

LegCo Panel on Financial Affairs
Work plan for the 2005 – 2006 session
(Position as at 1 December 2005)

Month/ Year	Proposed discussion items
<p>Jan 2006 <i>(Two items)</i></p>	<p>1. Briefing on the review of derivative warrants market</p> <ul style="list-style-type: none"> ● In response to the Panel’s request, the Administration proposes to brief the Panel on the findings of the review of derivative warrants market. <p><i>Background information</i></p> <ul style="list-style-type: none"> ● In view of recent public concerns about the risks associated with warrants trading in Hong Kong and the regulation of such trading activities, members agreed at the Panel meeting on 13 October 2005 that the Administration (including the Television and Entertainment Licensing Authority), the Securities and Futures Commission (SFC) and the Hong Kong Exchanges and Clearing Limited (HKEx) should be invited to discuss the subject with the Panel. Members are concerned about the need for: <ul style="list-style-type: none"> (a) strengthening the measures for regulation of warrants trading (including regulation of media programmes on warrants trading); and (b) strengthening the measures for guarding against market manipulation and addressing potential conflict of interest. ● The Administration, in its written replies to the two questions raised by Hon Albert CHENG on the subject at the Council meeting on 19 October 2005, advised that the SFC and the HKEx had been requested to look into recent concerns relating to derivative warrants market in Hong Kong. ● The SFC, after completing a review on the subject, issued a “Report on the Derivative Warrants Market in Hong Kong” on 25 November 2005, inviting market participants and interested parties to give their written comments on or before 31 January 2006. On the same day, the HKEx issued a press release indicating that it generally supported the direction of the proposals made in the report and would work closely with the SFC and the industry to further develop specific market enhancement proposals.

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	<p>2. Sale and outsourcing of the funding and administration of loans made to students</p> <ul style="list-style-type: none">● The Administration proposes to brief the Panel on its plan to sell off the portfolio and outsource the funding and administration of non means-tested student loans to the private sector.● The proposal is part of the Administration's programme for sale and securitization of government assets. The programme aims at reducing the share of the public sector in the economy and giving more scope for the private sector to develop.
Feb 2006 <i>(Three items)</i>	<p>1. Briefing on the work of the Hong Kong Monetary Authority</p> <p>The Chief Executive of the Hong Kong Monetary Authority (CE/HKMA) briefs the Panel on the work of HKMA on a regular basis. The briefings are normally held in February, May and November each year.</p> <p>2. Briefing on the draft Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2006</p> <ul style="list-style-type: none">● The Administration proposes to brief the Panel on the draft Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2006, which aims at improving the existing investment regulations.● The proposed amendment exercise will focus on amending Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation under the Mandatory Provident Fund Schemes Ordinance (Cap. 485, sub. leg. A), which governs investment of scheme funds.● The Administration plans to move a resolution at LegCo in the 2005-06 session.

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	<p>3. Proposal to write off a judgement debt</p> <ul style="list-style-type: none"> ● The Administration proposes to further consult the Panel on its proposal to write off a judgement debt. ● The Administration plans to seek the approval of the Finance Committee on the proposal on 7 April 2006. <p><i>Background information</i></p> <ul style="list-style-type: none"> ● At the Panel meeting held on 6 June 2005, members were briefed on the Administration's proposal to write off the judgement debt owed to the Government by an auctioneer hired by the former Government Supplies Department to conduct commercial disposal of unserviceable or obsolete government stores and confiscated goods which was considered irrecoverable. Members expressed concerns about actions taken by the Administration to recover the outstanding payments from the auctioneer and details of the Administration's internal investigation on the case including the disciplinary proceedings taken against the civil servants concerned. 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.
March 2006 <i>(two items)</i>	<p>1. The Securities and Futures Commission Budget for the financial year 2006-07</p> <ul style="list-style-type: none"> ● It is the normal practice for the SFC to present its annual budget to the Panel for information before seeking the approval of the Financial Secretary (FS) on the budget. <hr/> <p>2. New structure for listing decision-making</p> <ul style="list-style-type: none"> ● In response to the request of the Chairman and Deputy Chairman, the Administration proposes to brief the Panel on the progress of the consultation on a new structure for listing decision-making. The briefing will cover the subject of repeated extension of term limits on Listing Committee.

