



# HKCMA Forum 2005

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# MPF Policy Framework

- Employers choose trustee
- Employees choose which fund/s to invest in
- Legislation sets out categories of “permissible” investments
- No directed investment by asset class
- No directed Hong Kong investment



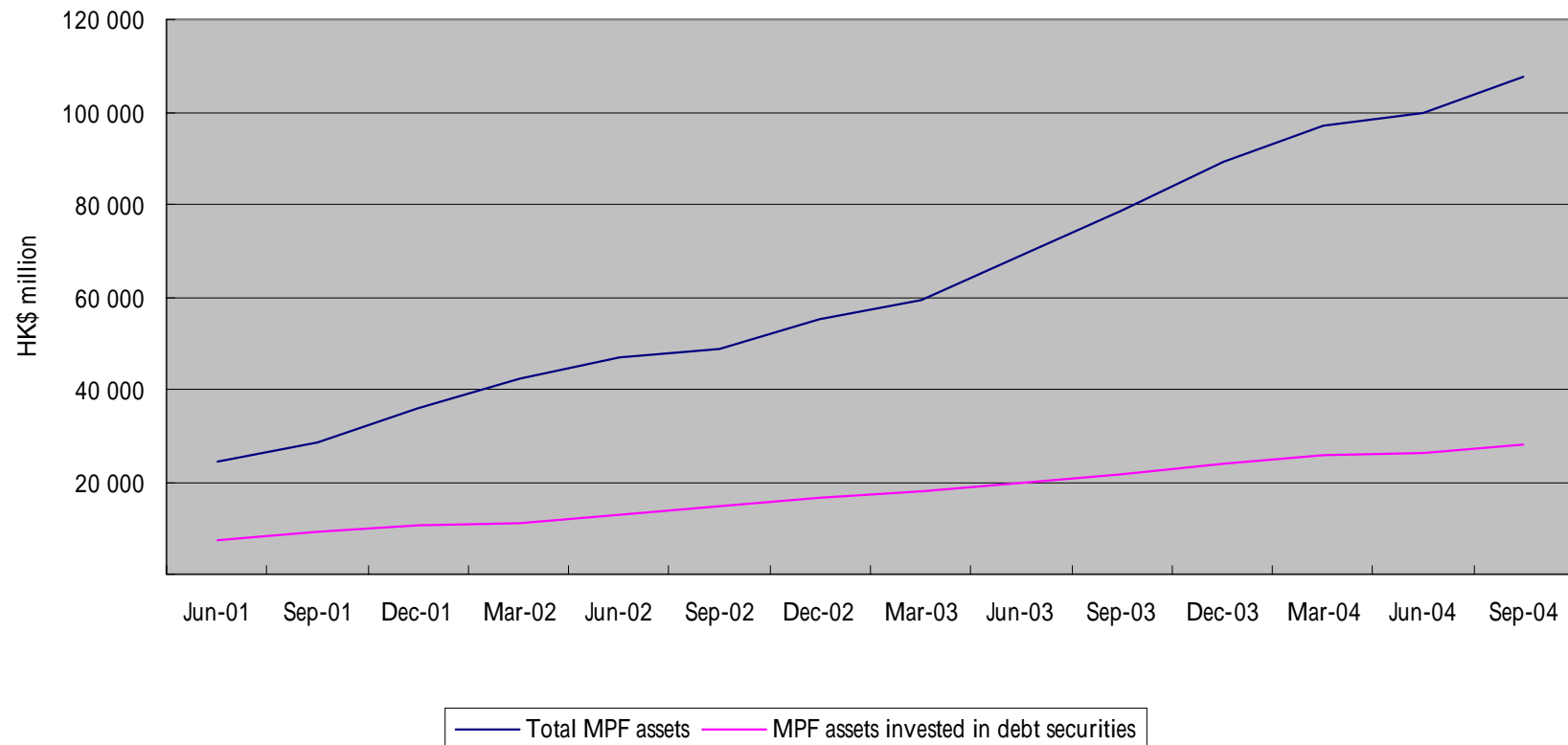
# MPF Policy Framework con't

However some requirements have an incidental effect on HKD Bonds:

