



澳門金融管理局
AUTORIDADE MONETÁRIA DE MACAU

Notice n° 002/2024-AMCM

SUBJECT: SUPERVISION OF INSURANCE – “GUIDELINE ON PRICING OF OPEN PENSION FUNDS”

As the assets under management and the number of plan members continue to increase, the impact of pension funds on society is expanding. Accurate pricing of pension funds is crucial to the fund operations, as incorrect pricing may have adverse effects on plan members and the funds. In order to safeguard the rights and interests of plan members, the Monetary Authority of Macao considers it necessary to issue guidelines on the operations of pension fund valuation and pricing as well as the handling of pricing errors, to further strengthen the regulatory oversight of fund management entities.

Pursuant to the provisions of Article 9 of the Statute of the Monetary Authority of Macao, as approved by Decree-Law No.14/96/M of 11th March, Article 6 and Article 49 of Legal Framework for Private Pension Funds, Decree-Law No. 6/99/M of 8th February, as amended by Article 1 of Law No. 10/2001, and pursuant to the applicable provisions paragraph 2 a) of Article 10 of the Macao Insurance Ordinance, Decree-Law no. 27/97/M of 30th June, the Board of Directors of the Monetary Authority of Macao hereby determines the following:

1. Established the “Guideline on Pricing of Open Pension Funds” (“the Guideline”) by the present notice and annexed thereto, which shall form an integral part thereof;
2. All Life Insurers authorized to transact pension fund management business in the Macao Special Administrative Region, and companies set up specifically to manage pension funds are obliged to follow the requirements set out in this Guideline;
3. Non-compliance with the rules of this Guideline shall constitute infringements. Entities and persons violating any aspect of this Guideline shall be punishable under the terms of the applicable laws and liable for the infringements committed;
4. All fund management entities must take necessary measures within three months from the effective date of this Guideline to comply with the provisions of this Guideline; and
5. The Guideline shall take effect from 1st April 2024.

Monetary Authority of Macao, 7th March 2024.

For and on behalf of the Board of Directors:

Chairman, Chan Sau San, Benjamin

Executive Director, Vong Lap Fong, Wilson



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Guideline on Pricing of Open Pension Funds

1. Purpose

- 1.1 Pursuant to the provisions of the Legal Framework for Private Pension Funds, the Monetary Authority of Macao has the authority to supervise the pension plans, pension funds, the respective depositories and fund management companies.
- 1.2 In order to exercise the supervisory functions mentioned above, it is necessary for the Monetary Authority of Macao to promote the adoption of appropriate conduct standards and good business practices by fund management entities, thereby enhancing public confidence in pension funds. The purpose of this guideline is to establish minimum regulatory requirements for the operation of pension fund valuation and pricing as well as the handling of pricing errors, ensuring the protection of the rights and interests of pension plan members.

2. Scope

- 2.1 This Guideline is applicable to all open pension funds established in accordance with the provisions of the Legal Framework for Private Pension Funds.

3. Definition

- 3.1 Unless otherwise stated, the terms used in this Guideline have the same meanings as defined in the Legal Framework for Private Pension Funds.
- 3.2 For the purposes of this Guideline, these terms shall have the following meanings:
 - 3.2.1. “Disclosure documents” means the documents containing complete disclosure of information about a pension fund, including the disclosures required by the laws and regulations applicable to the pension fund, and other information necessary to enable pension plan members to make appropriate decisions.
 - 3.2.2. “External service provider” means any external person or institution that is appointed or engaged by the fund management entity to provide services to the pension fund, or any external person or institution to which powers are delegated to perform any function.



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3.2.3. “Independent audit” means the process of objective evaluation and inspection of the audited items by an independent person or a third-party institution. An independent audit can be conducted by an internal or external person or institution, provided that such person or institution shall:

- a) have unfettered access to all information related to the pension funds;
- b) be independent from the day-to-day operations of the fund management;
- c) have sufficient resources and suitable staffs of appropriate qualification and training; and
- d) report and submit audit reports directly to the board of directors of the fund management entity or the audit committee established by the board of directors.

4. Valuation and Pricing

4.1 The unit price of the fund shall be calculated on the basis of the fund’s net asset value divided by the number of units outstanding. Such prices shall fairly reflect the value of the fund’s assets and adjusted by fees and charges associated. The calculation method of the unit price, the basis for calculation, and the amounts and calculation methods of all fees and charges must be clearly stated in the management regulation and relevant disclosure documents.

4.2 The fund management entity shall establish appropriate policies and procedures for independent valuation of each type of assets held by the fund. Such policies and procedures shall seek to detect, prevent and correct pricing errors and be consistently applied. The fund management entity shall conduct regular independent audits (at least annually) of the valuation policies and procedures to ensure their continued appropriateness and effective implementation.

4.3 If the fair value adjustments are necessary in view that market value of a fund’s assets is unavailable, or reasonably considered to be not reliable or reflective of an exit price upon current sale, the fund management entity shall conduct such adjustments with due skill, care and diligence.

4.4 The fund management entity shall regularly value the fund’s assets and calculate the unit price of the fund on the valuation dates determined in accordance with the fund management regulation.

