



IOPS Technical Committee Meeting:

Impact of Digitalisation of Financial Services on Supervisory Practices

**Use of Digital Technology to Facilitate Administration and
Supervision of MPF Schemes in Hong Kong, China**

Mandatory Provident Fund Schemes Authority

22 February 2018



1 Overview of the MPF System





Features of MPF System – Overview

- ❑ **Launched in December 2000**
- ❑ **Mandatory participation**
- ❑ **Employment based**
 - Aged 18-65 and employed for not less than 60 days
 - Casual employees in Catering or Construction Industries not subject to the 60-day rule
- ❑ **Defined contribution**
 - Contribution by employer and employee: each contributing 5% of an employee's Relevant Income
 - Relevant Income: all monetary payments paid or payable by an employer to an employee
 - Current minimum and maximum levels of Relevant Income (HK\$7,100 and HK\$30,000 respectively)





Features of MPF System

– Decentralised Administration Model

- ❑ Privately managed by 14 trustees with 32 MPF schemes and 469 funds
- ❑ Employers choose schemes offered by trustees and employees choose funds from the scheme(s)
- ❑ 9.4 million MPF accounts (on average each member has 2.2 accounts)
- ❑ Large volume of transactions
 - Monthly collection of numerous small contributions
 - Following up default contributions
 - Payout of benefits on eligible grounds
 - 30 million transactions yearly, 2/3 involve some degree of paper-based or manual processing