- ➔ Mandatory Capital Preservation Fund (“CPF”) choice
- ➔ Hong Kong dollar exposure requirement (30%)

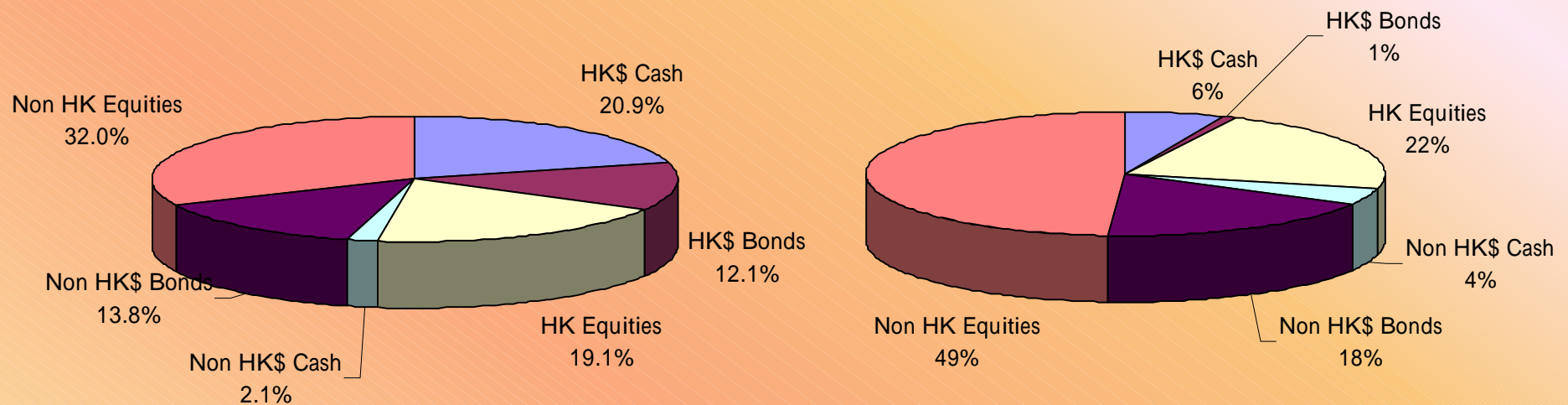


# Growth of MPF Assets



# Portfolio Composition and Market Comparison

(As at 30 Sept 2004)

