

LegCo Panel on Financial Affairs

List of follow-up actions arising from discussions in previous sessions
(Position as at 10 October 2005)

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
1. Reinsurance cover for employee compensation insurance policies	20 December 2001	The Administration was requested to provide written reports, on a quarterly basis, on the up-to-date market situation of reinsurance coverage for terrorist activities on treaty arrangements and the Administration's assessment of the continued need for the \$10 billion facility as approved by Finance Committee on 11 January 2002.	The fourteenth quarterly report provided by the Administration was circulated to members vide LC Paper No. CB(1)2381/04-05(01) on 6 October 2005.
2. Loan Guarantee Scheme for Severe Acute Respiratory Syndrome Impacted Industries	Referred by the Finance Committee at its meeting held on 25 April 2003	The Administration undertook to report the operation of the Scheme to the Panel one year after its implementation, and to submit progress report at six month intervals thereafter.	The third report on the operation of the Scheme was circulated to members vide LC Paper No. CB(1)1420/04-05(01) on 29 April 2005.
3. Proposal of re-structuring the filing fees for non-Hong Kong companies	3 January 2005	The Administration was requested to report to the Panel in due course on the situation about non-Hong Kong companies' compliance with the new requirement for them to file a full annual return. The report should include, inter alia, the statistics on	Information awaited.

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		<p>compliance, non-compliance and late returns, enforcement actions taken/to be taken (if any), and measures proposed by the Administration to improve the situation.</p>	
<p>4. Briefing by the Financial Secretary on Hong Kong's latest overall economic situation</p>	<p>6 June 2005</p>	<p>I. The Administration was requested to provide Hong Kong's recent submission to the United Nations (UN) on measures taken to address the problems of poverty and youth unemployment in Hong Kong, and the comments made by the UN Secretary-General, Mr Kofi ANNAN, on the submission.</p> <p>II. It was noted that despite the seasonally adjusted unemployment rate had fallen from around 7% in the first quarter of 2004 to 5.9% in the three months ending April 2005, the overall labour earnings in the fourth quarter of 2004 had decreased by 0.6% in money terms (0.9% in real terms) over a year earlier (paragraph 8 and chart 6 of LC Paper No. CB(1)1678/04-05(03)). To facilitate members' understanding of the phenomenon, the Administration was requested to provide the following information:</p> <p>(a) The relevant statistics for working out the</p>	<p>Administration's responses were circulated to members vide LC Paper No. CB(1)2013/04-05(01) on 8 July 2005.</p>

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		<p>overall labour earnings for the said period;</p> <p>(b) The reasons for the decrease in the overall labour earnings over the period (e.g. more workers engage in part-time work); and</p> <p>(c) In connection with item (b) above, to provide the average hourly wage rate of the part-time workers.</p> <p>III. To provide statistics quantifying the benefits of the growth in off-shore trade activities on Hong Kong's economy, such as the impact on government revenue.</p> <p>IV. The Administration was requested to note a member's view that more information and analyses on the performance of the property market, including the movement in rentals for commercial and retail property and its impact on Hong Kong's economy, should be included in the economic reports to be provided to the Panel in future.</p>	
5. Proposal to revise fees and	6 June 2005	The Administration undertook to provide the	Information provided by the

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charges for services not directly affecting people's livelihood under the purview of the Treasury Branch		<p>following information:</p> <p>(a) The up-to-date position of various bureaux in conducting the review on fees and charges for services under their respective purview; and</p> <p>(b) The timetable for various bureaux to brief the relevant Panels of the Legislative Council on the results of the review.</p>	Administration was circulated to members vide LC Paper No. CB(1)1967/04-05(01) on 4 July 2005.
6. Proposal to write off a judgement debt	6 June 2005	<p>Members considered that the Administration had not provided the Panel with sufficient information for consideration of the proposal to write off the judgement debt owed to the Government by an auctioneer hired by the former Government Supplies Department (GSD) to conduct commercial disposal of unserviceable or obsolete government stores and confiscated goods. It was agreed that the Panel would further discuss the proposal in due course after the Administration had provided the supplementary information requested by members, as follows:</p> <p>(a) Actions taken to recover the outstanding payments</p> <p>(i) Please confirm whether GSD had, before</p>	Administration's response awaited.

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		<p>reaching a Deed of Settlement with the Managing Director (MD) of the auctioneer on 31 March 1999, consulted the Department of Justice (DoJ) on whether the default in proceeds payment by the auctioneer involves any criminal offence, and whether criminal proceedings should be instituted against the auctioneer or its MD. In this connection -</p> <ul style="list-style-type: none">● if GSD had consulted DoJ, please provide the advice given by DoJ;● if GSD had not consulted DoJ, please provide the reasons for having not done so. <p>(ii) Please respond to a member's views and question, as follows -</p> <ul style="list-style-type: none">● While the auctioneer had collected the auction proceeds for the Government, the proceeds were assets of the Government and not the auctioneer. Any proceeds owed by the auctioneer to the Government should be regarded	

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		<p>as a liability of the auctioneer or its directors including its MD both under common law as well as under the Companies Ordinance, instead of a debt. In this connection, whether the auctioneer had gone into liquidation is irrelevant because the Government was not its creditor;</p> <ul style="list-style-type: none">● The Government should take appropriate actions (including legal actions) to recover the proceeds, and should not seek approval to write off the sum involved unless all possible means have been exhausted;● If the MD of the auctioneer took away the proceeds, he should be held liable for the offence. The Government should pursue its tracing claim to recover the proceeds from the directors including its MD and consider whether criminal proceedings should be instituted against him; and● In this connection, if GSD had consulted DoJ on its legal rights,	

