

Panel on Financial Affairs

List of follow-up actions arising from discussions in previous sessions and the current session
(Position as at 3 May 2007)

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 first quarterly report of 2007 provided by the Administration was circulated to members vide LC Paper No. CB(1)1431/06-07(01) on 23 April 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 seventh report on the operation of the Scheme was circulated to members vide LC Paper No. CB(1)1452/06-07(01) on 25 April 2007.

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
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"> (a) The number of SMF providers that were likely to be affected by the 180% re-pledging limit; (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"> (i) on the operating cost of SMF providers, including the respective impact on small, 	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.

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
		<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>

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
		(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. Operation of Octopus Cards and EPS payment system in Hong Kong	2 March 2007	(a) HKMA/OCTOPUS Cards Ltd (OCL) were requested to provide information and comments on the following questions and concerns raised by Members:	Initial response from OCL was issued to members vide LC Paper No.CB(1)1248/06-07(02) on 28 March 2007. Response from HKMA was issued

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
		<ul style="list-style-type: none"> (i) whether adequate safeguards were in place to ensure that there was fair competition and a level-playing field for market players interested in issuing multi-purpose stored value cards in Hong Kong; (ii) whether there was information on the number of Octopus Cards not in active use and whether the accumulated deposit money for the inactive Octopus Cards would be utilized to the benefits of card users; and (iii) whether OCL had reviewed the Octopus EPS add-value transactions made before 5 December 2006 and, if yes, the number of failed transactions where EPS accounts had been debited without the value being added to the relevant Octopus Cards. <p>(b) HKMA/OCL/EPS Company (Hong Kong) Limited were requested to consider the views and suggestions from Members, including but not limited to the following:</p> <ul style="list-style-type: none"> (i) to examine the feasibility of re-engineering the work-flow so that value could be added to Octopus Cards 	<p>to members vide LC Paper No CB(1)1302/06-07(01) on 3 April 2007.</p> <p>Further response from OCL on items (b) and (c) awaited.</p>

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
		<p>first before EPS accounts were debited, subject to adequate funds being available in the EPS accounts concerned;</p> <p>(ii) to encourage the use of the automatic add-value service and the use of Personalized Octopus Card by the public in which the identity of the card owner could be ascertained to facilitate remedial action such as refund in the event of failed or other faulty transactions; and</p> <p>(iii) to provide more channels (e.g. via Internet) to enable Octopus Card users to check their card balance more conveniently and to conduct more frequent checks and upgrading of the existing system.</p> <p>OCL had appointed PricewaterhouseCoopers to conduct an independent review of the incident and to recommend measures to improve the refund process and to strengthen the operational risk control environment of the company. OCL undertook to provide the Panel with the report of the review, expected to be completed in 3 to 4 months' time, and also to make public the report</p>	

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
		findings.	

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
9. Budget of the Securities and Futures Commission for 2007-2008 financial year	2 March 2007	<p>The Administration/SFC were requested:</p> <ul style="list-style-type: none"> (a) to provide, information on the measures taken to facilitate market development and the introduction of new financial products in Hong Kong; and how the efficacy of the existing regime compared with that of overseas jurisdictions such as Singapore; and (b) to consider devising and including key performance indicators in the future budgets of SFC to enable better assessment of its cost effectiveness. 	Response awaited.
10. Impact of banks' branch closure and fee-charging on the public	2 April 2007	<ul style="list-style-type: none"> (a) To address members' concern over the impact of closure of bank branches and charging of fees for bank services on the public, the Administration/HKMA/Hong Kong Association of Banks (HKAB) undertook to explore, in collaboration with other parties concerned, feasible measures to facilitate the provision of basic banking services, taking into consideration members' suggestions/views expressed at the meeting. (b) The Administration/HKMA/HKAB were requested to provide the following information: 	Response awaited.

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
		<p>(i) a detailed breakdown on the number and location of new bank branches set up in recent years, their scope of service, including whether basic banking services such as deposit and withdrawal services were available at these branches; and</p> <p>(ii) regarding the retail premises in the Housing Authority's commercial properties designated for banking facilities (bank branches/Automatic Teller Machines), to provide information as to why some of such premises had not been taken up by banks.</p>	
<p>11. Summary Results of the 2006 Population By-census</p>	<p>12 April 2007</p>	<p>To address members' concern over the income disparity situation and the M-shaped phenomenon in Hong Kong as well as the methodology of the compilation of the Gini coefficient, the Administration undertook to:</p> <p>(a) provide an information paper to explain in greater detail the M-shaped phenomenon and compilation of Gini coefficient, detailing the changes in household income distribution and Gini coefficient for the period 1996 to 2006,</p>	<p>Response awaited.</p>

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
		<p>setting out a comprehensive analysis on income disparity in Hong Kong as well as analysing the impact of different thresholds on "high-income" and "low-income" households on the findings of income disparity and the Gini coefficient;</p> <p>(b) provide a table to compare the changes in the proportion of domestic households with monthly household income lower than \$8,000 and those with monthly household income higher than \$40,000 during the period 1996 to 2006, vis-a-vis the rate of deflation/inflation and the growth in Gross Domestic Product;</p> <p>(c) include in the thematic report to be published relevant statistics and indicators on income distribution including the 1996, 2001 and 2006 unadjusted Gini coefficients, and Gini coefficients duly adjusted to include the effect of taxation and social benefits (such as subsidies provided by the Government on housing, medical and education services); as well as a comparison of Hong Kong's indicators with those of other countries;</p> <p>(d) with regard to Table 25 of the "2006 Population By-census Summary Results", provide further</p>	

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
		breakdown on monthly household income higher than \$60,000	
12. Proposed amendments to Mandatory Provident Fund Schemes Ordinance	12 April 2007	The Administration undertook to provide information on the coverage of the Protection of Wages on Insolvency Fund (PWIF) and whether payment from PWIF could cover default employers' Mandatory Provident Fund contributions.	Response awaited.

Council Business Division 1
Legislative Council Secretariat
3 May 2007