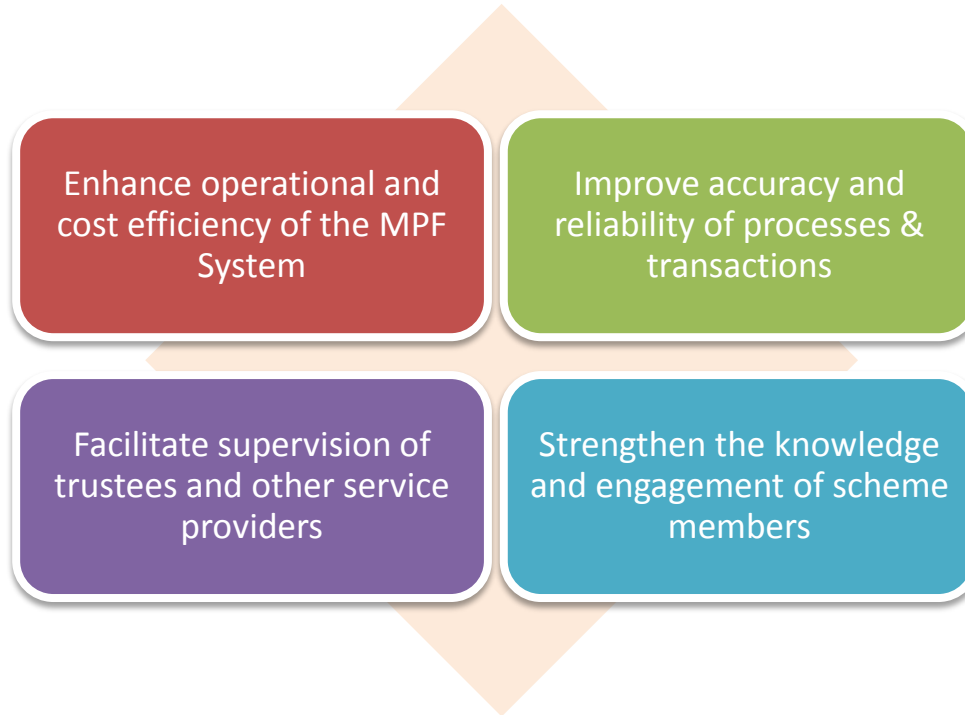


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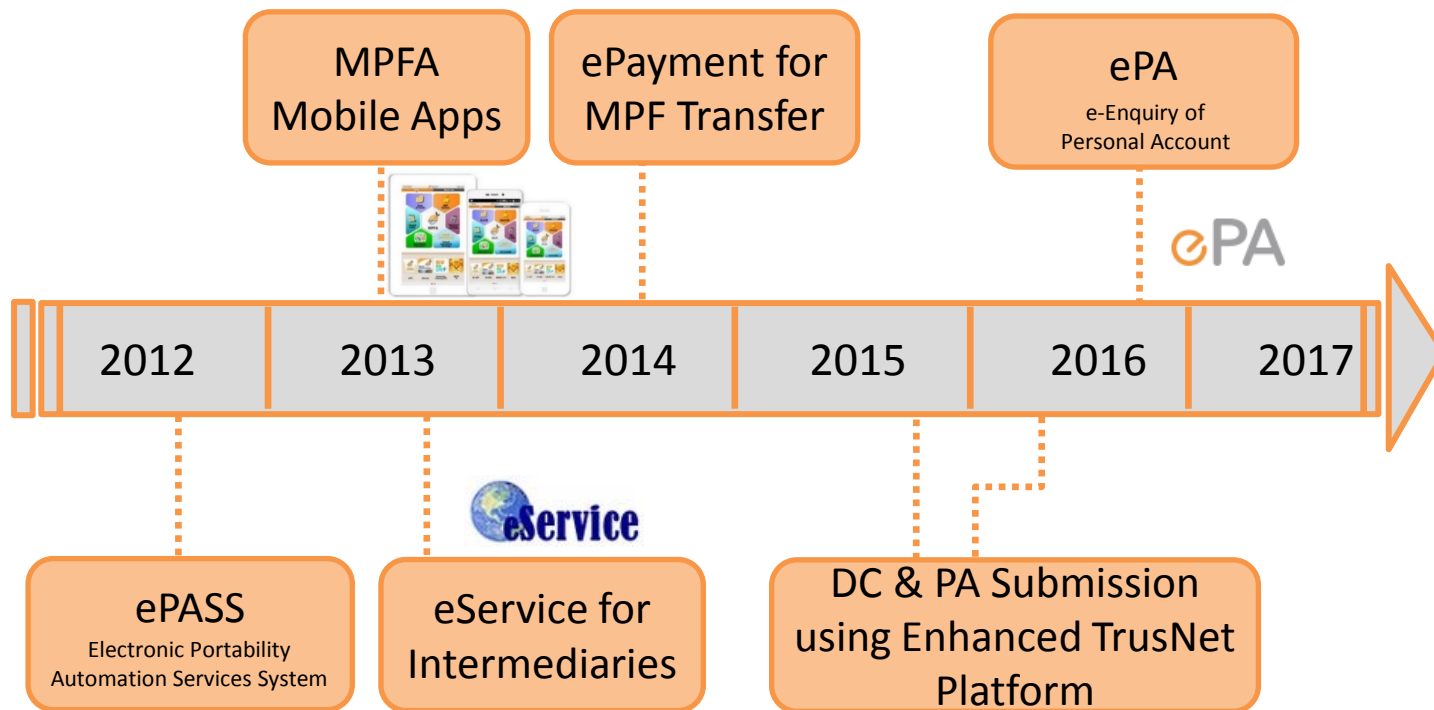
Major Digital Initiatives Undertaken by MPFA



