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MPF Market

Automatic Exchange of Financial Account Information (AEOI) in Tax Matters and How It May Impact You

Automatic Exchange of Financial Account Information (AEOI) in tax matters relating to MPF schemes and ORSO registered schemes will take effect on 1 January 2020. What does it mean to you, as an MPF intermediaries?

1

Objectives of AEOI

To comply with the Organisation for Economic Cooperation and Development (OECD)'s Common Reporting Standard (CRS) established in July 2014, and to **enhance tax transparency and combat cross-border tax evasion.**

2

What is AEOI / CRS?

MPF schemes and ORSO registered schemes will become reporting financial institutions (Reporting FIs), and are required to comply with the due diligence and reporting obligations by collecting the tax residence information of scheme members and reporting to the Inland Revenue Department (IRD) the account information of those members who are tax residents outside Hong Kong.

3

For MPF Intermediaries

At present, application for opening an account at bank and application for life insurance at insurance company fall under the CRS. The CRS self-certification is exactly the same as the AEOI self-certification for MPF. Therefore, intermediaries should be familiar with the self-certification when you assist customers to do so in future.

4

For Employers

- **Employers newly join** the MPF schemes / ORSO registered schemes will be asked to complete the **entity self-certification**, which is incorporated in the relevant application forms.
- They are reminded to take all practical steps to **request new employees to complete, sign and submit the self-certification forms properly and promptly** when enrolling the new employees into MPF schemes and ORSO registered schemes. Otherwise, account opening process will be adversely affected and could not be completed.

5

For New Scheme Members

With effect from 1 January 2020, new members must provide a **self-certification**, a formal declaration that account holders make in connection with their tax residence under the AEOI regime.

6

For Pre-existing Members (i.e. holding accounts which are already in existence on 31 December 2019)

BCT will perform the due diligence within the statutory timeframe.

Please visit www.bcthk.com for more details.

Investment Zone

Fund Performance Update — Top Performing Funds for BCT (MPF) Pro Choice

The 3-year accumulative returns of over 71% of the funds under BCT MPF (Pro) Choice performed at or above the Hong Kong MPF market median, outperforming its peers. The funds exhibited solid fundamentals and resilience amid trade tension, slowing global economic growth and uncertainty of the Brexit deal.

Below are the top 3 funds in terms of relative performance in 3 years under the scheme:

The Best Performer

BCT (Pro) World Equity Fund

It outperformed MPF market median by 5.84%. It also had the best absolute performance in 3 years at 29.52%.

The Second Best Performing Fund

BCT (Pro) Asian Equity Fund

It outperformed MPF market median by 4.03%. It also recorded a stable absolute performance in 3 years at 17.47%

Ranked the Third

BCT (Pro) European Equity Fund

It outperformed MPF market median by 2.83% and recorded a robust 3-year return of 18.05%.



For details of fund performance, please [click here](#).

Market Analysis: Brexit Update

Brexit was originally due on 29 March 2019, which was two years after the Prime Minister, Theresa May, started negotiations with the European Union (EU). After that, the Brexit date was delayed twice. In November 2018, a deal was agreed between the EU leaders and May, but the members of Parliament (MPs) rejected it. The main deadlock was the backstop. Currently, there is no physical barrier between Northern Ireland and the Republic of Ireland, and the backstop is designed to ensure that there will be no physical barrier after the UK leaves the EU. Supporting parties said the backstop would keep the UK in a close trading relationship with the EU to avoid customs checks. However, many MPs said the backstop would make the UK stuck in the EU's customs union, preventing the UK from entering into trade deals with other countries.

The current Prime Minister, Boris Johnson, who took over from Theresa May, said that the EU must remove the backstop from the deal. Under his plan, Northern Ireland would stay in the European single market for goods but leave the customs union. This would mean that new customs checks could be done electronically and away from the border. However, MPs refused to approve the new Brexit deal that Johnson had negotiated with the EU in order to leave the EU on the 31 October. Eventually, it was agreed that the Brexit deadline will be extended to 31 January 2020. A general election will be held on 12 December, as the Prime Minister seeks a new parliamentary majority to pass his deal. In the worst case, no party will get a majority of seats and the Brexit deadlock will continue. However, given the failure of Johnson's "Do or Die" pledge due to another Brexit extension, investors are wagering that there will be less risk of a hard Brexit as an election campaign is underway.



