

Panel on Financial Affairs

List of follow-up actions
(Position as at 28 April 2009)

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
1. Policies on remuneration for and post-termination employment of senior executives of the Hong Kong Monetary Authority (HKMA) and Securities and Futures Commission (SFC)	4 May 2006	Regarding the reviews being conducted on the policies on post-termination employment of senior executives of 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 SFC were invited to inform the Panel of the outcome of their reviews in writing in due course.	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. Response from SFC awaited.
2. Review of the Mandatory Provident Fund Schemes Compensation Fund	3 July 2006	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 Schemes Authority (MPFA) undertook to: (a) explore feasible measures to improve provision of services to members of the Mandatory Provident Fund Schemes; and (b) work out a model/mechanism for determining the optimum level of the Compensation Fund and	The progress report on the review of the Compensation Fund was circulated to members vide LC Paper No. CB(1)497/07-08 on 24 December 2007. MPFA will complete the review and provide a report for consideration in 18 months' time.

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		<p>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>3. Impact of banks' branch closure and fee-charging on the public</p>	<p>5 May 2008</p>	<p>(a) In relation to members' concerns about the utilization and accessibility of non-branch channels for provision of basic banking services, the Hong Kong Association of Banks (HKAB) was requested to provide the following information/statistics as far as practicable:</p> <p>(i) the utilization of various automated non-branch channels such as automatic teller machines (ATM) facilities, phone banking and Internet banking by underprivileged groups including the elderly, the physically disabled, and recipients of Comprehensive Social Security Assistance, and other related information which might assist the Consumer Council in conducting its study on consumer needs for basic banking services;</p> <p>(ii) of the 38 new bank branches and 138 new ATMs set up in 2007, the number of such new branches and new ATMs provided in public housing estates, with a breakdown on their location and distribution; and</p>	<p>HKAB's response to item (a) was issued to members vide LC Paper No. CB(1)2293/07-08 on 10 September 2008.</p>

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		<p>(iii) the availability and distribution of the two main ATM networks in Hong Kong, namely, the Electronic Teller Card and Joint Electronic Teller Services Limited systems, in various districts.</p> <p>(b) The Administration/HKAB was requested to provide written response to the following motion passed at the meeting:</p> <p>"本委員會要求政府立即成立工作小組，評估及監察情況，並提出政策以改善銀行服務，以照顧老弱傷殘及低收入人士之需要。此工作小組應包括有關弱勢群體的代表及銀行公會及消委會代表。工作小組應在 6 個月後向本委員會提交報告。" <u>(English translation)</u></p> <p>"That this Panel requests the Government to establish a working group immediately for assessing and monitoring the situation, as well as recommending policy initiatives to improve banking services so as to cater for the needs of the elderly, the underprivileged, the disabled and low-income earners. The working group should comprise representatives from the underprivileged groups concerned and those from the Hong Kong Association of Banks and the Consumer Council,</p>	<p>The Administration's initial response to item (b) was issued to members vide LC Paper No. CB(1)1765/07-08 on 3 June 2008. The Administration is considering an appropriate mechanism to effectively gauge the views and suggestions from different user groups of banking services. Relevant parties and organizations will be consulted and engaged in the process. Progress report will be provided to the Panel in due course.</p>

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		and should submit its report to this Panel in six months' time."	
<p>4. Issues relating to the Government's "buy-back" proposal for Lehman Brothers-related minibonds</p>	<p>30 December 2008</p>	<p>(a) To address members' concern about the delay of the "buy-back", the following follow-up actions were requested -</p> <ul style="list-style-type: none"> (i) the HKABs' Task Force on Lehman Minibonds Incident and/or distributor banks were requested to provide information on the progress of internal investigations undertaken by distributor banks into complaints lodged by the retail investors of Lehman Brothers-related minibonds, including whether the banks concerned had already completed investigation of all the cases and notified the complainants concerned of the conclusions; (ii) HKAB's Task Force on Lehman Minibonds Incident and/or distributor banks were requested to consider the suggestion of establishing a contingency fund through contributions from banks to provide compensation to affected investors in an expeditious manner; and (iii) the Administration was requested to provide a paper setting out the alternative 	<p>For (a) (iii) and (b), the Administration's response was circulated to members vide LC Paper No. CB(1)696/08-09 on 30 January 2009.</p> <p>For (a)(i) and (ii), response awaited.</p>

