on the basis of the proposed amendments.

## GUIDELINES AND CODES

To elaborate on the legislative requirements and to facilitate compliance with the MPF and ORSO legislation, the MPFA has issued in total 59 sets of Guidelines and two sets of Codes as at 31 March 2003. Among those guidelines, three sets of new guidelines relating to index-tracking collective investment schemes, notification of significant events and unclaimed benefits were issued in the reporting year, and 16 existing guidelines covering reporting requirements, investment and scheme operations were revised during the year. The revisions were made largely to provide guidance on compliance with the amended MPF legislation which took effect either in July 2002 or February 2003. The Code of Conduct for MPF Intermediaries was revised to incorporate the latest developments of the MPF System and other regulatory developments. A complete list of all the guidelines and codes issued by the MPFA is set out in Appendix 5. These guidelines and codes are available on the MPFA's website.

## CIRCULAR LETTERS

Apart from the guidelines and codes, the MPFA has issued 17 circular letters during the year to service providers to clarify certain legislative requirements and to provide further assistance on compliance. Many of such letters covered scheme administration issues, including the administrative procedures for a number of application and reporting items (especially the new arrangements after the coming into effect of the legislative amendments), and the renewal of registration as MPF intermediaries. A list of the circular letters issued during the year is set out in Appendix 6.