
HONG KONG'S MANDATORY PROVIDENT FUND: BNO VISA HOLDERS DENIED ACCESS TO THEIR SAVINGS

HONG KONG WATCH BRIEFING

THE MANDATORY PROVIDENT FUND: BACKGROUND

The Mandatory Provident Fund (MPF) is a compulsory retirement saving scheme for the people of Hong Kong. Most employees and their employers are required to contribute monthly to MPF schemes provided by approved financial institutions. Both employer and employee are required to contribute five per cent of the employee's monthly income, up to **HK\$1,500 (£155) per month**. Those earning less than HK\$7100 (£730) per month are not required to contribute.

The Mandatory Provident Fund Schemes Authority (MPFA) supervises the provision of MPF schemes. The MPFA registers schemes and has the powers to enforce compliance with legislation.

TOTAL MPF ASSET SIZE

As of December 2022, the total value of all MPF schemes was a little over **HK\$1.05 trillion (£110 billion)**.¹ In 2022, there were 31,700 claims for early MPF withdrawal on the grounds of permanently leaving the territory.²

Hong Kongers can withdraw their entire MPF savings early if they make a statutory declaration that they have departed Hong Kong permanently with no intention of returning to resettle in Hong Kong. The MPFA states: "they are also required to provide documentary proof satisfactory to the trustees that they are permitted to reside in a place outside Hong Kong."³ This would typically take the form of a visa, residence permit, or passport that permits the individual to reside in a place outside of Hong Kong. Other reasons for early withdrawal include early retirement (beyond the age of 60), total incapacity, terminal illness, small balance (under HK\$5,000) or death.

However, the MPFA released a statement on 10 March 2021 saying that because the British National (Overseas) (BNO) passport was no longer recognised by the Hong Kong government as a valid travel document as well as proof of identity as of the end of January 2021,⁴ those trying to withdraw their MPFs early (before retirement) cannot rely on the BNO passport as evidence in support an application for early MPF withdrawal.⁵

¹ <https://www.mpfa.org.hk/en/info-centre/research-reports/quarterly-reports/mpf-schemes>

² https://www.mpfa.org.hk/en/-/media/files/information-centre/research-and-statistics/quarterly-reports/mpf-schemes/december_2022_issue.pdf

³ <https://www.mpfa.org.hk/en/mpf-system/withdrawal-of-mpf/early-withdrawal#anchor2>

⁴ <https://www.info.gov.hk/gia/general/202101/29/P2021012900763.htm>

⁵ <https://www.mpfa.org.hk/en/info-centre/press-releases/202103001>

As a result of this statement, Hong Kongers who use the BNO visa route to escape the crushing of freedoms in the city and move to the UK do not have access to their pension savings which would give them a strong foundation for starting their new life.

Hong Kong Watch has seen several letters from banks to individuals, rejecting their early MPF withdrawal claims based on this new guidance from the MPFA.

As of the end of 2022, there are 4.69 million scheme members,⁶ amounting to an **average of HK\$224,000 (£23,000) per member.**⁷

HSBC AND AVERAGE MPF SIZE

HSBC, which is globally headquartered in London, is the trustee for five MPF schemes (the HSBC Mandatory Provident Fund - SuperTrust Plus; Hang Seng Mandatory Provident Fund - SuperTrust Plus; Fidelity Retirement Master Trust; Sun Life MPF Master Trust; and the Haitong MPF Retirement Fund) with assets totalling **HK\$316 billion (£32 billion),⁸ which is around 30 per cent** of the total MPF market.

HSBC, like all other MPF providers, charge a management fee for each members' investment. This depends on the fund chosen by the member, but varies from 0.73–1.45% as a percentage of net asset value per annum.⁹

In June 2020 the then Asia-Pacific chief executive of HSBC, Peter Wong Tung-shun, publicly backed the introduction of the NSL in Hong Kong.¹⁰ HSBC's support for the law was reiterated again by its British based executives when they gave evidence to the House of Commons Foreign Affairs Select Committee in January 2021. Noel Quinn, Chief Executive of HSBC, said in his evidence that he foresaw no situation in the future in which the bank would pull out of Hong Kong.¹¹

