

Panel on Financial Affairs

List of outstanding items for discussion

(Position as at 4 July 2007)

**Proposed timing
for discussion at
Panel meeting**

1. 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 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.

To be advised by
members

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.

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. The Administration issued the "Final Report of Public Consultation on Tax Reform" on 12 June 2007 (issued to members vide LC Paper No. CB(1)1885/06-07). The Final

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Report recommends that the Government should continue to study options for broadening the tax base and address this fundamental issue at a suitable time in the future and consult the public on the health care financing proposals as soon as possible.

2. 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.

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

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

At the Panel meeting held on 4 July 2005, members were briefed on the proposal to introduce a new category of "travel insurance agents" catering for travel agents. The Administration was asked then to consider how to address the grave concern expressed by insurance intermediaries.

2007 - 2008

At the Panel meeting held on 5 December 2005, members noted that the insurance industry had accepted the proposal and requested for a report about one year after its implementation on the number and percentage of travel agents who have passed the qualifying examination and obtained registration, as well as on effectiveness of the registration system and its impact on professional standards among insurance intermediaries.

The new category of "travel insurance agents" was successfully introduced in May 2006 and about 2300 travel

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agency staff have already gone through the requisite examination as at June 2007. The Administration will provide a progress report on this subject in 2007-2008.

4. 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.

First quarter of
2008

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.

5. 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 public consultation exercise from December 2003 to March 2004 on whether and how PPFs should be introduced locally.

To be confirmed

At the Panel meeting on 1 March 2004, members were briefed on major 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.

The Administration accepted in March 2007 the final consultancy report containing an analysis of feedback received from the public consultation exercise and recommendations on the feasibility of introducing PPFs in Hong Kong. It concluded that while there is no fundamental reason why an appropriate form of PPF scheme would not be feasible in Hong Kong, the workability and success of such an initiative depend heavily on its scope and nature as well as industry and public

support.

In light of these findings, the Administration will discuss with the industry on an optimal way to offer protection to policyholders in Hong Kong. It will consult the Panel at an appropriate time.

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

In October 2003, the Administration commissioned a consultancy study to examine effectiveness of the long term asset supervisory framework and assess the need for further enhancements to protect policyholders in Hong Kong. The subject was proposed by the Administration in November 2004.

To be confirmed

The consultant has produced a series of reports covering the study framework, review of the asset supervisory regime, preliminary options for establishing the long term assets valuation framework and safeguarding mechanism, public consultation strategy, etc.

Before proceeding with public consultation under Stage One of the study, the Administration has looked into international regulatory trends such as increased adoption of risk based capital (RBC) regimes and a target recently set by the International Association of Insurance Supervisors (IAIS) to introduce Solvency II as a common RBC standard applicable globally by 2010. Since these developments could entail a major overhaul of the existing asset supervisory regime and given a package of administrative measures put into place by the Insurance Authority to strengthen its monitoring role, the Administration has reached an agreement with the consultant to terminate the study in June 2007.

The Administration will continue to closely monitor the development of Solvency II by IAIS with a view to assessing its applicability to Hong Kong.

7. 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

To be confirmed

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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 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.

In the progress report provided by the Administration in June 2007 (LC Paper No. CB(1)2055/06-07(01)), the Administration advises that the Police has completed the investigation and no prosecution action will be taken. Nevertheless, further action will be taken by the Department of Justice (D of J) for the purpose of enforcement of the debt. The Administration will keep in view the development of the case and revert further to the Panel after D of J and the Police have completed their action.

8. 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.

9. 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

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."

In view of the views expressed by different stakeholders, the Government needs to further examine the way forward.