Objectives of Digital Initiatives

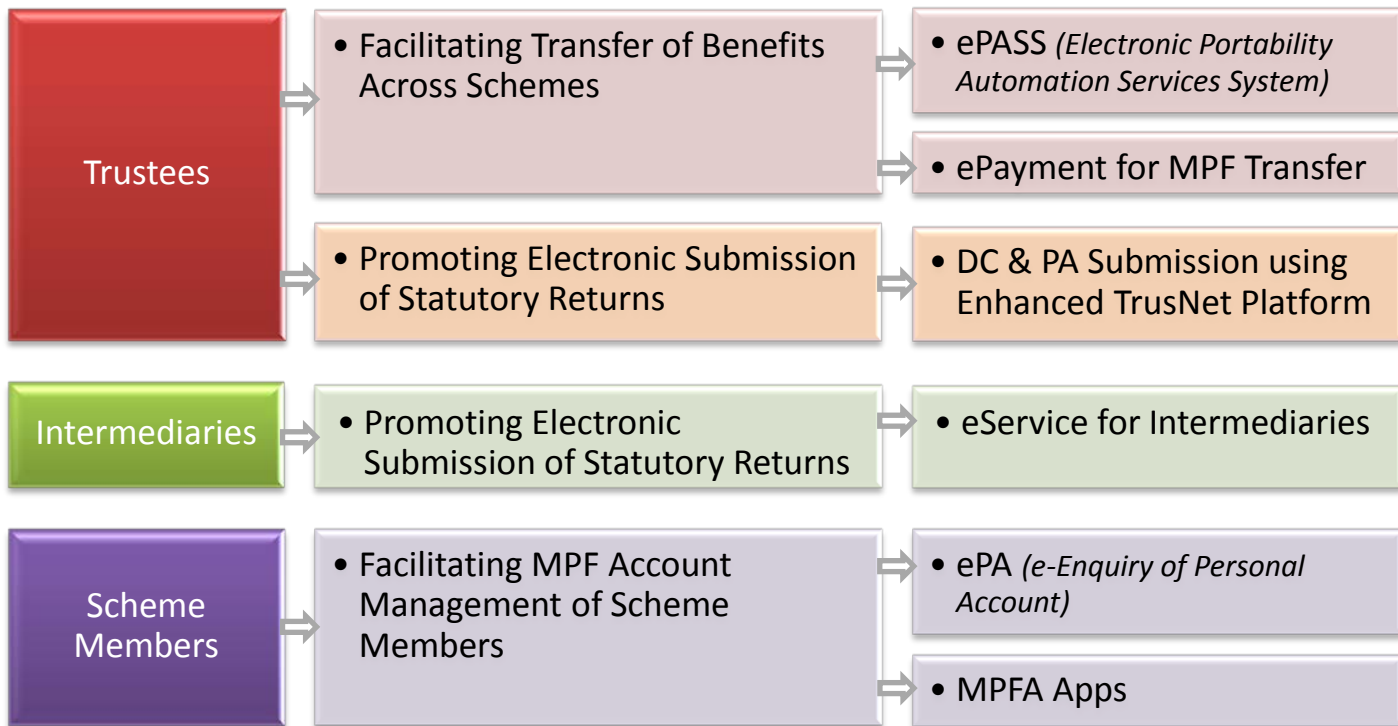


Launch of Major Digital Initiatives





Major Digital Initiatives – Target Groups





A. Facilitating Transfer of Benefits Across Schemes

- 1 Electronic Portability Automation
Services System (ePASS)**
- 2 ePayment for MPF Transfer**





Transfer of Benefits - Background

- ❑ Scheme members have the right to transfer benefits from one scheme to another - 600,000 transfers a year
- ❑ Transfer processes used previously:
 - paper-based handling - labour intensive and longer processing time
 - lack of electronic channel for secure data transmission
 - duplicate data input by the original and new trustees
 - handling of transfer payment by cheque





ePASS – Objectives

Background

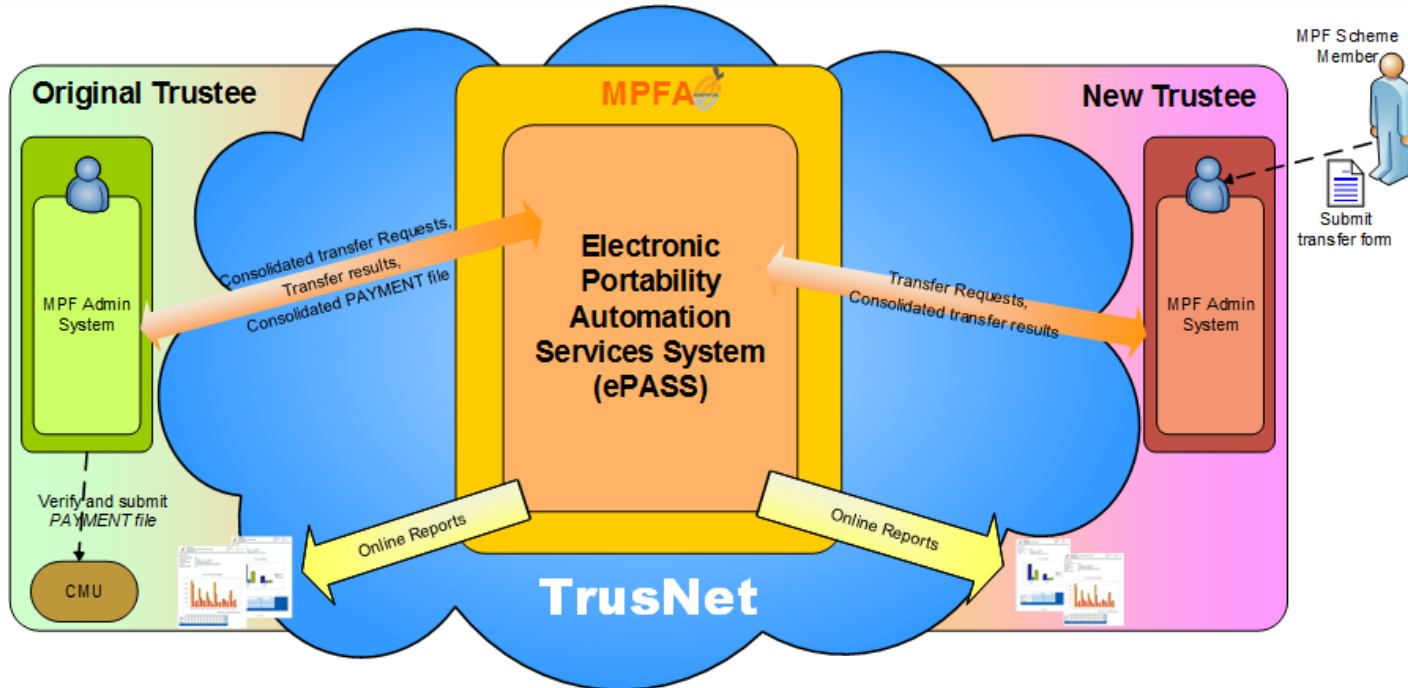
- ❑ Launched in 2012 to complement the implementation of Employee Choice Arrangement (an initiative to strengthen scheme members' right of making transfers across schemes)

