

**Panel on Financial Affairs**

**List of follow-up actions arising from discussions in previous sessions and the current session**

(Position as at 28 February 2007)

| <b>Subject</b>   | <b>Date(s) of relevant meeting(s)</b>                                  | <b>Follow-up actions</b>   | <b>Outcome</b>  |
|--|--|--|---|
| 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 fourth quarterly report of 2006 provided by the Administration was circulated to members vide LC Paper No. CB(1)746/06-07(01) on 16 January 2007. |
| 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 sixth report on the operation of the Scheme was circulated to members vide LC Paper No. CB(1)221/06-07(01) on 2 November 2006.                    |

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| 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 compliance, non-compliance and late returns, enforcement actions taken/to be taken (if any), and measures proposed by the Administration to improve the situation.  | Information awaited.  |
| 4. Progress report on proposed measures to address risks arising from securities margin financing | 6 February 2006                | <p>Members noted that the proposal of imposing a 180% re-pledging limit on securities margin financing (SMF) providers and the long-term measure of complete segregation of collateral of borrowing and non-borrowing margin clients would have cost implications on SMF providers and their clients. In this connection, members requested the Securities and Futures Commission (SFC) to provide the following information:</p> <ul style="list-style-type: none"> <li>(a) The number of SMF providers that were likely to be affected by the 180% re-pledging limit;</li> <li>(b) The impact of the long-term measure of complete segregation of collateral of borrowing and non-borrowing margin clients: <ul style="list-style-type: none"> <li>(i) on the operating cost of SMF providers, including the respective impact on small,</li> </ul> </li> </ul> | The required information for item (a) and the interim reply for item (b) provided by the Administration was issued to members vide LC Paper No. CB(1)1023/05-06(01) on 3 March 2006. The Administration's further response on item (b) awaited. |

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|   |                                | <p>medium and large-sized SMF providers; and</p> <p>(ii) on borrowing and non-borrowing margin clients, including the likely increase in service fees paid by them.</p>  |  |
| <p>5. Policies on remuneration for and post-termination employment of senior executives of the Hong Kong Monetary Authority and Securities and Futures Commission</p> | <p>4 May 2006</p>              | <p>Regarding the reviews being conducted on the policies on post-termination employment of senior executives of the Hong Kong Monetary Authority (HKMA) and SFC, members suggested that reference be made to the improved arrangements introduced for directorate civil servants on 1 January 2006. In this connection, the Governance Subcommittee (GSC) of the Exchange Fund Advisory Committee and the SFC were invited to inform the Panel of the outcome of their reviews in writing in due course.</p> | <p>The written response from the GSC Chairman was issued to members vide LC Paper No. CB(1)182/06-07(01) on 27 October 2006.</p> <p>Response from SFC awaited.</p> |
| <p>6. Review of the Mandatory Provident Fund Schemes Compensation Fund</p>  | <p>3 July 2006</p>             | <p>In response to members' concern about the review of collection of levy and reserve level of the Mandatory Provident Fund Schemes Compensation Fund (Compensation Fund), the Mandatory Provident Fund (MPF) Schemes Authority undertook to:</p> <p>(a) explore feasible measures to improve provision of services to members of MPF Schemes; and</p>   | <p>Response awaited.</p>   |

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|  |                                | (b) work out a model/mechanism for determining the optimum level of the Compensation Fund and provide a progress report to the Panel in 18 months' time. The progress report would also cover information on the assessment of the risks arising from claims, if any, to the Compensation Fund.   |   |
| 7. Regulation of securities firms  | 29 September 2006              | To address a member's concern on whether the misconduct involved in the cases in which restriction notices were issued to three securities firms (i.e. Whole Win Securities Limited, Tiffit Securities (Hong Kong) Limited and Wing Yip Company Limited) could have been uncovered at an earlier stage and in view of the advice given by the Chief Executive Officer of SFC that the internal operational procedures of SFC were subject to review by the Process Review Panel of SFC (PRP), the PRP was invited to review the three cases mentioned above, including aspects set out in the letter dated 3 October 2006 to PRP (LC Paper No. CB(1)306/06-07(01)). | Response from PRP) was issued to members vide LC Paper No. CB(1)306/06-07(02) on 17 November 2006. Further response from PRP would be kept in view. |
| 8. Review of the minimum and maximum relevant income levels for Mandatory Provident Fund contributions | 1 February 2007                | A member expressed concern about the current arrangement that the amount of Mandatory Provident Fund (MPF) contributions made by the Government as the employer of non-civil service contract (NCSC) staff would be offset by deducting the equivalent amount from the end-of-contract gratuity payable to  | The Administration's response was circulated to members vide LC Paper No. CB(1)1032/06-07(01) on 28 February 2007.                                  |

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|                |                                       | <p>the officers concerned. In this connection, the Administration was requested to provide information on:</p> <ul style="list-style-type: none"><li>(a) the rationale behind the current arrangement; and</li><li>(b) whether the additional MPF contribution to be made in respect of NCSC staff by the Government would likewise be deducted from the end-of-contract gratuity of the officers concerned, if the recommendation of increasing the maximum relevant income level for MPF contribution from \$20,000 to \$30,000 was implemented.</li></ul> |                |