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

HONG KONG WATCH BRIEFING ON THE ROLE OF CANADIAN BANKS

ARREST OF HONG KONGERS SEEKING TO WITHDRAW THEIR MANDATORY PROVIDENT FUND

On October 13, 2023, the Hong Kong Independent Commission Against Corruption for the Hong Kong Government issued a statement confirming that it has arrested 20 individuals related to Hong Kongers who were seeking to withdraw their Mandatory Pension Fund from Hong Kong.¹

According to the Government's press release, in total 20 individuals were arrested, including an insurance agent for Sun Life, as part of a so-called "scheme" to make representations to Mandatory Provident Fund providers that they intended to move to Mainland China so they could gain early withdrawal of their pension savings.

This follows the decision by the Chinese Government to no longer recognise the British National Overseas Passport as a legitimate identity document and to direct Mandatory Provident Fund providers to deny thousands of Hong Kongers who have left the city access to their pension savings.

On October 17 2023, a former Hong Kong district councillor, Yau Tsim Mong, was arrested by the police on suspicion of breaching the Mandatory Provident Fund Schemes Ordinance by promoting retirement plans without proper registration.²

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 (C\$258) per month**. Those earning less than HK\$7100 (C\$1224) 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.

¹ <https://www.hongkongwatch.org/all-posts/2023/10/13/hong-kong-watch-expresses-concern-regarding-the-arrest-of-10-hong-kongers-seeking-to-withdraw-their-pension-savings-from-hong-kong>

² <https://www.scmp.com/news/hong-kong/law-and-crime/article/3238192/former-hong-kong-district-councillor-arrested-over-mpf-law-breach-accused-illegally-promoting-scheme>

TOTAL MPF ASSET SIZE

As of December 2022, the total value of all MPF schemes was a little over **HK\$1.05 trillion (C\$182.3 billion)**.³ In 2022, there were 31,700 claims for early MPF withdrawal on the grounds of permanently leaving the territory.⁴

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.”⁵ 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 2021,⁶ 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.⁷

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,⁸ amounting to an **average of HK\$224,000 (C\$38,600) per member**.⁹

CANADIAN MPF TRUSTEE SIZE

Manulife and Sun Life are blocking thousands of Hong Kongers from accessing an estimated **C\$1.5 billion worth of pension savings** after they have fled Hong Kong to the UK on the BNO visa.

Hong Kong Watch has seen several letters from banks to individuals, rejecting their early MPF withdrawal claims based on this guidance from the Hong Kong government to the Mandatory Provident Fund Authority which supervises the provision of MPF schemes.

³ <https://www.mpfa.org.hk/en/info-centre/research-reports/quarterly-reports/mpf-schemes>

⁴ https://www.mpfa.org.hk/en/-/media/files/information-centre/research-and-statistics/quarterly-reports/mpf-schemes/december_2022_issue.pdf

⁵ <https://www.mpfa.org.hk/en/mpf-system/withdrawal-of-mpf/early-withdrawal#anchor2>

⁶ <https://www.info.gov.hk/gia/general/202101/29/P2021012900763.htm>

⁷ <https://www.mpfa.org.hk/en/info-centre/press-releases/202103001>

⁸ https://www.mpfa.org.hk/en/-/media/files/information-centre/research-and-statistics/quarterly-reports/mpf-schemes/december_2022_issue.pdf

⁹ Total assets (HK\$1.05 trillion) divided by accounts (4.69 million).

Case study 1:

Steven and his wife worked in Hong Kong for over 20 years and paid around 400,000 HKD (C\$68,000) into their MPFs, held by HSBC HK and Manulife HK. They moved to the UK in 2021 after receiving their BNO visas.

After requesting his MPF withdrawal from HSBC, Steven sent the bank copies of all his documents to prove his permanent departure from Hong Kong, including his BNO visa, biometric residence permit, confirmation letter from the Home Office, as well as details of his flight out of Hong Kong and proof of his new address in the UK.

After being rejected by HSBC, they switched their MPFs to Manulife to see if they could withdraw from the Canadian-headquartered bank.

More than two years on, Manulife continues to tell him that his visa does not prove his right to reside outside Hong Kong, thereby preventing him from withdrawing his significant pension contributions that would otherwise help him and his wife set-up their new life in the UK.

The agent from Manulife said that after March 10, 2021, the MPFA renewed their guidance of MPF withdrawal. From that day, BNO Hong Kongers could not use their BNO Visa to take back their MPF, even if they had evidence to prove the right to live in UK (Tenancy agreement, Energy bills, Council tax letters, UK bank letters...etc.). The agent also mentioned that it would be hard to say after 6 years if they could use the British Citizen passport to withdraw their MPF contributions.

Case study 2:

Richard, who is in his 40s, arrived with his family in the UK on the BNO Visa in July 2021.

