

**Information Note for
Legislative Council Panel on Financial Affairs
Review of Disclosure Requirements/
Standards for MPF Investment Funds**

Introduction

The Mandatory Provident Fund Schemes Authority (“MPFA”) has been working on a project since late 2002 to improve the disclosure of fees and charges and performance of funds offered to members of MPF schemes.

2. After having conducted a series of reviews of disclosure practices, including one by an international panel, the MPFA has been working closely with industry bodies and other financial services regulators to build the key reform proposals for this project (commonly known as the Disclosure Project). It is planned that the key proposals will be implemented mainly through the issue of a Code to the industry setting out the general principles/standards of disclosure and the responsibilities of MPF service providers. To this end, the MPFA has developed a draft Code on Disclosure for MPF Investment Funds (the draft Code) and will, on 2 February 2004, release a Consultation Paper on the draft Code.

The Draft Code

3. Under the draft Code, approved trustees of MPF schemes should improve the disclosure of fees, charges and performance in a number of areas including:

- ensuring that all fees and charges are disclosed in a consistent manner by the use of a standardized fee table;
- providing members and potential members with an on-going cost illustration that shows in dollars, the costs that may be incurred in investing in a fund across defined time horizons;
- providing members with a minimum level of information about schemes and funds on a regular and timely basis; and
- the development and use of expense ratios that express total fund expenses as a percentage of fund value.

The proposed principles/standards set out in the draft Code aim to strike a balance between the need to better protect MPF scheme members and the practicality/costs of the relevant measures. The international practices in this regard have been taken into account as appropriate.

4. The background to the project and the development of the draft Code is set out in detail in the Consultation Paper which, together with the draft Code, is attached at **ANNEX**.

5. We are pleased to brief Members on the project and the draft Code at the Panel meeting on 2 April 2004. Depending on the outcome of the consultation, we aim to issue the Code in June 2004.

Mandatory Provident Fund Schemes Authority
Financial Services and the Treasury Bureau
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