Objectives

- ❑ Streamline MPF transfer processes by electronic data transmission
- ❑ Enhance accuracy and control, e.g. assignment of unique transfer case number, transfer data standardization and validation
- ❑ Enhance customer experience of shortening process time
- ❑ Improve management information, e.g. facilitating analysis and monitoring



ePASS – Overview of Operation



Overall processing time shortened from 6 – 8 weeks to 2 – 3 weeks

TrusNet: A private and secured network platform connecting MPFA and trustees

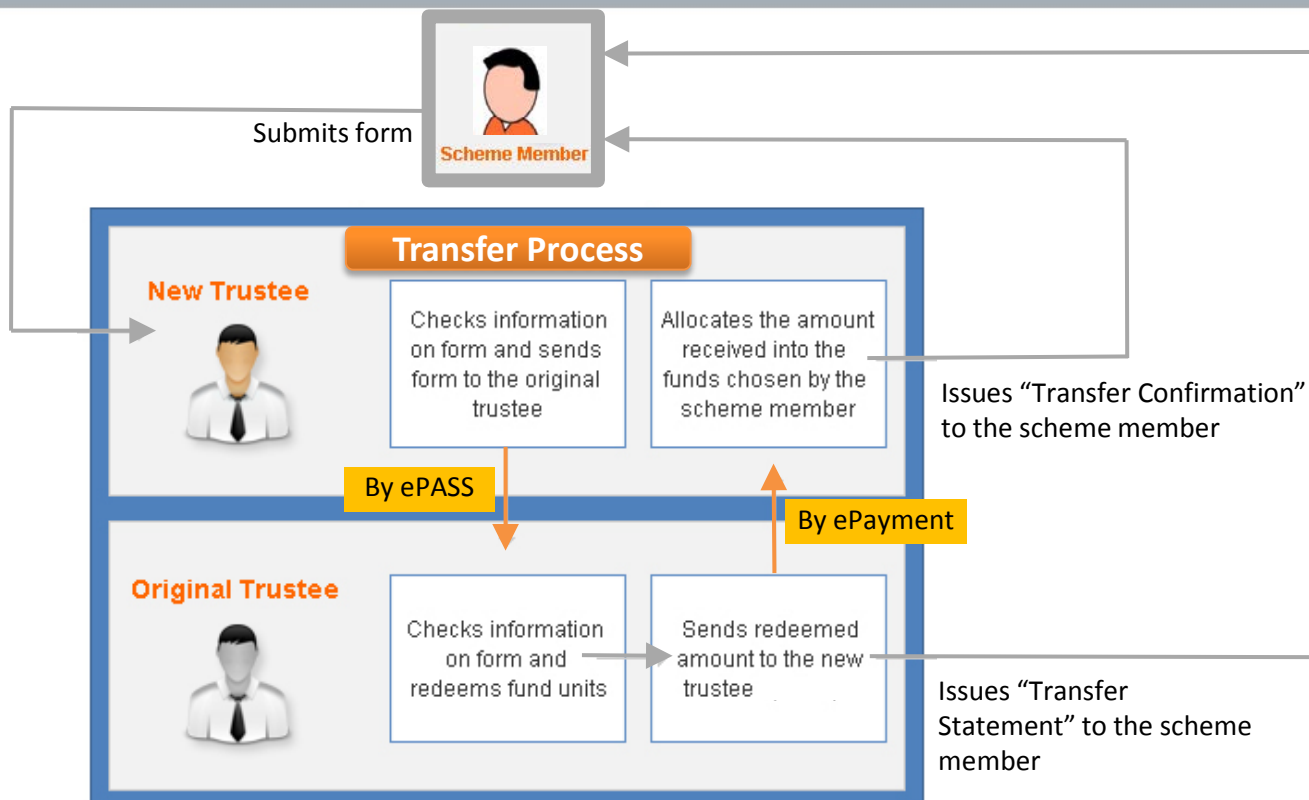


ePayment for MPF Transfer – Objectives

- ❑ To automate payments for the transfer of benefits between trustees
- ❑ To further shorten the processing time of payment transfer (from 6 to 2 working days)
- ❑ To further enhance efficiency of the transfer process
- ❑ To reduce the “out-of-market risk”



