

**Panel on Financial Affairs**

**List of follow-up actions arising from discussions in previous sessions and the current session**  
(Position as at 4 July 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 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.

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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> <p>(a) The number of SMF providers that were likely to be affected by the 180% re-pledging limit;</p> <p>(b) The impact of the long-term measure of complete segregation of collateral of borrowing and non-borrowing margin clients:</p> <p>(i) on the operating cost of SMF providers, including the respective impact on small,</p>	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>(b) work out a model/mechanism for determining</p>	<p>Response awaited.</p>

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		<p>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.</p>	
<p>7. Regulation of securities firms</p>	<p>29 September 2006</p>	<p>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)).</p>	<p>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.</p>
<p>8. Operation of Octopus Cards and EPS payment system in Hong Kong</p>	<p>2 March 2007</p>	<p>(a) HKMA/OCTOPUS Cards Ltd (OCL) were requested to provide information and comments on the following questions and concerns raised by Members:</p> <p>(i) whether adequate safeguards were in place to ensure that there was fair</p>	<p>Initial response from OCL was issued to members vide LC Paper No. CB(1)1248/06-07(02) on 28 March 2007.</p> <p>Response from HKMA was issued to members vide LC Paper No</p>

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		<p>competition and a level-playing field for market players interested in issuing multi-purpose stored value cards in Hong Kong;</p> <p>(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</p> <p>(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> <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> <p>(i) to examine the feasibility of re-engineering the work-flow so that value could be added to Octopus Cards first before EPS accounts were debited, subject to adequate funds being available</p>	<p>CB(1)1302/06-07(01) on 3 April 2007.</p> <p>Further response from OCL on items (b) and (c) awaited.</p>

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		<p>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>(c) 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 findings.</p>	
9. Impact of banks' branch closure and fee-charging on	2 April 2007	(a) To address members' concern over the impact of closure of bank branches and charging of	Response awaited.

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the public		<p>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.</p> <p>(b) The Administration/HKMA/HKAB were requested to provide the following information:</p> <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>	
10. Issues related to services provided by banks to money	7 May 2007	(a) To address members' concern over the issues relating to the alleged refusal of banks to	HKAB's written response in relation to item (c) was circulated to

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<p>changers and remittance agents</p>		<p>provide services to remittance agents and money changers (RAMCs), the Administration/HKMA/HKAB were requested to:</p> <ul style="list-style-type: none"> <li>(i) initiate discussions with representatives of RAMCs as soon as possible with a view to devising effective interim measures to address the issues relating to the provision of bank services to RAMCs; and</li> <li>(ii) review the existing regulatory regime on the operation of RAMCs and the operation of banks in their business relationship with RAMCs to see if additional safeguards should be introduced to strengthen banks' confidence in providing services to RAMCs.</li> </ul> <p>(b) The Administration/HKMA were requested to provide a report to the Panel on the outcome and progress of discussions in two to three months' time.</p> <p>(c) HKAB undertook to convey to their member banks Panel members' suggestion that banks should consider continuing the provision of</p>	<p>members vide LC Paper No. CB(1)1978/06-07(01) on 22 June 2007.</p> <p>Response from the Administration/HKMA/ HKAB on items (a) and (b) awaited.</p>

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		services to RAMCs pending the completion of the review at (1)(b) above.	
11. Issues related to section 378 of Securities Futures Ordinance (Cap.571)	7 May 2007	<p>(a) SFC undertook to provide statistics and relevant information on the number of cases investigated by the SFC in the past five years and the time taken in completing the investigations.</p> <p>(b) To enhance the transparency and accountability of SFC's decisions on the disclosure or otherwise of information regarding cases investigated by SFC, and to ensure the impartiality and credibility of such decisions, the Administration was requested to review the application of section 378 of the Securities and Futures Ordinance with regard to disclosure of information.</p> <p>(c) To improve the existing checks and balances mechanism on the regulatory and investigative powers of the SFC, the Administration was requested to review the operation, terms of reference and the composition of PRP with reference to the Operations Review Committee appointed by the Chief Executive to oversee the work of the investigative arm of the Independent Commission Against Corruption.</p>	The written response from the Administration/SFC was issued to members vide LC Paper No. CB(1)1898/06-07(01) on 14 June 2007.
12. Briefing on the work of the	4 June 2007	HKMA was requested to provide information on:	Response from HKMA was issued

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Hong Kong Monetary Authority (including its 2006 Annual Report)		(a) its study on whether and how the banking regulators in overseas jurisdictions had assumed any role and function in safeguarding the consumer rights of bank customers while overseeing the soundness of the banking system; and  (b) the latest figures on the staffing establishment and strength of HKMA.	to members vide LC Paper No. 2014/06-07 on 28 June 2007.
13. Briefing by the Financial Secretary on Hong Kong's latest overall economic situation	4 June 2007	The Administration was requested to provide information, where practicable, on how the competency level of skilled labour of various trades/industries in Hong Kong compare with that of other jurisdictions such as Singapore.	The Administration's written response was issued to members vide LC Paper No. CB(1)1988/06-07(01) on 25 June 2007.