

# FTSE MPF INDEX SERIES : 2016 MARKET CONSULTATION AND PRODUCT ENHANCEMENTS

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## BACKGROUND

FTSE Russell, Hong Kong Investment Funds Association (HKIFA) and Willis Towers Watson (WTW) are conducting a public consultation every three years since the launch of the FTSE MPF Index Series in 2001. Market consultations ensure the indices provide the most precise benchmarks for the MPF equity and Mixed Assets Funds by accurately reflecting regulatory requirements, permitted investment markets and asset classes as well as accounting for investment restrictions applied to the MPF system. The Hong Kong Mandatory Provident Fund (MPF) is the main retirement provision for Hong Kong employees with aggregate net assets values of all schemes over HK\$655bn\* (US\$84bn) as of Sept, 2016.

\* source: MPFA

## MARKET DRIVEN - ENHANCING THE SERIES

In the 2016 HK MPF Benchmark consultation, the consultation paper has been prepared by FTSE Russell, in consultation with HKIFA, Hong Kong Trustees' Association (HKTA), WTW and the members from the working group. FTSE Russell formed the working group to gather valuable comments on MPF market trends and products. This year, the working group includes MPF fund managers, asset owners, trustees and members from industry organizations.

The findings from the 2016 market consultation will be used to enhance the index series that would meet the needs of all interested parties while taking the unique regulatory requirements under the MPF system into consideration. The next consultation will be conducted in 2019. FTSE Russell will monitor the market development on an on-going basis to ensure our indices provides the most effective benchmarks for the MPF funds. Ad-hoc consultation will be conducted when necessary.

## 2017 ENHANCEMENTS

After the 2016 Market Consultation, FTSE Russell shall implement the below enhancements to the existing FTSE MPF Index Series in 2017.

### 1. Index Methodology :

a. A majority of respondents supported the current calculation methodology, including capping and currency hedging algorithms used in the existing FTSE MPF Index Series. Based on the comments received, there are no changes in the calculation methodology following the 2016 market consultation.

### 2. New Index and Data Services:

Based on the comments received, below are the proposed enhancement and research in the product offering.

a. FTSE Russell will launch a FTSE MPF Developed Markets Index (both hedged and unhedged) to complement the existing index family. Launch details will be announced in early 2017.

b. FTSE Russell will conduct feasibility study and research on expanding coverage of China stocks and developing alternative weighted indices under the FTSE MPF Index Series. Further information on the development will be announced.

c. FTSE Russell has published a separate factsheet for the FTSE MPF All-World Index from November, 2016, in addition to the FTSE MPF monthly reports for the index series. FTSE MPF All-World Index (HKD unhedged total return) is the equity component in the Reference Portfolio for the constituent funds under the Default Investment Strategy (DIS) to be launched in April, 2017.

For more information on the FTSE MPF Index Series, please visit <http://www.ftse.com/products/indices/MPF>

For more information on Hong Kong Mandatory Provident Fund, please visit <http://www.mpfa.org.hk>