Making More Contributions Increases Retirement Reserves

Do you notice the latest information on voluntary contributions in the MPF market? The MPFA published the **Statistical Analysis of Accrued Benefits Held by Scheme Members of Mandatory Provident Fund Schemes** in August 2019. Below are some insights and data for you to understand the trend of increasing employee benefits.

More Employers are willing to Make Voluntary Contributions for Employees

In addition to mandatory contributions, employers can make "Employer Voluntary Contributions" for employees to increase their retirement reserves. Comparing the 2018 and 2017 MPF data from the MPFA, the number of employers making voluntary contributions increased, accounting for 5.5% of all employers. Likewise, the number of benefited employees increased by 7%, which represented 13.2% of all participating employees. This showed that **more and more employers were willing to increase employee retirement benefits. The average voluntary contribution amount made by employers also rose.** In 2018, employers made an average of \$28,700 voluntary contributions for every employees.

Report on Employers Making Voluntary Contributions

Year	No. of Employers Involved	No. of Employees Involved	Average Amount Made Per Employer	Average Amount Paid to Employee (\$)
2018	16,100	350,200	625,800	28,700
2017	15,900	328,500	561,000	27,100
Yearly Change (% change)	+200 (+1%)	+21,700 (+7%)	+64,800 (+12%)	+1,700 (+6%)

Note: Yearly changes are calculated from unrounded figures.