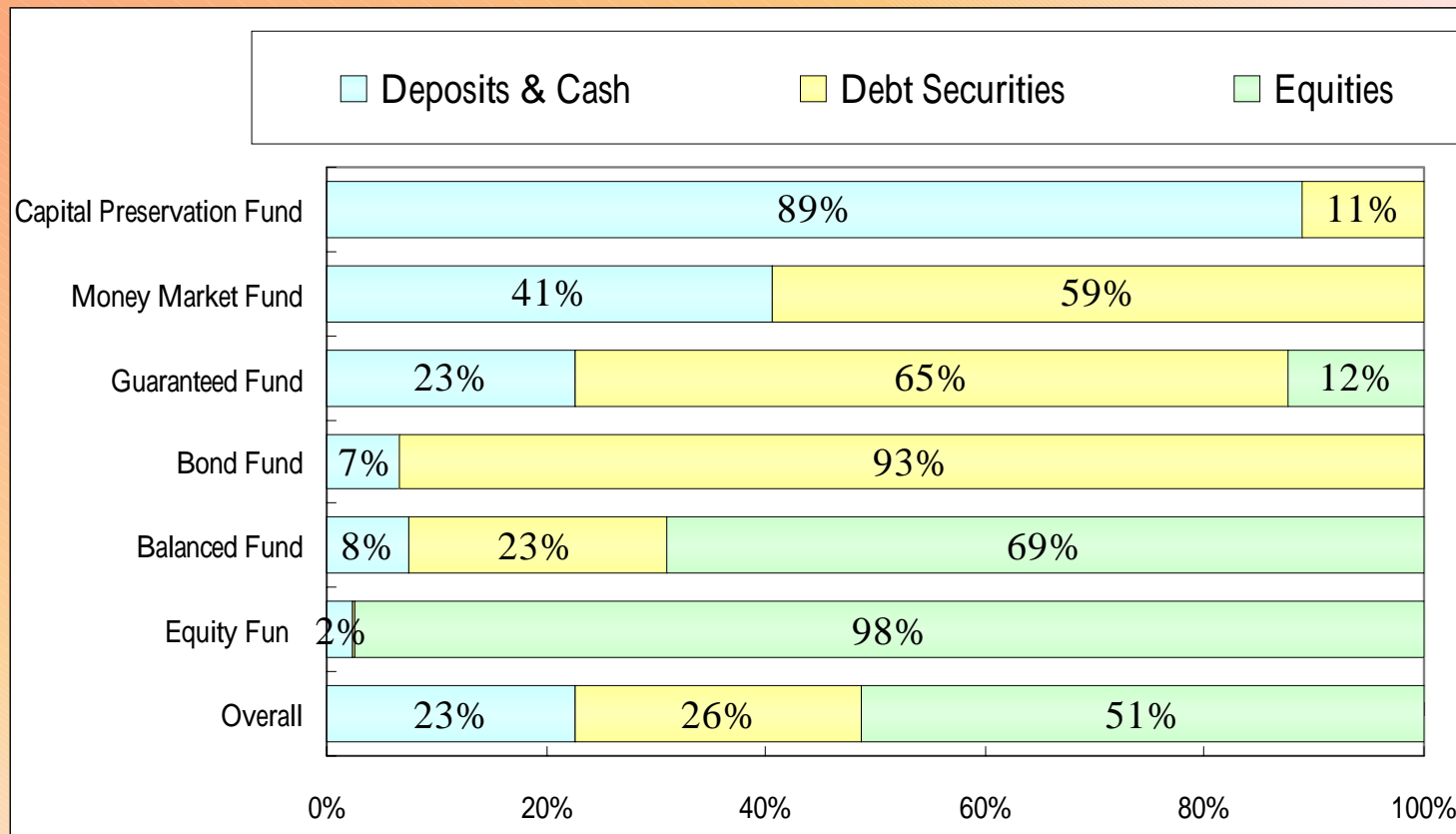


HK\$ Assets	Market Cap. / Total Value (HK\$ million)	MPF and ORSO assets (HK\$ million)	% of market cap. / Total Value (%)
HK Equities	5,960,550	58,056	0.97
HK\$ denominated Bonds	595,593	14,747	2.48
HK\$ deposits	1,879,915	32,748	1.74

Source : Monthly Statistical Bulletin, HKMA  
 Quarterly Statistical Digest, MPFA, Sept 2004 Issue  
 MIP Survey, Watson Wyatt, 30 Sept 2004  
 Hong Kong Monthly Digest of Statistics, HKSAR, Oct 2004



# Asset Allocation of Approved Constituent Funds by Asset Class – 30 June 2004





# Permissible Investments for MPF Funds

Debt Securities that are:

- issued by the HK Government, the exchange fund, any government or multilateral agency having highest possible credit rating, or
- unconditionally guaranteed by above, or
- meeting a minimum credit rating (BBB)
- listed on an approved exchange

# Regulatory Changes affecting debt securities



1. More flexible rating requirement
2. Removing spread “class” requirement for debt securities
3. Increasing flexibility to acquire debt securities by subscription
4. Removal of listing as criteria for permissibility
5. Remove overlap of “debt securities” and “deposits”



**End**