

Panel on Financial Affairs

List of outstanding items for discussion

(Position as at 31 January 2007)

**Proposed timing
for discussion at
Panel meeting**

1. Budget of the Securities and Futures Commission for the financial year 2007-2008

It is the normal practice for the Securities and Futures Commission (SFC) to brief the Panel on the main features of its annual budget in March each year.

March 2007

2. Securities and Futures (Amendment) Bill 2007

The Administration consulted the Panel on the proposals to give statutory backing to major listing requirements at the meeting on 4 April 2005. In response to market comments, the Administration has refined the proposals and planned to brief the Panel on the latest proposals at the Panel meeting in March 2007.

March 2007

The Administration plans to introduce the relevant amendment bill into the Legislative Council (LegCo) in May/June 2007.

3. Progress update on the Companies Ordinance rewrite exercise

The Panel was briefed on 7 November 2005 on the Administration's proposal to rewrite the Companies Ordinance (CO) and the staffing requirements for the exercise. Approval was then given by the Finance Committee on 13 January 2006 for creation of 13 posts (including three directorate and four non-directorate posts in the Companies Bill Team (CBT)) for the rewrite exercise.

April 2007

At the special Panel meeting held on 16 October 2006, a member expressed concern about the work plan and progress of the rewrite exercise. The Administration indicated in its written response (LC Paper No. CB(1)228/06-07(02)) that it plans to publish a White Bill in mid-2009 to consult the public about the various proposals to reform the CO before introducing the Companies Bill into LegCo by the third quarter of 2010. In the meantime, the CBT will roll out several topical public consultations to gauge views from the public on the reforms of certain complex areas of the CO. The first such consultation on accounting and auditing provisions will be

launched in the first quarter of 2007.

The Administration proposes to update the Panel on the progress of the CO rewrite exercise at the Panel meeting in April 2007.

4. Impact of banks' branch closure and fee-charging on the public

When the impact of banks' branch closure on the public was discussed at the Panel meeting on 3 July 2006, the Panel requested the Hong Kong Association of Banks (HKAB) and the Administration to explore, in collaboration with other parties concerned, feasible measures for provision of basic banking services to the public in various districts, taking into account the suggestions and views expressed by members at the meeting. To follow up the discussion of the subject as well as members' concern about the impact of banks charging fees for inactive accounts and low-balance accounts on the public, the Panel initially agreed to invite HKAB, the Administration and the Consumer Council to attend a meeting to be held in December 2006.

April 2007

At the Panel meeting held on 6 November 2006, members noted and agreed to the request of HKAB (LC Paper No. CB(1)181/06-07(01)) to defer the meeting previously proposed to be held in December 2006 to allow more time for HKAB to discuss with the parties concerned on the various recommendations of its Task Force. Hon Emily LAU suggested that HKAB be invited to attend the Panel meeting scheduled for 5 January 2007. In HKAB's written reply dated 24 November 2006 (LC Paper No. CB(1)390/06-07(01)), HKAB provided an update on measures to improve access to basic banking services as well as information on fees levied on inactive accounts and low-balance accounts. HKAB however proposed that instead of attending the Panel meeting on 5 January 2007, it would approach the Panel in January 2007 to firm up details of the meeting arrangement in the second quarter of 2007.

At the Panel meeting on 5 January 2007, members noted and agreed to HKAB's proposal to meet with the Panel at the regular meeting scheduled for 2 April 2007 for discussion of the subject.

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5. Briefing on the work of the Hong Kong Monetary Authority

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. The next briefing will be held in May 2007.

May 2007

6. Proposed amendments to the Mandatory Provident Fund Schemes Ordinance

The Administration plans to consult the Panel on its proposals to amend the Mandatory Provident Fund Schemes Ordinance (Cap. 485) to improve the operation of the Mandatory Provident Fund (MPF) system and to enhance the regulation of the MPF schemes.

May 2007

The Administration plans to introduce the relevant amendment bill into LegCo before July 2007.