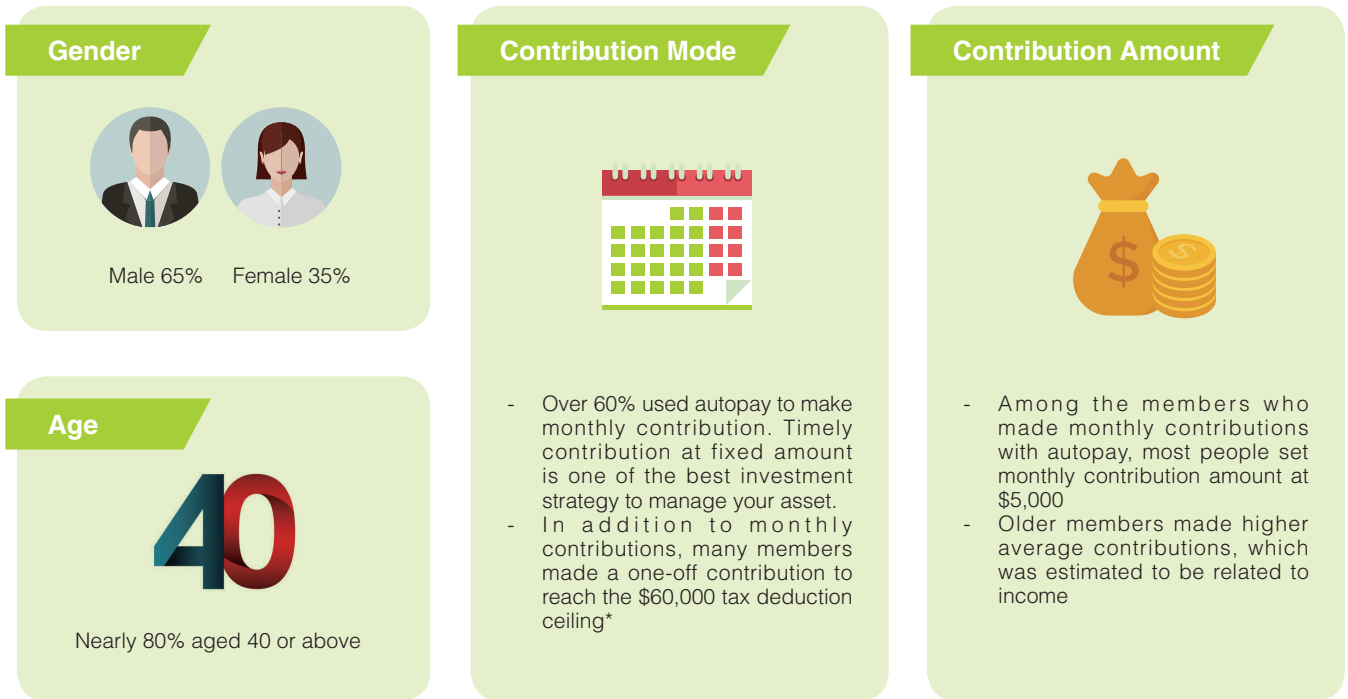
BCT Highlights

Have Your Customers Taken a Step Forward to Save Tax by Making TVC?

Tax Deductible Voluntary Contributions ("TVC") has been launched for a few months and many customers have implemented a tax deductible retirement plan by opening a TVC account.

Statistics of Customers with TVC Accounts

Please find below the figures of BCT's customers with TVC accounts in terms of gender, age, contribution mode and contribution amount in the mid-October for your reference. If your customers would like to enjoy tax deduction in the coming year, they are recommended to open TVC accounts before the tax season ends in March 2020.



* The tax deduction cap is \$60,000 for the year of assessment 2019/2020. It is the aggregate limit for both TVC and qualifying deferred annuity policy premiums.

MPF is Moving into the Digital Era

The MPFA has been entrusted by the Government to design, develop and operate a user-centric electronic platform, the eMPF Platform, to standardize, streamline and automate the MPF scheme administration processes. The tender process for the platform will be conducted by the end of this year, and the award of tender is expected to be made in the second half of next year. The MPFA targets to launch the platform by phases starting 2022.

According to the MPFA, this centralized platform is designed for over four million employees, self-employed persons and MPF personal account holders, and nearly 300,000 employers. With this, the stakeholders will be able to manage their MPF easily, conveniently, and efficiently.

What impact will this measure bring to the MPF industry? The launch of the eMPF means that the digitization of MPF management is the trend among employers and members. At BCT, we have enhanced electronic services for employers and members, and we will keep innovating to bring the best customer experience. This is in line with BCT's drive to reduce paper use and move towards sustainable development.

A **BCT Smart Assistant Macy** will soon be launched in our website to serve employers and members 24/7. In addition, we will introduce **Model Portfolio** and **Investment Alert** services to help members make informed investment decision, please stay tuned!



BCT Smart Assistant Macy

BCT Highlights

BCT Extended Support to "Climate Finance & Sustainable Investing Conference 2019"



BCT values sustainability. We, as a diamond sponsor, joined forces with supporting organisations, Hong Kong Exchanges and Clearing Limited and Financial Services Development Council to push forward green finance in the "Climate Finance & Sustainable Investing Conference 2019" co-organized by World Green Organisation ("WGO") and United Nations Economic and Social Commission for Asia and the Pacific on 17 and 18 October.

Our Managing Director & CEO, Ka Shi Lau, gave a presentation on ESG trends and challenges ahead in the pension sector and joined a panel discussion to share her views on ESG investing and managed risk exposure.

Over the years, we have been integrating ESG into our business to create more value for employees, customers and the society through various aspects. In June, we launched "WGO x BCT Paper Saving Pioneers" with WGO to raise environmental awareness, attracting overwhelming response.

Awards at a Glance



Sustainable Business Award 2019

Awarded by World Green Organisation

- Sustainable Business Award (for the 3rd Time)
- Sustainable Leadership Award 2019



Mystery Caller Assessment Award 2019

Awarded by Hong Kong Call Centre Association

- Best-of-the-Best (for the 6th times, 5 Consecutive Years)
- Finance and Insurance Sector – Gold Award (9 Consecutive Years)
- Finance and Insurance Sector – Best-in-Class (8 Consecutive Years)



Best SME's Partner Award 2019 (10 Consecutive Years)

Awarded by Hong Kong General Chamber of Small and Medium Business

Remarks: The above awards are for reference only, with the sole purpose of corporate communications. Investment involves risks. Past performance is not indicative of future performance.

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