



澳門金融管理局
AUTORIDADE MONETÁRIA DE MACAU

Notice No.016 /2011-AMCM

SUBJECT: COMPOSITION AND VALUATION OF ASSETS CONSTITUTING THE PATRIMONY OF PENSION FUNDS

In accordance with Article 35 paragraph 1 of Decree-Law No. 6/99/M of 8th February, the nature of assets that constitute the patrimony of pension funds, the respective percentage limits, as well as the general principles of congruence and valuation of such assets shall be established by Notice of AMCM;

On the other hand, paragraph 3 of the said Article stipulates that the valuation criteria for the assets referred to above shall also be defined by Notice of AMCM;

As such, AMCM determines the following:

A. GENERAL PRINCIPLES

- 1. Investments of pension funds shall take into account the type of liabilities assumed by the fund, so as to guarantee safety, profitability and liquidity. As such, adequate diversification and spread of such investments should be ensured so that investments in certain assets, which by their nature or by the quality of the drawer carry a high degree of risk, shall be kept within prudent limits.*
- 2. Borrowings for the purpose of leverage of the assets of the pension funds are not permitted.*
- 3. The investments in marketable securities shall relate to the securities listed in recognized stock exchanges and take into account the general and specific principles established by the present Notice, namely those relating to liquidity and negotiability conditions.*
- 4. Investments in marketable securities that are not traded in regulated market shall be made only to the extent where they can be converted to cash within the short term.*
- 5. The percentage of assets invested in non-liquid assets shall be maintained at a prudent level.*
- 6. Derivatives such as options, futures and swaps, relating to assets allowed as investments of pension funds, may be employed but only to the extent that they contribute to reduce the global risk exposure of the portfolio of investments and allow for efficient portfolio management. It is not allowed the use of derivatives for the purpose of leverage of the investments of the pension funds.*
- 7. These instruments are taken into account when evaluating the underlying assets according to prudent criteria and under the terms established by Notice of AMCM.*



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B. APPLICATION OF PENSION FUNDS

8. *Pension funds are permitted to have the following investments:*
- a) *Debt securities issued or guaranteed by governments, central banks (or equivalent), multilateral international agencies (listed in the annex I) or companies all of the shares of which are owned beneficially by the government of Hong Kong Special Administrative Region (HKSAR);*
 - b) *Debt securities issued or guaranteed by other entities;*
 - c) *Shares;*
 - d) *Convertible bonds;*
 - e) *Warrants, futures, swaps, options and other derivatives (exclusively for the purpose of hedging);*
 - f) *Bank deposits;*
 - g) *Real estate; and*
 - h) *Participation units in securities investment funds (unit trusts, mutual funds and pooled investment portfolios) and in real estate investment funds.*
9. *The investments referred to in sub-paragraphs a), b) and d) of the previous paragraph shall be limited to the issuing institutions that meet the required conditions for the credit risk as established in paragraph 11.*

C. ACQUISITIONS PROHIBITED

10. *Pension funds shall not acquire:*
- a) *Securities issued or investments held by fund managers of the respective pension fund;*
 - b) *Securities issued or held by entities who are members of the management or supervisory bodies of fund managers or who hold more than 10% of the share capital of the latter;*
 - c) *Securities issued or held by companies, of which more than 10% of its capital belongs to one or more administrators of the fund manager, in their own name or in representation of other persons, their spouses or their relatives up to the first degree of consanguinity;*
 - d) *Securities issued or held by companies where one or more administrators of the fund manager, in their own name or in representation of others, their spouses or their relatives up to the first degree of consanguinity, form part of the management or supervisory bodies of such companies; and*
 - e) *Securities issued or held by the associates of the fund, or by the companies*



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controlled by such associates, except where the instruments issued or held by such companies are quoted on the recognized stock exchanges listed in the annex II or having the same nature of those referred to in paragraph 8 a).

