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By fax and by post

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4 April 2003

Mr Frederick MA Si-hang
Secretary for Financial Services and the Treasury
Financial Services and the Treasury Bureau
8th floor West Wing
11 Ice House Street
Central
Hong Kong

Panel on Financial Affairs

Special meeting held on 28 March 2003

I refer to your letter dated 31 March 2003 and your explanation on the failure of your Bureau to provide a position report on the work of the Working Group on the Business Environment of the Stockbroking Industry (the Working Group) for the Panel's meeting on 28 March 2003.

As you are aware, the Panel passed a motion on 16 January 2003 urging the Working Group to include in its scope of work the responsibility "to re-examine the proposal of introducing a two-tier brokerage commission system so as to enable the industry to adapt to market developments and changes". The Panel, in its motion, also urged the Hong Kong Exchanges and Clearing Limited (HKEx) to shelve its decision to remove the minimum brokerage commission rate until the proposal was completely examined. The Panel also agreed to hold a special meeting before 1 April 2003 to follow-up on the issue. Your Bureau was fully aware of the need for this special meeting and the need to have an up-to-date position report on how far the Panel's motion had been followed up by the Working Group and by the HKEx.

The Panel is most disappointed with the way your Bureau responded to the motion, in particular your Bureau's insistence on not providing any position report for the special meeting. The Panel was fully aware that the Working Group aimed to complete its report in mid April 2003. The meeting on 28 March was the last opportunity for the Panel to deliberate on the subject before the effective date of the removal of the minimum brokerage commission rate. The Panel had the duty to address the industry's concerns and to understand the HKEx's position regarding the Panel's motion before the new measure took effect. Your letter of 17 March 2003 did not address any of the points raised in our motion and therefore could not be regarded as a "report" on how the motion had been followed up. You may wish to note that owing to the absence of a report on the subject, the Panel had spent more than one and a half hours at the meeting on 28 March just to find out that neither the request for the re-examination of the two-tier brokerage commission was put forward to the Working Group's for inclusion in its scope of work, nor any formal discussion had taken place by the HKEx on the Panel's proposal. It was by no means a meaningful use of the Panel's time.

The Panel on Financial Affairs has the responsibility to monitor Government's policies and provide a forum to address issues of public concern. Through our open meetings, we provide opportunities for all interested parties to understand the rationale behind public policies and put forward their suggestions and views. We firmly believe that thorough and open discussion of new policies is conducive to the successful implementation of such policies. To facilitate more meaningful and useful discussions at Panel meetings, there is a standing arrangement that the Administration should provide papers to Panels at least five clear days before the relevant meeting for items with at least three weeks' notice, or as soon as possible for items with less than three weeks' notice. The Clerk to the Financial Affairs Panel wrote to your Bureau on 17 January and 8 March 2003 regarding the follow-up action on the motion and seeking advice on the timing for the special meeting. Your Bureau had ample time to take action on the motion and produce a position report. We regret that even after repeated discussions with your Bureau, your staff had insisted that no paper would be provided to the Panel.

I must also stress that a verbal report at the meeting, though put on record, is no substitute for an information paper for a Panel meeting. Panel members are deprived of the opportunity to prepare for the discussion of the item at the meeting, including consulting their constituents or affected parties on the subject beforehand. I hope that you would remind your colleagues to adhere to the standing arrangement agreed between the Administration and the Legislature on the provision of papers for Panel meetings. In this time of adversity and challenges, it is all the more important that the Administration works in close cooperation with the Legislature in addressing the public's concerns and not to avoid them.

With best regards,

Yours sincerely,

(Ambrose LAU Hon-chuen)
Chairman, Panel on Financial Affairs

c.c. Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Chairman of the House Committee