

Panel on Financial Affairs

List of outstanding items for discussion
(as at 26 February 2008)

**Proposed timing
for discussion at
Panel meeting**

1. Update on the work of the Financial Reporting Council

At the Panel meeting on 5 July 2007 when the Financial Reporting Council (FRC) briefed the Panel on its work progress, members requested FRC to brief the Panel before March 2008 on the progress in discharging its statutory functions of investigating audit irregularities and accounting non-compliances of listed entities in Hong Kong. The work report should also include relevant information such as a review of the financial and human resources requirements as well as procedures and guidelines for complaint handling and disclosure of information.

April 2008

FRC proposes to update the Panel on its work in April 2008.

2. Increasing employees' control over Mandatory Provident Fund investment

The Administration proposes to consult Members on a proposal by the Mandatory Provident Fund Schemes Authority to increase employees' control over their investment in Mandatory Provident Fund (MPF) funds by allowing employees to transfer accrued benefits derived from employee mandatory contributions from the employer chosen scheme to an MPF scheme of their own choice at least once per calendar year.

April 2008

The Administration intends to introduce the relevant legislative amendments into the Legislative Council (LegCo) in the 2008-2009 legislative session.

3. Introduction of search fees for new incorporation forms for local companies

To tie in with the commencement of the Companies (Amendment) Ordinance 2004 (the Amendment Ordinance) in respect of new incorporation forms for local companies as provided in section 7 of Schedule 2 of the Amendment Ordinance, the Administration is going to introduce new

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incorporation forms for local companies after the completion of the necessary enhancement to the Companies Registry's information system. Consequential to the introduction of the new forms, the Administration proposes to specify their search fees under the Eighth Schedule of the Companies Ordinance.

The Administration proposes to brief Members on the relevant Companies Ordinance (Amendment of Eighth Schedule) Order which is planned for introduction into the LegCo in the second quarter of 2008.

4. The appointment and tenure of office of the Monetary Authority

Noting press reports about the correspondences between the Governance Sub-Committee of the Exchange Fund Advisory Committee and the Financial Secretary (FS) on the tenure of office of the incumbent Chief Executive of the Hong Kong Monetary Authority (CE/HKMA), Hon Emily LAU suggested that the Panel should discuss the subject, including whether the appointment of the Monetary Authority should be subject to a fixed tenure of office and a retirement age (Letter dated 31 October 2007 from Hon Emily LAU issued vide LC Paper No. CB(1)172/07-08(01)).

To be confirmed

At the Panel meeting held on 5 November 2007, members considered Hon Emily LAU's request and decided by majority vote that arrangements be made for discussion of the subject at a Panel meeting. At the Panel meeting on 3 December 2007, members noted that as advised by the office of the Financial Secretary (FS), FS is under a tight schedule for the preparation of 2008-2009 budget and will not be able to attend the Panel's meeting in early 2008. Secretariat will continue to liaise with FS's office on his availability to meet with the Panel.

5. 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.

Pending the Administration's progress report

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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 2450 travel agency staff have already gone through the requisite examination as at August 2007. The Administration is now in discussion with the industry on a one-off waiver of Form 5 education as registration requirement for experienced travel agency staff. The Administration will provide a progress report on this subject in February/ March 2008.

6. Briefing on the work 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 2008.

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

The impact of banks' branch closure on the public was discussed at the Panel meeting on 3 July 2006. The Panel followed up the discussion of the subject as well as the concern about the impact of banks' fee-charging on the public at the Panel meeting on 2 April 2007. Pursuant to members' request at the meeting on 2 April 2007, the Hong Kong Association of Banks provided a progress report on examination of feasible measures to facilitate the provision of basic banking services, taking into consideration members' suggestions/views (LC Paper No. CB(1)2344/06-07 issued on 12 September 2007).

Noting that a number of new initiatives to enhance access to banking services had just been implemented by the banking

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industry, the Panel agreed that the subject could be re-visited at an appropriate time. As instructed by the Panel Chairman, the Secretariat has written to HKAB requesting a progress report on the subject in order to facilitate the Panel in considering how the subject will be followed up. HKAB has subsequently advised that a number of the new initiatives have been implemented in April 2007 and therefore proposes to provide a progress report to the Panel in May 2008 after reviewing the effectiveness of the various initiatives.

8. Rewrite of the Companies Ordinance

The Administration proposes to brief the Panel on the latest progress of the exercise to rewrite the Companies Ordinance. May 2008

The Administration plans to introduce the legislative proposals arising from the rewrite exercise in the 3rd quarter of 2010.

9. 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 regular basis since mid-1999. The briefing is normally held in June and December each year. The next briefing will be held in June 2008. June 2008

10. Review of the Trustee Ordinance

The Administration proposes to brief the Panel on the latest progress of the review of the Trustee Ordinance for the purpose of facilitating the development of the financial services market. July 2008

11. 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. By July 2008

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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 revert in due course on the way forward.

The Administration accepted in March 2007 the final consultancy report, the conclusion of which was that while a form of PPF scheme might work in Hong Kong, its success would depend heavily on the scope and nature as well as availability of industry and public support.

In pursuance of this, discussions have commenced with the industry on a non-statutory contingency plan bearing prescribed parameters that resembles a post-funded PPF scheme. The Administration will brief the Panel once relevant details are available.

12. 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.

By July 2008

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

Before proceeding with public consultation, the Administration researched on regulatory trends such as widespread adoption of risk based capital (RBC) regimes and a target set by the International Association of Insurance Supervisors to introduce Solvency II as a global RBC standard by 2010. Since these developments would entail a major overhaul of the present asset supervisory regime and interim measures have been put in place by the Insurance Authority to strengthen its monitoring capability, agreement was reached with the consultant to terminate the study with effect from 29 June 2007.

The Administration will monitor developments and

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international deliberations on the promulgation of Solvency II as a global RBC standard with a view to assessing its applicability to Hong Kong.

13. Review of the Hong Kong Monetary Authority's work on banking stability

HKMA announced on 6 December 2007 its appointment of Mr David CARSE as consultant to conduct a review of HKMA's work on banking stability (HKMA's press release issued vide LC Paper No. CB(1)412/07-08). Mr CARSE has written to the Panel on 7 January 2008 seeking the Panel's views on the subject matter of the review (issued to members vide LC Paper No. CB(1)563/07-08). Having sought Panel members' comments, the Panel Chairman has issued a reply to Mr CARSE proposing that the Panel should be briefed on issues related to the review. Mr David CARSE has indicated that he will brief the Panel on his recommendations after he has finalized them and HKMA will contact the Panel in due course for the briefing arrangements (Letter from the Chairman to Mr CARSE and HKMA's reply on behalf of Mr CARSE were issued to members vide LC Paper No. CB(1)665/07-08).

To be confirmed

14. 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. The relevant subsidiary legislation was approved in June 2007. The commencement notice was tabled at the LegCo meeting on 17 October 2007 for the Bankruptcy (Amendment) Ordinance 2005 to take effect on 10 December 2007.

To be followed up
in the 2008-2009
session

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

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As advised by the Administration, it would possibly be ready to report to the Panel in the 2008-2009 legislative session.

15. 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 followed up
in the 2008-2009
session

As advised by the Administration, the Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited are considering the best way forward regarding the implementation of a scripless securities market. The Administration advised that it may not be able to revert to the Panel within the current session.