D. RULES FOR PRUDENT DIVERSIFICATION

- 11. In the acquisition of debt securities referred to in the subparagraphs 8 a), b) and d), the debt security, the issuing entity or the guarantor shall hold a credit rating equal to or higher than the minimum credit rating indicated in the annex III awarded by at least one of the credit rating agencies mentioned therein and, at the same time, shall not hold a credit rating lower than the said minimum credit rating awarded by any other credit rating agency.*
- 12. The investments in shares, referred to in the subparagraph 8 c), shall be executed through the recognized stock exchanges listed in the annex II, which shall be subject to periodic revision.*
- 13. Operations outside those stock exchanges listed in the annex II shall be subject to the maximum percentage established in the paragraph 17.*
- 14. The applications in warrants, futures, swaps, options and other derivatives (exclusively for the purpose of hedging) referred to in the subparagraph 8 e) are regulated by specific Notice.*
- 15. The bank deposits referred to in the subparagraph 8 f) shall be placed in credit institutions authorized to carry on activity in the Macao Special Administrative Region (MSAR), or in credit institutions outside of the MSAR duly authorized by the respective supervisory authority and with a credit rating equal to or higher than the minimum credit rating stated in the annex IV awarded by at least one of the credit rating agencies mentioned therein, provided that the amount to be placed on deposit:*
 - a) Does not exceed more than 10% of the own funds of the credit institution;*
 - b) Does not exceed 10% of the total assets of the pension fund or MOP 10 million, whichever is higher, in respect of each credit institution, subject to the maximum limit of 25% or MOP 25 million, whichever is higher, if the deposit is placed with more than one credit institution belonging to the same group; and*
 - c) Where the said bank deposits are placed in credit institutions in MSAR, the limits stipulated in the subparagraphs a) and b) of this paragraph shall be double.*
- 16. The acquisition of the participation units in securities investment funds (unit trusts, mutual funds and pooled investment portfolios) and in real estates investment funds referred to in the subparagraph 8 h) shall be permitted only if such investment funds are duly authorized by the relevant authorities. Applications in such investment funds shall comply with the limits and the prudential rules established in this Notice concerning direct investments of assets.*



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E. LIMITS ON THE COMPOSITION OF INVESTMENTS OF PENSION FUNDS

17. The investments of each pension fund shall comply with the following maximum limits:

<i>Asset</i>	<i>Maximum percentage admissible</i>
<i>a) Debt securities issued or guaranteed by governments, central banks (or equivalent), multilateral international agencies or companies all of the shares of which are owned beneficially by the government of HKSAR</i>	90%
<i>b) Debt securities issued or guaranteed by other entities</i>	80%
<i>c) Shares</i>	
<i>c.1) In case the shares are registered with recognized stock exchanges listed in the annex II</i>	70%
<i>c.2) In other cases</i>	10%
<i>d) Convertible bonds, included in b)</i>	30%
<i>e) Warrants, futures, swaps, options and other derivatives (exclusively for the purpose of hedging)</i>	(a)
<i>f) Bank deposits</i>	100%
<i>g) Real estate</i>	10%
<i>h) Participation units in securities investment funds (unit trusts, mutual funds and pooled investment portfolios) and in real estates investment funds</i>	Rules defined in paragraphs 19 and 20

(a) Based on the rules defined by specific Notice.

18. The debt securities referred to in the subparagraphs 8a) and b) as well as the convertible bonds referred to in the subparagraph 8d), held by pension funds, shall satisfy a minimum credit rating stipulated in paragraph 11.
19. The maximum limit for investment of pension funds in participation units of securities investment funds (unit trusts, mutual funds and pooled investment portfolios) shall take into consideration the underlying assets of such investment funds.
20. Therefore, the maximum limit of exposure permitted for each class of assets of a pension fund (including the assets held directly by the pension fund and the assets held indirectly through participation units of investment funds) shall not exceed the amounts stipulated in items a) to f) of the table in paragraph 17.
21. The net currency exposure (including the exposure relating to the derivatives) in currencies outside the block “Pataca – Hong Kong dollar – American dollar” shall not exceed 50% of the total assets of each pension fund of which the net exposure of any currency shall not exceed 30% of the total exposure.



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F. VALUATION OF ASSETS OF PENSION FUNDS

22. *Assets, which comprise the patrimony of pension funds, shall be valued at its current market value, without prejudice to the provision of the following paragraph.*
23. *Debt securities that form part of the patrimony of pension funds and which have capital protection may, as an alternative to the criterion defined in the previous paragraph, be recorded at its acquisition cost and amortized on a straight line basis up to the time they are redeemed, based on their respective redemption value.*
24. *Real estate which forms part of the patrimony of pension funds shall be valued in accordance with the accounting standards applicable to the MSAR.*

G. REVOCATION

25. *The Notice No. 005/2010-AMCM of 21 January 2010 is hereby revoked.*

*Monetary Authority of Macau, 2 December 2011. For and on behalf of the Board of Directors:
Anselmo Teng, Chairman, António José Félix Pontes, Executive Director.*



