

Questions from HKICPA to MPFA (Explanatory Memorandum p.49)

In respect of your request for specific comments on p.49 of the EM, only question 3 is relevant to the MPFA. Please find our reply in relation to question 3 below.

Question 3. Do you agree with the Ethics Committee's proposals to classify the following entities as public interest entity (PIE) within the context of Part 4A of the Code? Please explain your views.

- All MPF schemes registered under the Mandatory Provident Fund Schemes Ordinance
- ORSO schemes registered under the Occupational Retirement Schemes Ordinance with total assets exceeding HK\$100 million by reference to the most recent set of audited financial statements. If such audited financial statements are not available, firms should make the determination based on the most recent available information which indicates the asset size of the scheme.

MPFA's reply

(a) MPF schemes

In response to the Consultation on PIE conducted by HKICPA in 2022, the MPFA shared its view that it is appropriate to classify MPF schemes as PIE taking into account the factors, including the significant member size and the nature of the MPF schemes (i.e. the "second pillar" of the multi-pillar retirement protection framework recommended by the World Bank). The proposal as described in the Explanatory Memorandum aligned with the view of the MPFA that the audit firms should tighten the independence requirements when performing audits of the financial statements of the MPF schemes.

(b) ORSO schemes

There are four types of ORSO schemes in Hong Kong, i.e. (i) MPF exempted ORSO registered scheme, (ii) non-MPF exempted ORSO registered scheme, (iii) MPF exempted ORSO exempted scheme and (iv) non-MPF exempted ORSO exempted scheme. The numbers of these ORSO schemes as at 31 December 2023 are provided in the following table.

Scheme type	No. of schemes		
	MPF exempted	Non-MPF exempted	Total
ORSO registered schemes	2,437	433	2,870
ORSO exempted schemes	165	248	413
Total	2,602	681	3,283

The MPFA agreed that ORSO exempted schemes are out of the scope of the revised PIE definition as set out in paragraph 111 of the Explanatory Memorandum.

Among the 2,870 ORSO registered schemes, 2,437 schemes (i.e. around 85% of ORSO registered schemes or 74% of all ORSO schemes) have been granted

MPF exemption and are MPF exempted ORSO registered schemes. Apart from the Occupational Retirement Schemes Ordinance, these MPF exempted ORSO registered schemes also need to comply with the Mandatory Provident Fund Schemes (Exemption) Regulation.

Members who have participated in the MPF exempted ORSO registered schemes are not required to join MPF schemes. Therefore, these MPF exempted ORSO registered schemes, if set up by employers to offer employees comparable retirement protection, are considered as alternative options to the MPF schemes.

Considering that there is no asset size requirement for MPF schemes in relation to PIE classification, it appears that classifying ORSO schemes as PIE based solely on their asset size may not be appropriate. Instead, taking into account of the above considerations, the MPFA proposes to classify all MPF exempted ORSO registered schemes as PIE to enhance the independence requirement for safeguarding the interests of the members of these ORSO schemes.

18 April 2024