

**Extract from minutes of meeting of
Panel on Information Technology and Broadcasting
on 7 November 2002**

- Members present** : Hon SIN Chung-kai (Chairman)
Hon Howard YOUNG, JP (Deputy Chairman)
Hon Eric LI Ka-cheung, JP
Hon CHAN Kwok-keung
Hon YEUNG Yiu-chung, BBS
Hon Emily LAU Wai-hing, JP
Hon Albert CHAN Wai-yip
Hon MA Fung-kwok, JP
- Members absent** : Dr Hon David CHU Yu-lin, JP
Dr Hon Philip WONG Yu-hong
Hon Timothy FOK Tsun-ting, SBS, JP
Dr Hon LAW Chi-kwong, JP
- Public officers attending** : Mr Alan SIU
Deputy Secretary for Commerce, Industry and Technology
(Information Technology and Broadcasting) 2
- Miss Adeline WONG
Principal Assistant Secretary for Commerce, Industry and
Technology
(Information Technology and Broadcasting) D
- Mr John WONG
Assistant Director
Information Technology Services Department
- Mr Gary LAI
Senior Systems Manager
Information Technology Services Department
- Clerk in attendance** : Miss Polly YEUNG
Chief Assistant Secretary (1)3
- Staff in attendance** : Miss Connie FUNG
Assistant Legal Adviser 3
- Ms Debbie YAU
Senior Assistant Secretary (1)1
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IV Review of Electronic Transactions Ordinance (ETO)

LC Paper No. CB(1)185/02-03(03) -- Information note on issues related to the review of the Electronic Transactions Ordinance prepared by the Legislative Secretariat

LC Paper No. CB(1)185/02-03(04) -- Information paper prepared by the Administration

(A set of power-point presentation material was circulated after the meeting vide LC Paper No. CB(1)254/02-03(01))

5. With the aid of power-point presentation, the Principal Assistant Secretary for Commerce, Industry and Technology (Information Technology and Broadcasting)D (PAS/CIT(ITB)D) briefed members on the major comments received for the proposals in the public consultation paper on the review of ETO issued in March 2002. She also highlighted the Administration's responses and certain revised proposals.

6. On the interface of the Inland Revenue (Amendment) (No.2) Bill 2001 with ETO, PAS/CIT(ITB)D highlighted that ETO provided a generic legal framework which should not prevent other Government bureaux and departments from enacting legislation to cater for their specific needs in implementing electronic services. The Inland Revenue (Amendment) (No.2) Bill 2001, which was currently examined by a Bills Committee, was an example of such legislation. The Bill, if enacted, would provide the legal framework for the use of Personal Identification Number (PIN) in filing tax return. She also briefed members on the use of PIN in overseas jurisdictions such as the United Kingdom, Singapore, and Canada. On the security of using PIN, members noted that the PIN-based electronic tax return service of the UK Inland Revenue had been temporarily suspended following reports that certain users could see the information relating to another person. The UK Inland Revenue had confirmed that the incident was the result of a combination of unusual circumstances, none of which had anything to do with using PIN as the authentication token and the UK Inland Revenue had never had any security or confidentiality problem arising from the use of PIN.

(post-meeting note: Details on the interface of the aforesaid Bill and the ETO as well as overseas experiences were contained in the speaking notes of PAS/CIT(ITB)D issued to members after the meeting on 11 November 2002 vide LC Paper No. CB(1)270/02-03))

7. Noting that there were now three other recognized certification authorities (CAs) under the ETO operating in the market to compete with Hongkong Post (HKP),

Mr Eric LI urged the Administration to take active measures to foster the development of a more competitive CA market so as to promote electronic transactions.

8. In response, the Deputy Secretary for Commerce, Industry and Technology (Information Technology and Broadcasting)2 (DSCIT(ITB)2) pointed out that when ETO was first enacted, it had taken the CA applicants some time to familiarize themselves with the legislative requirements. At present, the Information Technology Services Department had been able to process the applications within the pledged period provided that all of the required information was submitted by the applicants. He highlighted that the number of CAs should be determined by market demand and considered that four CAs in the market could bring about effective competition.

9. On the use of PIN as proposed under the Inland Revenue (Amendment) (No.2) Bill 2001, Mr Eric LI recapped that professionals/technical experts preferred the use of digital signatures over PIN. While members understood that the Administration was not mandating the use of a less secure technology but offering an additional option which was commensurate with the risks involved in filing tax return, Mr LI advised that the Government should educate the public about the differences in the levels of security and risks involved and individual users' responsibility in the safe keeping of PIN. He also said that it would be useful if a copy of the draft minutes on this item could be made available prior to the next meeting of the Bills Committee on the Inland Revenue (Amendment) (No.2) Bill 2001 to be held on 12 November 2002.

10. In response, DSCIT(ITB)2 reiterated that the Administration would not propose to make a general amendment to the ETO on the use of PIN for satisfying a signature requirement under law. In cases where the use of PIN in certain Government services was commensurate with the risks involved, specific amendment to the relevant legislation should be made so that the implications of the amendment could be fully examined by the Legislative Council and the community. The Administration would also disseminate the necessary information to guide the users, who opted to use PIN, in particular, in understanding and accepting the corresponding levels of security and legal risks.

11. The Chairman also opined that the application of PIN should be considered case by case as some parties had reservations about its adoption.

12. On the use of digital signatures, DSCIT(ITB)2 said that while its use was not prevalent among individual members of the public, its adoption by the business sector was encouraging. For example, 100% of the returns from banks and financial institutions to the Hong Kong Monetary Authority under the Banking Ordinance were submitted via electronic means while the majority of returns/reports required to be submitted to the Mandatory Provident Fund Schemes Authority under law was also in digital form. To encourage the use of digital signatures by individual members of the community, HKP would offer to citizens one year's free use of a digital certificate to be embedded in the new Smart ID Card to be rolled out in 2003.

13. Mr Eric LI sought confirmation from the Administration on the finalized decision of embedding the digital certificate of HKP in the new Smart ID Card. He asked whether the digital certificates provided by HKP in the Smart ID Cards could only be used for Government services or whether they could be used for commercial services as well. He also enquired whether the Smart ID card platform would be open for digital certificates issued by other recognized CAs so as to facilitate competition in the CA market.

14. DSCIT(ITB)2 said that the inclusion of the digital certificate issued by HKP into the Smart ID Card was decided in the context of the exercise to replace existing ID cards with Smart ID cards. The digital certificates provided by HKP in smart ID Cards could be used for both Government and commercial services. Currently, Government services available to the public were open to all recognized CAs. Individual citizens might use the digital certificates issued by recognized CAs other than HKP when conducting electronic transactions under the Electronic Service Delivery Scheme. He also confirmed that Smart ID Card holders were free to decide whether they would continue to use the digital certificates issued by HKP after one year. Subject to operational experience and the community's readiness, the Administration would also consider opening up the Smart ID Card platform to the digital certificate issued by other CAs.

15. Summing up, the Chairman advised that the various issues relating to electronic transactions could be further examined when the relevant Bill was introduced into the Council.

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