

**立法會**  
***Legislative Council***

LC Paper No. CB(2)217/01-02  
(These minutes have been  
seen by the Administration)

Ref : CB2/BC/18/00

**Bills Committee on Revenue (No. 3) Bill 2001**

**Minutes of the 2nd meeting on Friday, 22 June 2001 at 10:45 am  
in Conference Room B of the Legislative Council Building**

**Members Present** : Hon Margaret NG (Chairman)  
Hon Mrs Selina CHOW LIANG Shuk-yee, JP  
Hon SIN Chung-kai  
Hon Ambrose LAU Hon-chuen, GBS, JP

**Members Absent** : Hon CHAN Kam-lam  
Dr Hon TANG Siu-tong, JP  
Hon Henry WU King-cheong, BBS

**Public Officers Attending** : Mr Martin GLASS, JP  
Deputy Secretary for the Treasury

Ms Esther LEUNG  
Principal Assistant Secretary for the Treasury

Ms AU King-chi, JP  
Deputy Secretary for Financial Services

Ms Salina YAN  
Principal Assistant Secretary for Financial Services (Securities)

Mr Mark DICKENS  
Executive Director (Supervision of Markets)  
Securities and Futures Commission

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Mr Gerald GREINER  
Senior Director (Supervision of Markets)  
Securities and Futures Commission

Miss Maisie CHAN  
Assistant Secretary for the Treasury

Miss Gloria LO  
Assistant Secretary for Financial Services (Securities) 1

Mr K F CHENG  
Senior Assistant Law Draftsman, Department of Justice

**Clerk in Attendance** : Ms Doris CHAN  
Chief Assistant Secretary (2) 4

**Staff in Attendance** : Ms Bernice WONG  
Assistant Legal Adviser 1

Ms Dora WAI  
Senior Assistant Secretary (2) 4

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**I. Meeting with the Administration**

Briefing by the Administration

At the invitation of the Chairman, Deputy Secretary for Financial Services (DSFS) briefed members on the supplementary note tabled at the meeting (LC Paper No. CB(2)1929/00-01(01)) which set out the financial position of the existing Unified Exchange Compensation Fund (UECF).

2. DSFS added that the Securities and Futures Commission (SFC) and the Administration had received submissions from the industry in the last two years that the rate of levy for securities transactions should be increased as soon as possible in order to raise more money for the under-funded UECF. The industry held the view that the levy increase should not wait until the establishment of the new Investor Compensation Fund (the new Fund) because UECF would not have sufficient money to make compensation payments to investors should another default case, like C.A. Pacific, happen during the interim period.

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3. DSFS further said that if the financial position of UECF was strengthened, it would not only strengthen protection of investors but also boost investors' confidence and the development of the market. The Administration considered now an opportune time to introduce a levy increase to top up UECF as the actual cost of transaction would not increase in view of the proposed reduction in the rate of stamp duty, which was announced in the same Budget Speech as the proposed levy increase.

Questions from members

4. Mrs Selina CHOW noted that \$780 million was considered as a prudent level for UECF and expressed support for the proposed levy increase for the purpose of bringing UECF to the prudent level. She requested the Administration to assure that the additional levy of 0.002% would be removed as soon as the assets of UECF had reached \$780 million, or \$800 million in order to allow for a buffer. She maintained her view that the issue of money for the new Fund should be dealt with separately after the establishment of the Fund.

5. Mr SIN Chung-kai pointed out that after the abolition of the minimum brokerage commission rate in 2002, there would be intense competition among brokers and the risks of investors would increase relatively. He said that the Democratic Party was in support of topping up UECF to a reasonable and prudent level so that investors would have a better protection. He shared the view that the additional levy of 0.002% should be removed once the balance of UECF had reached a prudent level.

6. DSFS assured members that the Administration would conduct a review when the assets of UECF had reached the level of \$780-\$800 million. She pointed out that the Administration was not certain of the time required for UECF to reach that level as it would depend on the market turnover value and whether there would be any new default cases.

7. The Chairman pointed out that by the time UECF had accumulated assets up to the level of \$800 million, the decision on the new Fund would be known as the scrutiny of the Securities and Futures Bill was expected to be finished by the end of 2001. She, therefore, considered that the Administration should for now only address the need of the existing fund. She suggested that the Administration might consider setting out in the Bill the upper limit in topping up UECF.

8. Mrs Selina CHOW said that the usual practice in dealing with situations of similar nature was for the Administration to include an undertaking in the speech to be delivered by the Policy Secretary when the Second Reading debate on the Bill was resumed. She suggested that the Administration should undertake to conduct a review to consider whether the 0.002% increase in the levy rate should continue once UECF had reached the level of \$800 million following the levy increase. In addition, the Administration should also give an assurance that all the monies received from the levy increase would be paid to UECF.

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9. ALA1 drew members' attention to two points. First, there was no provision in the Bill that the monies received from the 0.002% increase of the levy rate payable on securities transactions would be paid to UECF. She suggested that the Administration should provide an undertaking on resumption of the Second Reading debate that the monies so received be paid by SFC from its reserves to UECF pursuant to section 99(2) of the Securities Ordinance (Cap. 333). That section provided that SFC may, with the approval of the Financial Secretary, pay into UECF from its reserves such sum of money as it thought fit. Second, the Bill did not specify when the increase of levy rate would cease to take effect. The Administration should undertake to consider whether legislative amendments in the form of bill or subsidiary legislation should be introduced to give effect to the outcome of the review suggested by members.

10. Members agreed to the suggestions made by ALA1 and asked the Administration to include the requested undertakings in the speech to be delivered by the Secretary for the Treasury when the Second Reading debate on the Bill was resumed.

Adm 11. DSFS said that the Administration accepted the suggestions made by members and, as requested by the Chairman, would provide for members' consideration the wording of the undertakings as soon as possible after the meeting.

Clause by clause examination of the Bill

*Clause 1 – Short title and commencement*

*Clause 1(2)*

12. In response to the Chairman, DSFS said that the industry had indicated that the modifications to the existing systems to give effect to the reduction in the rate of stamp duty and the increase in the rate of transaction levy would be carried out jointly and would take about one month to complete. Having regard to the views of the industry, the Administration would make arrangements for both parts to come into operation on the same day one month after the enactment of the Bill.

13. Members raised no question on other clauses.

14. As members were in support of the Bill, the Chairman said that she would make a verbal report on the deliberations of the Bills Committee to the House Committee in that afternoon recommending resumption of the Second Reading debate on the Bill on 11 July 2001.

**II. Any other business**

15. There being no other business, the meeting ended at 11:30 am.

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Legislative Council Secretariat  
30 October 2001