7. Briefing by the Financial Secretary on Hong Kong's latest overall economic situation

The Panel has invited FS to brief the Panel and all other LegCo Members on macro-economic issues on a periodic basis since mid-1999. The briefings are normally held in June and December each year. The next briefing will be held in June 2007.

June 2007

8. Progress of the work of the Financial Reporting Council

Following the enactment of the Financial Reporting Council Ordinance on 13 July 2006, the Administration has embarked on the preparatory work for the establishment of Financial Reporting Council (FRC). As pointed out by the Administration in the information paper for the special Panel meeting on 16 October 2006 (LC Paper No. CB(1)41/06-07(01)), it expects FRC to begin operation formally in early 2007.

June 2007

The Administration proposes to update the Panel on the work of the FRC at the Panel meeting in June 2007.

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Panel meeting**

**9. Conflict of interest issue involved in and after the listing of
The Link Real Estate Investment Trust (The Link REIT)**

The Panel discussed the above subject at its meetings on 14 December 2005 and 3 April 2006. On both occasions, Mr Paul CHENG, Chairman of the Board of Directors of The Link Management Limited (The Link), indicated in his written reply that due to other commitments, he was unable to attend the meeting.

To be confirmed

The Panel agreed on 3 July 2006 that Mr Paul CHENG and the Administration should be invited again to a meeting of the Panel to discuss the relevant issues to ascertain whether conflict of interests were involved in Mr Paul CHENG's two roles, i.e. the Chairman of the Board of Directors of The Link as well as a Senior Advisor to Deutsche Bank. Mr CHENG indicated in his written response dated 31 August 2006 that since he had already provided detailed answers, he did not feel that his attendance to be necessary, and that he was declining the Panel's invitation as a matter of principle, and not out of being disrespectful.

At the Panel meeting on 6 November 2006, the motion proposed by Hon James TO that Mr Paul CHENG be invited again to a meeting of the Panel was negatived. However, another motion proposed by Hon James TO that Mr LEUNG Chin-man, the former Permanent Secretary for Housing, Planning and Lands (Housing), be invited to a meeting of the Panel was passed. In this connection, Mr LEUNG and other representatives of the Administration have been invited to attend the Panel meeting scheduled for 5 January 2007 and to provide written information.

The Administration advised in its reply dated 7 December 2006 (LC Paper No. CB(1)472/06-07(02)) that it does not propose to nominate any representative to attend the Panel meeting on 5 January 2007 since it has already provided detailed responses on the subject at previous Panel meetings. Mr LEUNG Chin-man advised in his reply on the same day (LC Paper No. CB(1)472/06-07(03)) that he cannot attend the Panel meeting on 5 January as he will be out of Hong Kong on that day. Nevertheless, Mr LEUNG has provided at the Annex to his letter a written response to the list of questions on the subject.

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Panel meeting**

As agreed at the Panel meeting on 14 December 2006, the Panel would invite Mr LEUNG Chin-man to attend a meeting of the Panel on a date convenient to him. At the Panel meeting on 5 January 2007, members noted that Mr LEUNG had replied that he was currently not in Hong Kong and would only be able to indicate a suitable timing for meeting with the Panel after checking his commitments upon his return in around end January 2007.

10. Issues relating to the listing of companies which are incorporated outside Hong Kong

At the Panel meeting held on 14 December 2006, Hon James TO drew the Panel's attention to a key initiative under the Strategic Plan for 2007-2009 announced by the Hong Kong Exchanges and Clearing Limited (HKEx) which seeks to open the equity listing regime to issuers from a broader range of overseas jurisdictions than at present. Mr TO had also referred to recent press report about the Memorandum of Understanding between HKEx and Kazakhstan regarding possible listing arrangements for Kazakhstan enterprises in Hong Kong. The Panel agreed with Hon James TO's suggestion to invited the Administration/HKEx to provide more information on the proposal for opening the equity listing regime, and if practicable, to brief members on the subject at the next regular meeting on 5 January 2007.