Mr Quinn told the committee: "I am not in a position to be able to judge the motives or the validity of a legal instruction from a law enforcement authority. I cannot do that in the UK, and I cannot do it in any market." He continued: "I cannot cherry-pick which law to follow or which legal instruction to follow from a police authority anywhere in the world."¹²

In the terms and conditions of the master trust deed of the HSBC MPF Supertrust Plus, if a member's voluntary contributions benefits are not claimed within two years of eligibility, then the member is not entitled to that benefit and the amount is transferred to the appropriate Reserve Account or accrue to the Trust Assets generally (Clause 12B v).¹³

⁶ https://www.mpfa.org.hk/en/-/media/files/information-centre/research-and-statistics/quarterly-reports/mpf-schemes/december_2022_issue.pdf

⁷ Total assets (HK\$1.05 trillion) divided by accounts (4.69 million).

⁸ https://mfp.mpfa.org.hk/eng/mpp_download_asset_size.jsp

⁹ <https://www.hsbc.com.hk/mpf/funds/management-fees/#fn-mpf-mpffeetable2>

¹⁰ <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3087457/hsbc-breaks-silence-and-backs-national-security>

¹¹ <https://committees.parliament.uk/oralevidence/1580/pdf/>

¹² <https://committees.parliament.uk/oralevidence/1580/pdf/>

¹³ <https://www.hsbc.com.hk/content/dam/hsbc/hk/docs/mpf/master-trust-deed.pdf>

PROJECTED NUMBERS AFFECTED

As of the end of 2022, there had been **160,700 BNO visa applications**,¹⁴ with the majority of these granted and being used to live in the UK. Around 60 per cent of these were main BNO applicants (non-dependents),¹⁵ so it is likely that around 96,000 will have MPF accounts.¹⁶ Of the main BNO visa holders, Home Office data to the end of September 2021 showed that 80 per cent were between the ages of 25 and 54, with the 35–44 age bracket having the highest numbers.¹⁷ Taking the average MPF account size (HK\$224,000 [£23,000]), and multiplying it by the number of main BNO visa holders (96,000) there would be around **£2.2 billion of MPF assets** that Hong Kongers are currently being denied access to.

If 30 per cent hold an MPF with HSBC as a trustee, then **HSBC would be denying access to £660 million of assets** (30 per cent of £2.2 billion) which belong to BNO visa holders who have permanently left the territory to start a new life in the UK.

The Home Office Impact Assessment on the BNO visa policy published in October 2020 estimated that 5.4 million Hong Kong residents will be eligible for the scheme, with 258,000 to 322,400 arriving over the first five years.¹⁸ The current rate of applications suggest these are reasonably accurate, but the actual figure may be far higher depending on push and pull factors in Hong Kong and the UK. If the upper figure of over 322,400 is taken, which suggests 179,300 main applicants, then taking the average MPF member account size of £23,000, there would be around **£4.1 billion of MPF assets** that are being held back from Hong Kongers in the first five years of the BNO visa scheme alone.¹⁹

Taking an average management fee of one per cent, trustees for the various MPF schemes would be making **£41 million a year** for managing BNO visa holders' MPF accounts – which is about the same as the UK government's support package for the BNO Welcome Programme which is now in its third year.²⁰

¹⁴ <https://www.gov.uk/government/statistics/immigration-system-statistics-year-ending-december-2022/how-many-people-come-to-the-uk-each-year-including-visitors#british-national-overseas-bno-route>

¹⁵ Main applicants made up almost 80,000 of 135,000 out of country BNO visa applications from Q1 2021 to the end of 2022. There were 55,000 dependents, meaning main applicants made up roughly 60 per cent of overall BNO visa applications.

¹⁶ We got to 96,000 by taking 60 per cent of 160,700.

¹⁷ <https://www.gov.uk/government/publications/survey-of-hong-kong-british-national-overseas-visa-holders-2021/hong-kong-bno-survey-results-accessible-version#table-1---age-group-of-bno-visa-holders-up-to-30-september-2021>

¹⁸ https://www.legislation.gov.uk/ukia/2020/70/pdfs/ukia_20200070_en.pdf

¹⁹ This figure is estimated by taking £23,000 and multiplying it by 179,300.

²⁰ <https://www.gov.uk/government/news/national-welcome-for-hong-kong-arrivals>