

Panel on Financial Affairs

List of outstanding items for discussion
(as at 2 April 2008)

**Proposed timing
for discussion at
Panel meeting**

1. 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).

May 2008

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

2. 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.

3. Electricity subsidy

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for discussion at
Panel meeting**

In the 2008-2009 Budget speech, the Financial Secretary has proposed to provide an electricity subsidy of \$1,800 to each residential account. The Administration plans to seek the Panel's views on the detail of the scheme before taking the proposal to the Finance Committee at the meeting to be held on 6 June 2008.

May 2008

4. 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

5. 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

6. 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

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.

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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.

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

8. 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

To be confirmed

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Administration was asked then to consider how to address the grave concern expressed by insurance intermediaries.

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 2943 travel agency staff have already gone through the requisite examination as at January 2008. The progress report provided by the Administration was circulated to members vide LC Paper No. CB(1)1151/07-08 on 2 April 2008.

9. 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

10. Arrangement for the Vote on Account Resolution

The item was referred to the Panel by the Subcommittee on Proposed Resolution under Section 7(1) of the Public Finance Ordinance (Cap.2). The report issued by the Subcommittee is

Before the end of the 2008-2009 financial year

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at LC Paper No. CB(1)981/07-08. During the scrutiny of the Vote on Account Resolution for 2008-2009, members of the Subcommittee raised concerns on the arrangement for seeking funds on account and made suggestions for improvement for the Administration's consideration. The Administration has undertaken to carefully consider the views of the Subcommittee before the drafting of the Vote on Account Resolution for the 2009-2010 financial year and to consult the Panel on Financial Affairs on the proposed arrangement.

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

12. 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

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implementation of a scripless securities market. The Administration advised that it may not be able to revert to the Panel within the current session.

Council Business Division 1
Legislative Council Secretariat
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