To be confirmed

In the Administration's reply dated 22 December 2006(LC Paper No. CB(1)589/06-07(02)), it advised that the proposal was still under consideration by HKEx and SFC and that it would be premature to discuss the proposal at the Panel meeting on 5 January 2007. HKEx will nevertheless provide a paper for members' information in the first quarter of 2007.

11. Consultation on reform to broaden the tax base

When the Panel was briefed on the "Consultation on reform to broaden the tax base" at its special meeting on 18 July 2006, Members noted that the Administration embarked on a nine-month public consultation on the proposal to broaden the tax base on the same day, including the proposed framework for introduction of a Goods and Services Tax (GST). The views and concerns expressed by Members at the special meeting were forwarded to the Administration for

To be confirmed

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consideration and written response. The Administration's written response was issued to members vide LC Paper No. CB(1)2319/05-06(02) on 9 October 2006. Moreover, the list of further questions put forward by Hon SIN Chung-kai on 23 August 2006 and the Administration's written response were issued to members vide LC Paper Nos. CB(1)29/06-07(01) and (02) respectively on 11 October 2006.

Given the complexity of the subject and the impact of GST on the public, some members suggested at the special meeting on 18 July 2006 that the subject be further discussed at meeting(s) of the Panel before the public consultation ended in March 2007.

At the Panel meeting on 6 November 2006, FS advised that the an interim report on the public consultation would be released. The Chairman invited FS to report to the Panel on the outcome of the consultation in due course. The Administration provided a Legislative Council Brief on "Public Consultation on Tax Reform Interim Report" on 5 December 2006 (issued to members vide LC Paper No. CB(1)438/06-07). In the interim report, the Administration advised that having regard to views collected through the different channels, it is clear that the public is strongly against GST. The Administration considers that at this point in time there is insufficient public support nor are the conditions right for the introduction of GST. The Government will listen carefully and participate in public discussions, so that it can come up with a conclusion for the Government of the next term to consider when the consultation exercise ends in March 2007.

12. Consultancy study on the feasibility of establishing insurance Policyholders' Protection Funds in Hong Kong

The Administration commissioned a consultancy study on the feasibility of establishing Policyholders' Protection Funds (PPFs) in Hong Kong in late 2002 and conducted a consultation exercise from December 2003 to March 2004 to invite public views on whether and how PPFs should be introduced in Hong Kong.

To be confirmed

At the Panel meeting on 1 March 2004, members were briefed on the findings of the consultancy study and proposed PPF options. The Administration undertook to consult the Panel

on the way forward after the public consultation exercise.

As advised by the Administration on 3 November 2006, the consultant has produced a draft final report containing an analysis of outcome derived from the public consultation exercise together with recommendations on the feasibility of introducing PPFs in Hong Kong. The Administration will map out a way forward taking into account latest international insurance regulatory developments and the growing popularity of investment-linked insurance products. The consultancy study is expected to complete in 2007-08.

13. Consultancy study on the supervisory framework of the assets of long term insurers in Hong Kong

In October 2003, the Administration commissioned the consultancy study to examine the effectiveness of the current supervisory framework and to assess the need for further enhancement of the current framework for the protection of policyholders in Hong Kong.

To be confirmed

As advised by the Administration on 3 November 2006, the consultant has produced a series of reports covering areas such as study framework, review of the long term assets supervisory framework, preliminary options for establishing the long term assets valuation framework and safeguarding mechanism, public consultation strategy, etc. In view of an emerging international trend towards the adoption of risk based capital supervision, the Commissioner of Insurance is reviewing the need and timing for public consultation on this study. The consultancy study is expected to complete in 2007-08.

14. Proposal to write off a judgement debt

At the Panel meeting held on 6 June 2005, members were briefed on the Administration's proposal to write off a judgement debt which was considered irrecoverable. The debt was 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. 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

To be confirmed

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the disciplinary proceedings taken against the involving civil servants. 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 advised by the Administration on 3 November 2006, it has referred the case to the Police for investigation into whether any criminal offence was involved with regard to the auctioneer. The Administration plans to further consult the Panel on the proposal to write off the judgement debt in due course when the results of the investigation concerned are available and then seek the approval of the Finance Committee on the proposal.