Transfer of Benefit Payment Electronically





B. Promoting Electronic Submission of Statutory Returns

- 1 Default Contribution (DC) & Personal Account (PA) Submission using TrusNet Platform**
- 2. eService for Intermediaries**





DC & PA Submission using TrusNet Platform – Background and Objectives

Background

- ❑ Enable trustees to perform electronic submissions regarding:
 - Notice of default contribution (DC) for employers and SEPs
 - Monthly return submission of new and terminated personal accounts (PAs)*

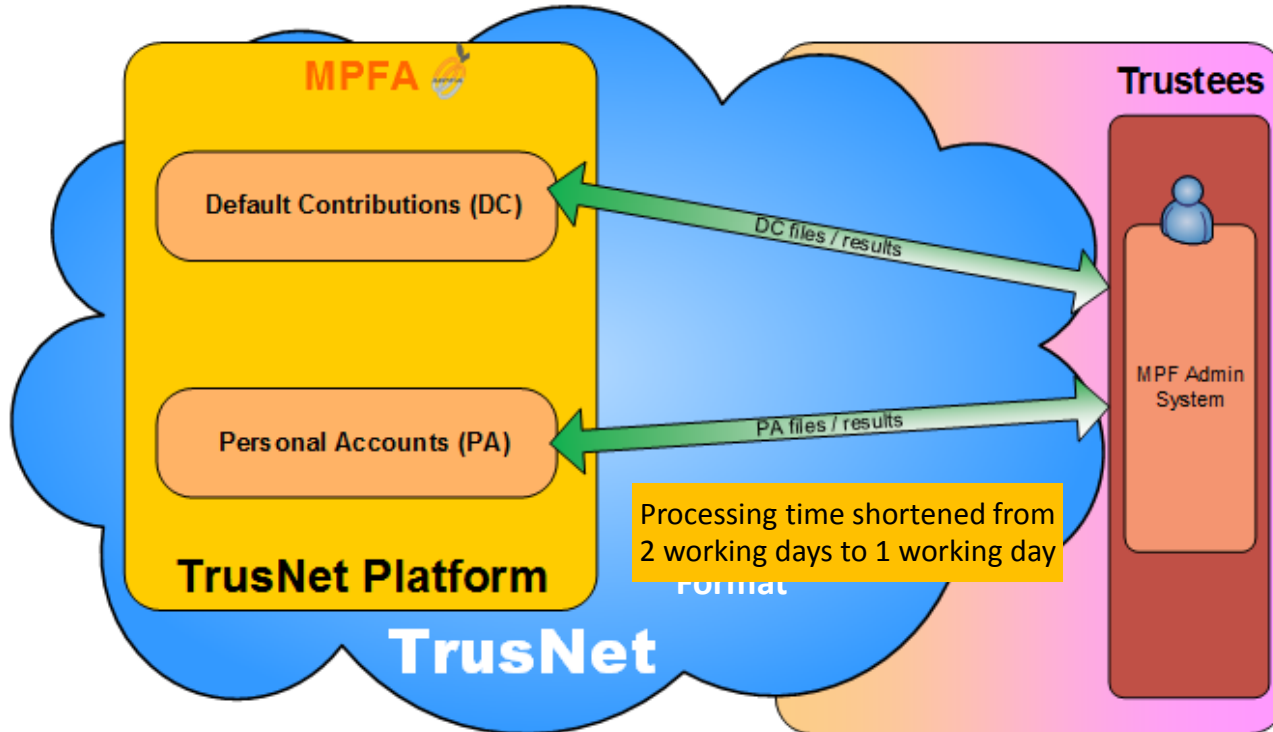
Objectives

- ❑ Automation – To automate and streamline the workflow to achieve operational efficiency and effectiveness
- ❑ Standardization – To standardize data submission from trustees in the prescribed format via a dedicated platform
- ❑ Quality – To enhance the overall work processes for better control, accuracy, security and timeliness

* When a scheme member changes job, a PA will be created to hold accrued benefits accumulated by the member during his/her former employment.