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	<p><i>Background information</i></p> <ul style="list-style-type: none">● On 3 October 2003, the Administration published a consultation paper to invite public views on the proposals to enhance the regulation of listing. ● In the consultation conclusions published in March 2004, the Administration invited the SFC and the HKEx to consider how suggestions received during the consultation process, including the composition and operation of the Listing Committee, should be pursued. ● In February 2005, the HKEx published a consultation paper on a new structure for listing decision-making. The proposals aimed to put in place a clearer and more efficient administrative framework for decision-making in listing matters, whilst preserving the checks and balances necessary to minimize and manage regulatory risk. The consultation paper made explicit reference to the consultation conclusions published in March 2004 inviting the SFC and the HKEx to consider suggestions concerning the composition and operation of the Listing Committee. ● The HKEx's consultation ended on 22 April 2005. The HKEx expected that the consultation conclusions and the final Listing Rule amendments would be published in late 2005. ● Having noted a submission from Mr David Webb in May 2005 expressing concern on the repeated extension of term limits on Listing Committee, the Chairman and Deputy Chairman of the Panel decided to invite the Administration, the SFC and the HKEx to brief the Panel on the consultation conclusions on a new structure for listing decision-making and the related Listing Rule amendments in due course. ● The Administration replied in September 2005 that the SFC and the HKEx should be ready to brief the Panel on the consultation conclusions and the related Listing Rules amendments in early 2006.
April 2006	<p><i>(No discussion item proposed for this month)</i></p>

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May 2006 (Two items)	<p>1. Briefing on the work of the Hong Kong Monetary Authority</p> <p>The CE/HKMA briefs the Panel on the work of HKMA on a regular basis. The briefings are normally held in February, May and November each year.</p> <hr/> <p>2. Briefing by the Hong Kong Monetary Authority on the development of capital and disclosure rules to be made under the Banking (Amendment) Ordinance 2005</p> <ul style="list-style-type: none"> ● The HKMA proposes to brief the Panel on the progress of developing the capital and disclosure rules. ● The Administration plans to table the relevant subsidiary legislation before LegCo for negative vetting by mid-2006. The HKMA plans to implement Basel II in Hong Kong from 1 January 2007 to tie in with the Basel Committee on Banking Supervision (BCBS)'s timetable. <p><i>Background information</i></p> <ul style="list-style-type: none"> ● The Banking (Amendment) Ordinance 2005 was enacted in July 2005 to provide a legal framework for implementation of Basel II in Hong Kong (i.e. the revised capital adequacy regime for authorized institutions (AIs) promulgated by the BCBS in 2004). Among other things, the Amendment Ordinance provides the HKMA with a rule making power to prescribe capital and disclosure rules on the manner of calculating AIs' capital adequacy ratio (CAR) and requirements on public disclosure of AIs' financial affairs including the CAR. These rules are subsidiary legislation subject to negative vetting by LegCo.

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June 2006 <i>(Two items)</i>	<p>1. Progress on the implementation of the Deposit Protection Scheme (DPS)</p> <ul style="list-style-type: none">● The Administration proposes to report the progress made by the Deposit Protection Board (DPB) on the implementation of the DPS. <p><i>Background</i></p> <ul style="list-style-type: none">● The Deposit Protection Scheme Ordinance was enacted in May 2004 for the establishment of a DPS in Hong Kong. The Ordinance provides for the setting up of an independent DPB to assess and collect contributions from banks, and to make payments to depositors in the event of bank failures.● The Administration provided an information paper in May 2005 on the progress of implementing DPS, including the formation of the DPB and the establishment of the Deposit Protection Appeals Tribunal, the development of the payout procedures and contribution systems, as well as the rules governing the operation of DPS (the Rules). According to the Administration, the banking industry has been consulted on the main principles to be incorporated into the Rules. It is expected that the Rules will be ready for tabling before LegCo for negative vetting by stages. It is expected that the DPS will be ready to start providing deposit protection in the second half of 2006.
July 2006	<p>2. Briefing by the Financial Secretary on Hong Kong's latest overall economic situation</p> <p>The Panel has invited the FS to brief the Panel and all other LegCo Members on macro economic issues on a periodic basis since mid-1999. The Briefing is normally held in June and December each year.</p>
July 2006	<p><i>(No discussion item proposed for this month)</i></p>