15. Scheme for outsourcing summary bankruptcy cases

The purpose of the Bankruptcy (Amendment) Bill 2004 is to empower the Official Receiver to outsource debtor-petition summary bankruptcy cases to private-sector insolvency practitioners. The Bills Committee on Bankruptcy (Amendment) Bill 2004 requested the Administration to review the outsourcing scheme after implementation of the scheme. The Secretary for Financial Services and the Treasury undertook in his speech during the resumption of the Second Reading debate on the Bill at the Council meeting on 6 July 2005 that the Administration would review the outsourcing scheme 24 months after implementation of the scheme and report the outcome of the review to the LegCo.

To be confirmed

The Administration was invited to report the outcome of the review to the Panel in due course.

16. Briefing on the draft Companies (Amendment) Bill 2006

The Companies (Amendment) Bill 2006 aims to enable the introduction of a scripless securities market allowing securities to be issued and transferred electronically.

To be confirmed

As advised by the Administration on 3 November 2006, it will brief the Panel on the way forward in due course.

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17. Introduction of a new category of "travel insurance agents"

At the Panel meeting held on 4 July 2005, members were briefed on the Administration's proposal to introduce a new category of "travel insurance agents" to facilitate travel agents to be registered as insurance agents for the sale of travel insurance. 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.

To be confirmed

At the Panel meeting held on 5 December 2005, members were briefed on the progress of the proposal. Members noted that the insurance industry had accepted the proposal after further discussion with the Administration. The Administration was requested to report to the Panel on the implementation of the "travel insurance agents" registration system about one year after the implementation of the system, including information on the number and percentage of travel agents who have passed the "Travel Insurance Agents Examination" and registered under the system, and the Administration's assessment of the effectiveness of the registration system and the impact of the system on the professional standards of insurance intermediaries.

As advised by the Administration on 3 November 2006, the new category of "travel insurance agents" was successfully introduced in the summer of 2006 and over 1400 travel agents have passed the requisite qualifying examination up to mid-October 2006. The Administration will provide a progress report to the Panel in the 2007-2008 session.

18. Proposal on sale and outsourcing of the funding and administration of loans made to students

At the Panel meeting held on 5 January 2006, the Administration briefed Members on its plan to sell off the portfolio and outsource the funding and administration of non means-tested student loans to the private sector. Given the possible impact of the proposal on the students having loans under the two non-means tested loan schemes concerned, Members urged the Administration to consult the Panel on Education (Education Panel) and relevant student bodies on the proposal before reverting to the Panel.

To be confirmed

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When the subject was discussed at the special meeting of the Education Panel held on 26 January 2006, the following motion was passed:

"本委員會反對政府將免入息審查學生貸款出售和外判予私營機構，並要求政府盡快完成檢討整個學生貸款計劃，以達至協助有需要之學生完成學業，而不至於畢業後長期負債。"

(English translation)

"That this Panel opposes the sale of the Government's non-means-tested student loan portfolio and the outsourcing of the funding and administration of these loan schemes to the private sector, and requests that the overall review of all student loan schemes be completed expeditiously for the purpose of providing assistance to the needy students to enable them to finish their studies without having to repay debts over a prolonged period of time after graduation."

19. Review of the Personalized Vehicle Registration Marks Scheme

At the request of the Bills Committee on Revenue (Personalized Vehicle Registration Marks) Bill 2005, the Administration undertook to conduct an overall review of the captioned Scheme one year after its implementation and report the outcome of the review to the relevant Panel. The Bills Committee has referred the issue to the Panel for follow-up action.

To be confirmed

The Administration was invited in February 2006 to report the outcome of the review to the Panel in due course. In its written reply dated 2 March 2006, the Administration advised that it would be able to report to the Panel in the first quarter of 2008. The Administration's reply was circulated to members vide LC Paper No. CB(1)1138/05-06 on 22 March 2006.