DC and PA Submission using TrusNet Platform – Overview of Operation



TrusNet: A private and secured network platform connecting MPFA and trustees



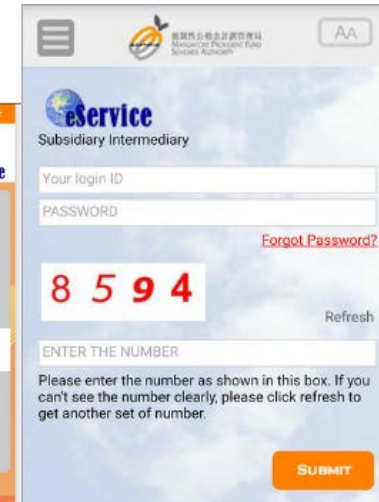
eService for Intermediaries – Background

- ❑ Principal intermediary (PI) – a business entity registered by MPFA as an intermediary for carrying on regulated activities
- ❑ Subsidiary intermediary (SI) – a person registered by MPFA as an intermediary for carrying on regulated activities on behalf of the PI
- ❑ Statutory returns & payment by intermediaries
 - To submit an annual return on business information (e.g. names of schemes marketed and statistics on MPF transactions) (PI)
 - To submit a quarterly return on complaints (PI)
 - To submit an annual return relating to the continuing professional development activities (SI)
 - To make annual fee payment (PI/SI)



eService for Intermediaries – Objectives

- ❑ To facilitate intermediaries to submit returns and payment to MPFA promptly and accurately



(For SI only)

eService for Intermediaries – Key Features

□ Allow PI/SI to perform online submissions through MPFA website & mobile Apps regarding:

- Annual Return Submission (for PI)*
- Quarterly Return on Complaints (for PI)*
- Continuing Professional Development (CPD) Annual Return (for SI)
- Annual Fee Payment*
(for PI/SI)
 - e-Cheque (via MPFA's e-cheque Collection Portal)
 - PPS



In 2017, around 80% of annual returns and 69% quarterly returns are now submitted online

* Note: Available in MPFA website only

The screenshot shows the MPFA website's 'Annual Return' submission interface. At the top, there's a navigation bar with links like 'Home > Annual Return', 'User Manual', 'Security Tips', 'Change Password', and 'Logout'. Below this, a welcome message for 'Lucky Insurance Consultants Limited' is displayed. The main content area is titled 'Annual Return' and features a progress bar with sections: SECTION I, SECTION II, SECTION III, SECTION IV, Summary, and Confirmation. The current section is 'SECTION II - BUSINESS INFORMATION'. A question 'B' asks if the company provides regulated advice on MPF schemes and/or constituent funds. Below the question is a table with four columns: 'Provided Regulated Advice on', 'Employer (Yes / No)', 'Employee/Personal Account Holder (Yes / No)', and 'Self-Employed Person (Yes / No)'. The rows are 'MPF Schemes' and 'Constituent Funds'. Each row has three checkboxes, all of which are checked. At the bottom, there are three buttons: 'SAVE AS DRAFT' (blue), 'CANCEL' (red), and 'BACK' (orange). A 'NEXT' button is also visible on the right.

| Provided Regulated Advice on | Employer (Yes / No) | Employee/Personal Account Holder (Yes / No) | Self-Employed Person (Yes / No) |
|------------------------------|-------------------------------------|---|-------------------------------------|
| MPF Schemes | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Constituent Funds | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |





C. Facilitating MPF Account Management of Scheme Members

- 1 e-Enquiry of Personal Account (ePA)**
- 2 MPFA Mobile Apps**



ePA – Background and Objectives

- ❑ To provide an easy-accessible channel for scheme members to look up their own PAs at any time
- ❑ To facilitate scheme members' consolidation of PAs
- ❑ To provide other useful information for scheme members to manage their accounts



* When a scheme member changes job, a PA will be created to hold accrued benefits accumulated by the member during his/her former employment.



ePA – Key Features

- ❑ ePA Application:
 - ePA Website (<https://epa.mpfa.org.hk>)
 - Mobile Apps (MPFA ePA)
- ❑ Check PA report online
- ❑ MPF News
- ❑ Trustee Contact List
- ❑ Fees of Funds (Available in Mobile App only)
- ❑ Default Investment Strategy Fund List (Available in Mobile App only)

Total no. of user log-in amounted to 48,000 between April to December 2017, compared to a total of 114,000 of enquiries over the period



MPFA Mobile Apps – Background and Objectives

- ❑ To serve as an easy-accessible platform which provides useful information about MPF
- ❑ To enhance scheme members' engagement with MPF