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ANNEX I

**LIST OF MULTILATERAL INTERNATIONAL AGENCIES
(for the purposes of sub-paragraph 8 a))**

- *African Development Bank;*
- *Asian Development Bank;*
- *Caribbean Development Bank;*
- *Council of Europe Development Bank;*
- *European Atomic Energy Community (EURATOM);*
- *European Bank for Reconstruction and Development;*
- *European Central Bank;*
- *European Coal & Steel Community;*
- *European Community;*
- *European Company for the Financing of Railroad Rolling Stock (EUROFIRMA);*
- *European Investment Bank;*
- *European Investment Fund;*
- *Inter-American Development Bank;*
- *International Bank for Reconstruction and Development (commonly known as the World Bank);*
- *International Finance Corporation (an affiliate of the World Bank);*
- *Islamic Development Bank;*
- *Nordic Investment Bank; and*
- *Other multilateral international agencies which meet the credit rating requirements indicated in paragraph 11 of this Notice.*



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ANNEX II

LIST OF RECOGNIZED STOCK EXCHANGES
(for the purposes of sub-paragraphs 10 e), 12 and 13)

- American Stock Exchange;
- Athens Stock Exchange;
- Australian Stock Exchange;
- Bombay Stock Exchange of India;
- Bursa Malaysia;
- Copenhagen Stock Exchange;
- Deutsche Börse AG;
- Euronext Amsterdam;
- Euronext Brussels ;
- Euronext Lisbon;
- Euronext Paris;
- Helsinki Exchanges;
- Hong Kong Exchange and Clearing Limited;
- Irish Stock Exchange;
- Italian Stock Exchange;
- Jasdaq Securities Exchange;
- JSE Securities Exchange South Africa;
- Korea Exchange;
- London Stock Exchange;
- Luxembourg Stock Exchange;
- Madrid Stock Exchange;
- Mexican Stock Exchange;
- Nagoya Stock Exchange;
- National Stock Exchange of India Ltd.
- NASDAQ (National Association of Securities Dealers Automated Quotations) Stock Market;
- New York Stock Exchange;
- New Zealand Exchange;
- NYSE Arca;
- Osaka Securities Exchange;
- Oslo Børs;
- Philadelphia Stock Exchange;
- Singapore Exchange Securities Trading Limited;
- São Paulo Stock Exchange (BOVESPA);
- Stock Exchange of Thailand;
- Stockholmsbörsen;
- SIX Swiss Exchange;
- Taiwan Stock Exchange;
- Tel-Aviv Stock Exchange;
- Tokyo Stock Exchange;
- Toronto Stock Exchange; and
- Wiener Börse AG.

For the avoidance of doubt, where a security is listed on an approved stock exchange, the requirement that the security is so listed is fulfilled even though the security may be traded through another stock exchange. An example would be a Swiss company listed on the SIX Swiss Exchange but traded through another stock exchange such as Virt-x.



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ANNEX III

**LIST OF SPECIALIZED CREDIT RATING AGENCIES AND THE
RESPECTIVE MINIMUM CREDIT RATINGS REQUIREMENTS**

(for the purposes of paragraphs 9 and 11)

<i>Specialized credit rating agencies</i>	<i>Debt securities (Minimum credit ratings)</i>	
	<i>Long-term debt (one year or over)</i>	<i>Short-term debt (less than one year)</i>
- <i>Fitch Ratings</i>	<i>BBB</i>	<i>F2</i>
- <i>Rating & Investment Information, Inc.</i>	<i>BBB</i>	<i>a-2</i>
- <i>Moody's Investors Service, Inc.</i>	<i>Baa2</i>	<i>Prime – 2</i>
- <i>Standard & Poor's Corporation</i>	<i>BBB</i>	<i>A – 2</i>

Note – The issuing entities or depositaries should have, at least, a rating equal to or over these minimum credit ratings and, simultaneously, no rating lower than the same minimum credit ratings.



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ANNEX IV

**LIST OF SPECIALIZED CREDIT RATING AGENCIES AND THE RESPECTIVE
MINIMUM CREDIT RATINGS REQUIREMENTS ALLOWED FOR BANK DEPOSITS**

(for the purposes of paragraph 15)

<i>Specialized credit rating agencies</i>	<i>Credit institutions (Minimum credit ratings)</i>	
	<i>Long-term deposit (one year or over)</i>	<i>Short-term deposit (less than one year)</i>
- <i>Fitch Ratings</i>	<i>A</i>	<i>F1</i>
- <i>Rating & Investment Information, Inc.</i>	<i>A</i>	<i>a-1</i>
- <i>Moody's Investors Service, Inc</i>	<i>A2</i>	<i>Prime – 1</i>
- <i>Standard & Poor's Corporation</i>	<i>A</i>	<i>A – 1</i>

Note – The credit institutions should have, at least, a rating equal to or over these minimum credit ratings and, simultaneously, no rating lower than the same minimum credit ratings.