He holds his MPF with Manulife and accrued around 500,000 HKD (C\$85,000) and tried to withdraw his funds, submitting his BNO Visa approval email, a set of Manulife withdrawal application forms and a declaration document of "permanently leaving Hong Kong".

Manulife did not ask for any further proof before they rejected his application.

His rejection letter stated: "According to the guidelines of the Mandatory Provident Schemes Authority (MPFA), the documents you submitted cannot be considered as evidence to support your application for the claim of MPF accrued benefits."

His personal insurance agent working in Manulife claimed that he could appeal the rejection if he provided some more information indicating that he was living in the UK, for example council letters or a driving license.

He followed his agent's advice and sent his council tax and utility bills to Manulife but they rejected his withdrawal with the same reason again. They said his documents could not be considered as evidence to support his application according to the guidelines of the MPFA.

He has appealed repeatedly since then but has always received the same response from Manulife. He now fears that he will not be able to get his MPF back even after he becomes a British Citizen.

Case study 3:

Mary and her husband moved to the UK on the BNO Visa in 2021. They initially had their MPF with HSBC but were encouraged to switch it to Sun Life under the false impression that it would be possible for them to access their pension savings with a Canadian provider.

In 2022, she had 584,029 HKD (\$100,000) saved in her MPF with Sun Life. Sun Life rejected their claim to withdraw their pension savings from Hong Kong stating that the document provided were insufficient to prove that they had permission to reside in a place outside of Hong Kong.

In total, Hong Kongers in the UK are being denied access to around **C\$3.7 billion in pension savings**.¹⁰ As of December 2022, the total value of all MPF schemes was a little over **HK\$1.05 trillion (C\$182.3 billion)**. **Canadian banks between them occupy 40 per cent of the MPF market**.¹¹

Manulife alone holds almost 28 per cent of the MPF market with over C\$50 billion assets under management. Sun Life has around C\$21 billion. Management fees for the Manulife MPF funds vary between 0.75 per cent and 1.90 per cent.¹² Sun Life's vary from 0.733 per cent to 2.013 per cent.¹³

Trustee	Scheme	Net Asset Value (HKD' m)	Net Asset Value (C\$ m)
Manulife Provident Funds Trust Company Limited	Manulife Global Select (MPF) Scheme	289,794.00	50,438.36
Sun Life Trustee Company Limited	Sun Life Rainbow MPF Scheme	116,562.74	20,287.63
Sun Life Pension Trust Limited	Sun Life MPF Comprehensive Scheme	2,628.35	457.46
Sun Life Pension Trust Limited	Sun Life MPF Basic Scheme	1,712.11	298.00
	TOTAL	410,697.20	71,481.45 (C\$71.48bn) ¹⁴

PROJECTED NUMBERS AFFECTED

As of the end of 2022, there had been **160,700 BNO visa applications**,¹⁵ 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),¹⁶ so it is likely that around 96,000 will have MPF accounts.¹⁷ Of the main BNO visa holders, UK 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.¹⁸ Taking the average MPF account size (HK\$224,000 [C\$38,600]), and multiplying it by the number of main BNO visa holders (96,000) there would be around **C\$3.7 billion of MPF assets** that Hong Kongers are currently being denied access to.

¹⁰ Taking the average MPF account size (HK\$224,000 [C\$38,600]) and multiplying it by the number of main BNO visa holders (96,000).

¹¹ See: https://mfp.mpfa.org.hk/eng/mpp_download_asset_size.jsp

¹² [https://www.mpfa.org.hk/assets/OD/MT00482_Manulife_Global_Select_\(MPF\)_Scheme_EN.pdf](https://www.mpfa.org.hk/assets/OD/MT00482_Manulife_Global_Select_(MPF)_Scheme_EN.pdf)

¹³ https://www.mpfa.org.hk/assets/OD/MT00318_Sun_Life_MPF_Comprehensive_Scheme_EN.pdf

¹⁴ https://mfp.mpfa.org.hk/eng/mpp_download_asset_size.jsp

¹⁵ <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>

¹⁶ 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.

¹⁷ We got to 96,000 by taking 60 per cent of 160,700.

¹⁸ <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>

If 40 per cent hold an MPF with a Canadian bank as a trustee, then collectively they would be denying **access to C\$1.5 billion of assets** (40 per cent of C\$3.7 billion) which belong to BNO visa holders who have permanently left the territory to start a new life in the UK.

The UK 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.¹⁹ 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 C\$38,600, there would be around **C\$6.9 billion of MPF assets** that are being held back from Hong Kongers in the first five years of the BNO visa scheme alone.²⁰

Taking an average management fee of one per cent, trustees for the various MPF schemes would be making **C\$69 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.²¹

¹⁹ https://www.legislation.gov.uk/ukia/2020/70/pdfs/ukia_20200070_en.pdf

²⁰ This figure is estimated by taking C\$38,600 and multiplying it by 179,300.

²¹ <https://www.gov.uk/government/news/national-welcome-for-hong-kong-arrivals>