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		<p>please provide the advice given by DoJ. If not, please provide the reasons for having not done so.</p> <p>(iii) With the discharge of the Warrant of Arrest against the MD of the auctioneer in March 2004, please confirm:</p> <ul style="list-style-type: none">● whether the MD might return to Hong Kong and would be free from any liability (both criminal or civil) for the case; and● whether the Administration would conclude the case after seeking approval to write off the debt and take no further action to recover the proceeds. <p>(iv) In connection with item (iii) above, please confirm -</p> <ul style="list-style-type: none">● what other legal actions the Administration would take to recover the proceeds; and● if the MD was subsequently located in	

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		<p>other jurisdictions, whether the Administration would make arrangement to extradite the MD back to Hong Kong.</p> <p>(b) Internal investigation</p> <p>(i) Please provide the report of the internal investigation conducted by the Administration on the case, including –</p> <ul style="list-style-type: none">● the report(s) of the disciplinary proceedings taken against the civil servants involved in the case, including a Senior Accounting Officer, a Accounting Officer I, a Principal Supplies Officer, two Chief Supplies Officers and one Senior Supplies Officer, and the dates on which the disciplinary proceedings commenced and were concluded; and● the outcome of the investigation on the responsibilities of the senior management of the GSD in the case, in particular the responsibilities of the then Director, Deputy Director and the	

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		<p>immediate supervisor of the Senior Accounting Officer concerned.</p> <p>(ii) Please provide the procedures and requirements for the concerned staff to report to the senior management of GSD on the payment of auction proceeds during the period from 1996 to 1998 when the default happened;</p> <p>(iii) Please provide the date on which the default was brought to the attention of the senior management of GSD, and the reasons why the senior management was unable to identify the problem before then;</p> <p>(iv) Please set out the remedial actions taken by the senior management of GSD for the case since the default was brought to its attention in 1998; and</p> <p>(v) Please confirm whether the Administration considered that there were inadequacies in the senior management in handling the case.</p>	
7. Protection of credit card	4 July 2005	I. The Hong Kong Monetary Authority	Information provided by the

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holders' personal data		<p>(HKMA) was requested to provide the following information:</p> <ul style="list-style-type: none">(a) The exact number of credit cards issued by Authorized Institutions (AIs) in Hong Kong which were potentially affected by the incident of data security breach by the CardSystems Solutions, Inc. in the United States happened in June 2005;(b) The results of the following follow-up actions taken by HKMA:<ul style="list-style-type: none">(i) HKMA's request for AIs to re-assess the adequacy and effectiveness of controls over customer data security, retention and confidentiality (including AIs and their service providers);(ii) HKMA's request for credit card companies, consumer credit bureau and debit card operators to assess and strengthen their security control systems; and(iii) HKMA's liaison with the Office of the Privacy Commissioner for Personal Data.	HKMA was circulated to members vide LC Paper No. CB(1)2147/04-05(01) on 26 July 2005.

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		<p>(c) The up-to-date position of AIs in issuing EMV chip credit cards with a view to enhancing credit card security, and AIs' plans in upgrading their infrastructure for EMV chip migration.</p> <p>II. As AIs played an important role in the protection of cardholders' personal data, members agreed that the Hong Kong Association of Banks (HKAB) be invited to provide written views on the following items:</p> <p>(a) Impact of the CardSystems incident on credit cardholders in Hong Kong;</p> <p>(b) Liability for financial loss arising from the incident;</p> <p>(c) Follow-up actions taken/to be taken by HKAB members for the incident;</p> <p>(d) In arranging card replacement for the potentially affected cardholders after the incident, whether the card-issuing banks had explained the reasons for replacement to the cardholders; and</p>	<p>HKAB's written reply was issued to members vide LC Paper No. CB(1)2175/04-05 on 8 August 2005.</p>

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		<p>(e) Measures to be taken by HKAB members and HKAB (e.g. review of the Code) for enhancing the protection of customer data in credit cards to prevent recurrence of similar incident in future.</p>	
<p>8. Proposed introduction of a new category of “travel insurance agents”</p>	<p>4 July 2005</p>	<p>Whilst expressing support for the Administration’s policy to encourage Hong Kong people to take out travel insurance before they travel, members had reservation on whether the proposal of introducing a new category of “travel insurance agents” to the Insurance Intermediaries Quality Assurance Scheme was the best option to achieve the policy objective. The Administration was requested to give further thought to the proposal and consider how the grave concern expressed by the insurance intermediaries could be addressed. It was agreed that the Panel would further discuss the proposal after the Administration had further consulted the insurance industry and travel industry and provided information on the following items:</p> <p>(a) Details of the proposed examination for the new “travel insurance agents”;</p> <p>(b) Training for existing staff of travel agents to</p>	<p>Administration’s response awaited.</p>

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		<p>sit for the proposed examination for the new “travel insurance agents”;</p> <p>(c) Regulation of the new “travel insurance agents”;</p> <p>(d) Monitoring measures to ensure that only registered “travel insurance agents” are deployed by travel agencies to sell travel insurance to their clients;</p> <p>(e) How the grave concern expressed by the insurance intermediaries could be addressed (i.e. concerns about similar relaxation to be given to other types of insurance and possible negative impact of the proposal on the professional image of the insurance profession); and</p> <p>(f) Alternative options considered by the Administration.</p>	