Available for iOS
and Android

MPFA Mobile Apps – Key Features

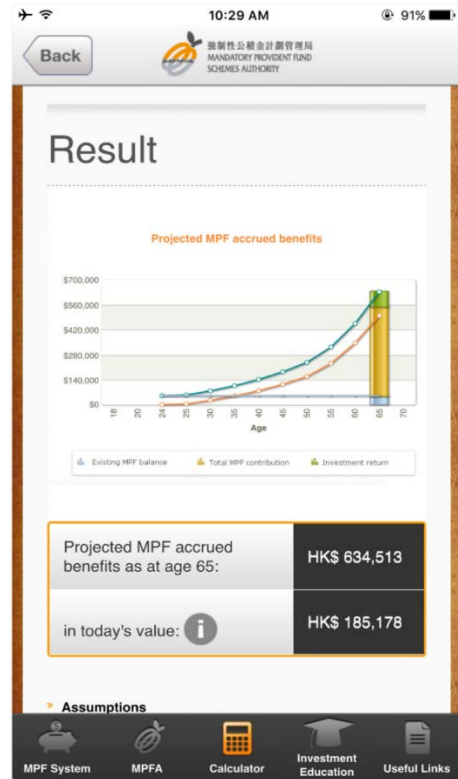
□ Contents

- Background information about the MPF System
- Investment education
- Information about MPF funds
- Useful links to relevant organizations

□ Making available two MPF Calculators

- To estimate scheme members' retirement needs
- To project benefits upon retirement

□ An apps portal linked to all MPFA mobile apps (e.g. ePA, eService, Retirement Planning GPS)





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Major digital initiative
underway: eMPF
(a Centralized
Electronic Infrastructure)





eMPF – Objectives

1
**Improve accuracy,
reliability and
efficiency**

2
**Lower
costs and fees**

3
**Enhance user
experience**

4
**Enable future
reform**



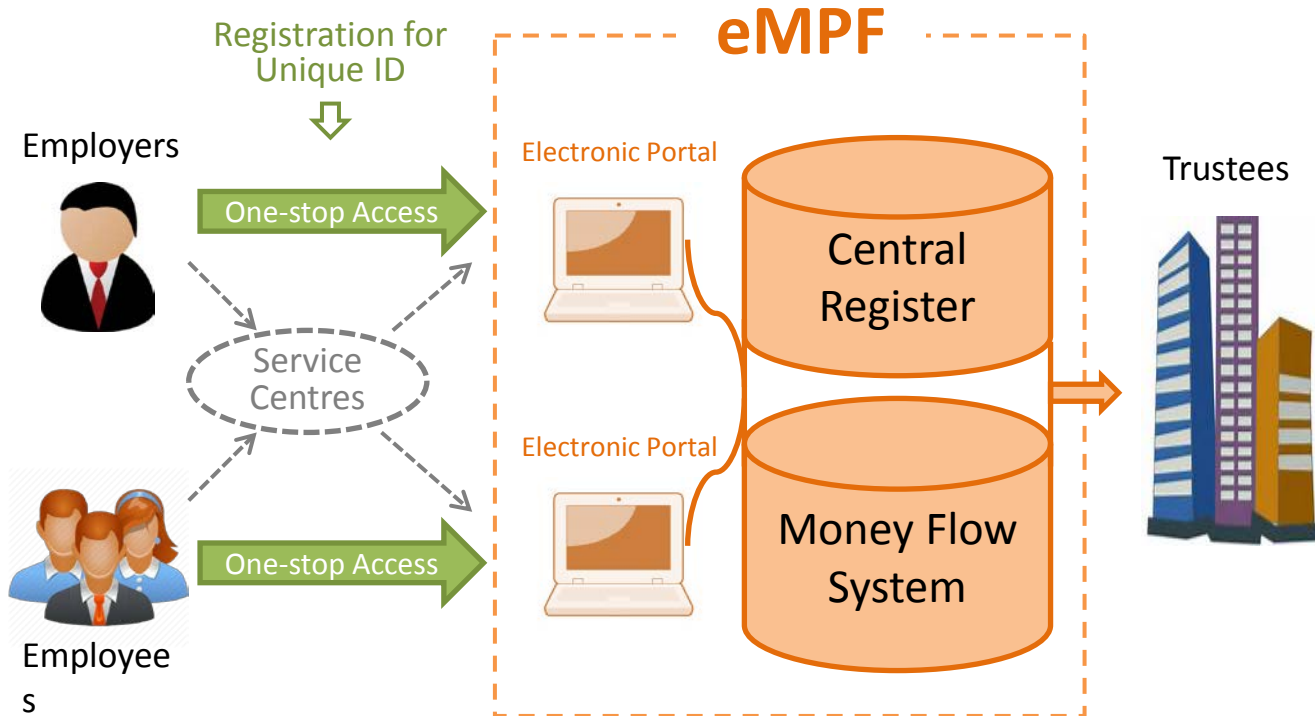


eMPF – Conceptual Model (1)