4.5 If the valuation of the fund’s assets or the calculation of the unit prices is conducted by external service provider(s), the fund management entity shall



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exercise reasonable care, skill and diligence in the selection, appointment and ongoing monitoring of such external service provider(s), and conduct appropriate due diligence regularly (at least annually) on the external service provider(s) to ensure that it can fulfill the task in a responsible, professional and suitable manner. The regular due diligence process shall assess the financial ability, technical ability and capacity of the external service provider(s) to deliver the required services. The scope of assessment includes, but is not limited to, the control framework, performance standards, policies, procedures, compliance, standards for fair treatment of customers, reporting and monitoring processes of the external service provider(s). Additionally, the fund management entity must regularly monitor whether the services provided by the external service provider(s) meet the required standards, and whether the rights and interests of pension plan members are protected.

- 4.6 The use of services provided by external service provider(s) will neither transfer the related risks to the external service provider(s), nor diminish the fund management entity from its responsibility to comply with relevant laws and regulations. The fund management entity is ultimately responsible for the services provided by external service provider(s).
- 4.7 The fund management entity must comply with all applicable laws and regulations regarding the valuation of fund assets and the calculation of the unit prices of the fund.

5. Measures to Deal with Pricing Error

- 5.1 If an error is made in the pricing of fund units, the error shall be corrected as soon as possible and any necessary action shall be taken to avoid further error.
- 5.2 If the error results in a deviation of 0.5% or more¹ of fund's net asset value per unit, the AMCM must be informed immediately.
- 5.3 For any error in the pricing of fund units referred to in previous paragraph, the affected pension plan members (including former members) and/or the fund itself shall be compensated for the loss incurred. In such a case, the affected pension plan members and/or the fund shall be compensated as follows, unless determined otherwise by the fund management entity with sufficient justifications, explanations and evidence to the AMCM:

¹ For the avoidance of doubt, any error that accounts for less than 0.5% of the fund's net asset value per unit individually but accumulates to 0.5% of the fund's net asset value per unit or more in aggregate for incidences that occur in a simultaneous or recurring manner, shall also be considered as pricing error of fund units referred to in paragraph 5.2.



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- a) where the loss is to pension plan members (either due to subscription or redemption) is more than MOP100, or such lesser amount determined by the fund management entity, the pension plan members shall be compensated in such manner determined by the fund management entity;
 - b) where the loss is to the fund management entity and/or external service provider(s), no compensation shall be paid; and
 - c) where the loss is to the pension fund, the pension fund shall be compensated in all circumstances referred to in paragraph 5.2.
- 5.4 In the event that the fund management entity is to compensate one or more affected pension plan members for errors not falling under paragraph 5.2, compensation to all other affected pension plan members shall be made on the same basis.
- 5.5 For the purposes of paragraph 5.3, if pension plan members and/or a pension fund benefit from any error in the pricing of fund units, neither the fund management entity nor the external service provider(s) shall recover the difference from the pension plan members and/or the pension fund. At the same time, the fund management entity and/or external service provider(s) shall also timely refund to the pension fund for the above difference to ensure that the rights and interests of other pension plan members will not be adversely affected.

6. Responsibilities of Fund Management Entities

- 6.1 All fund management entities authorized to transact pension fund management business in the Macao Special Administrative Region are obliged to follow the requirements set out in this Guideline. The senior management of the fund management entity is responsible for establishing appropriate internal control systems and monitoring measures to ensure strict compliance with all the provisions set out in this Guideline. The board of directors of the fund management entity shall maintain general oversight over the implementation of measures in compliance with this Guideline, ensuring the effectiveness of internal control systems and functions, and is ultimately responsible for ensuring fair treatment of customers.
- 6.2 Fund management entities are responsible for establishing and implementing comprehensive and effective internal control measures to ensure that the unit prices of the funds are calculated in accordance with the fund management



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regulations, relevant disclosure documents, and all applicable laws and regulations.

- 6.3 Fund management entities must specify the division of responsibilities, mutual verification of documents, countersigning on documents, and establish clear reporting mechanism for the calculation of fund unit prices, ensuring internal checks and balances within the company.
- 6.4 Fund management entities must also conduct ongoing independent audits on the policies and procedures for fund assets valuation, calculation procedures for fund unit prices, and the effectiveness of internal control systems to ensure compliance with all applicable policies and procedures, and whether the control measures are sufficient and appropriate.
- 6.5 When the external accounting firm audits the annual financial statements of a pension fund, the fund management entity must request the external accounting firm to audit the unit prices of the fund.
- 6.6 If any error in the pricing of fund units is not proactively identified and corrected as soon as possible by the fund management entity and/or external service provider(s) related to the fund valuation and unit price calculation, but is discovered by other external parties, such as any government department, the external accounting firm referred to in paragraph 6.5 or pension plan members, etc., the fund management entity will be deemed to have failed to establish and implement comprehensive and effective internal control measures.
- 6.7 Fund management entities are required to maintain adequate records to show that all requirements set out in this Guideline are fully complied and provide these records with all relevant documentary evidences to the AMCM upon request.