- ❑ Registration and unique user ID
- ❑ Central database
- ❑ Electronic one-stop access
- ❑ Streamlined electronic processing
- ❑ Standardized procedures, forms and formats
- ❑ Service centres to assist less computer-literate during transition



eMPF – Conceptual Model (2)





eMPF – Key Features

- Providing centralized collection of MPF contributions and necessary information from employers through an electronic channel
- Automatically calculate the amount of contributions in respect of each employee and submit such information to the trustees concerned
- Providing a one-stop electronic portal for scheme members to access all relevant information about their MPF accounts





eMPF – Progress

- A Working Group set up jointly by the Government and MPFA, which involves the industry, to steer the development of the centralized electronic infrastructure
- A User Committee on Digital Take-up and Centralized Electronic Platform set up to collect the views of employers, human resources practitioners and scheme members on functions of the infrastructure
- Mapping out strategy for encouraging employers and scheme members to manage MPF matters electronically





eMPF – Key Challenges

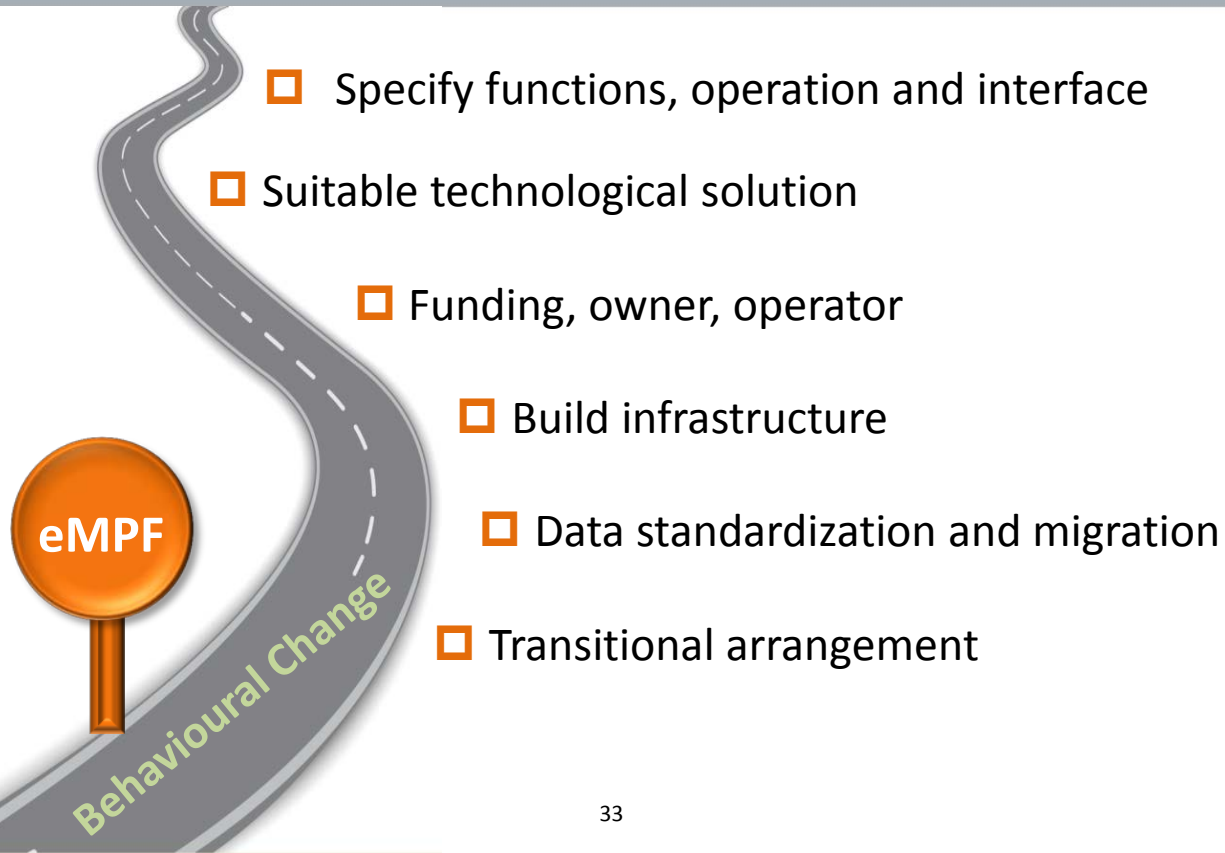
- ❑ A majority of employers in Hong Kong are MSMEs (micro, small and medium enterprises)
 - Efforts needed to encourage and educate MPF scheme members and employers to use electronic services

- ❑ Behavioural changes take time to materialize
 - Strategies to encourage more use of electronic facilities even before the launch of the digital initiatives





Future Reform Path





THANK YOU