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		<p>measures/plans to assist the affected investors to recover their money as soon as possible.</p> <p>(b) In relation to the concern about the perceived conflict of interests in the discharge of duties by the HSBC Bank USA, N.A. as the trustee (who acted as the representative of the investors) and the directors of the special purpose vehicle issuing the minibonds (who acted on behalf of the issuer) supplied by HSBC Bank (Cayman) Limited, HKMA was required to provide information on the supervisory guidelines and/or requirements to safeguard against conflict of interests in the discharge of such duties by banks.</p>	
<p>5. Briefing on the reports prepared by HKMA and SFC on the Lehman Brothers Minibonds incident</p>	<p>23 February 2009</p>	<p>(a) In response to the concern about the extensive impact of the Lehman Minibonds incident on retail investors in Hong Kong compared with overseas jurisdictions, the Administration/HKMA/SFC were requested to provide in writing the circumstances specific to Hong Kong (such as the market structure, regulatory regime governing the sale of structured financial products; conduct of banks/brokers; or awareness of the risks involved in these products etc.) leading to the large number of retail investors investing in Lehman Brothers-related Minibonds.</p> <p>(b) To address members' concern about HKMA's analyses and follow-up actions regarding the sale of</p>	<p>HKMA's response was circulated to members vide LC Paper No. CB(1)1232/08-09(03) on 3 April 2009</p>

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		<p>credit-linked products without full principal protection, including those with collateralized debt obligations as underlying collateral, HKMA was requested to provide information obtained during its survey in late 2007 on the sale of such products by authorized institutions (AIs), including but not limited to the total value of these products distributed through AIs and the number of customers investing in these products.</p> <p>(c) To address members' concern about the progress of handling and investigations of Lehman-related complaints, HKMA was requested to provide the latest information on the total number of complaints received and the number of cases which :</p> <ul style="list-style-type: none"> (i) had gone through preliminary assessment; (ii) HKMA had commenced investigation; (iii) pending due to inability to obtain necessary information from the complainants concerned; and (iv) had been referred to SFC. 	
6. Investor protection under the existing	23 February 2009	(a) To address member's concern about the protection of minority shareholders' interest in the privatization	SFC's response was circulated to members vide

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<p>regulatory framework for the securities market</p>		<p>process of listed companies, SFC was requested to provide information in writing, on the powers conferred on SFC under the law, (notably section 214 of the Securities and Futures Ordinance (Cap. 571)), to seek remedies and/or to revert the decision of privatization after the scheme of arrangement for privatization had been approved by the court.</p> <p>(b) In response to a member's concern about the existing arrangements of the Hong Kong Securities Clearing Company Limited (HKSCC) in respect of cases of lost share certificates, the Administration/SFC/HKEx were requested to provide information on:</p> <p>(i) whether and how the interest of the investors concerned could be better protected, in particular on the requirement to obtain bank guarantee for re-issue of the lost certificates; and</p> <p>(ii) the arrangements to deal with dividends and bonus shares arising from these lost cases which the investors concerned failed to prove their entitlements.</p> <p>(c) To address the concern about the exercise of voting rights by minority shareholders of listed companies, SFC was requested to provide information on the</p>	<p>LC Paper No. CB(1)1232/08-09(04) on 3 April 2009</p>

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		<p>timing and details of the review on HKSCC's measures to enhance investor protection, including measures to increase shareholders' control of their securities and voting rights.</p>	
<p>7. The Inland Revenue (Amendment) (No.2) Bill 2009</p>	<p>6 April 2009</p>	<p>In relation to a member's concern about the proposed amendment for the chairman of the Board of Review to nominate members to hear appeals, the Administration was requested to provide further information on the mechanism for appointment of members to the hearing panels, in order to ensure the fairness and objectivity of the nominations made by the chairman.</p>	<p>The Administration's response was circulated to members vide LC Paper No. CB(1)1419/08-09(01) on 27 April 2009.</p>
<p>8. Government injection into Mandatory Provident Fund accounts of eligible persons</p>	<p>6 April 2009</p>	<p>In relation to a member's enquiry, the Administration/Mandatory Provident Fund Schemes Authority (MPFA) were requested to provide further information on the 2 300 cases identified by MPFA where ineligible persons had received the one-off injection of \$6,000 (as at 30 March 2009), with a breakdown by the number of cases of which injection had been made to members of the Mandatory Provident Fund (MPF) Schemes and members of the MPF-exempted Occupational Retirement Schemes.</p>	<p>The Administration/MPFA's response was circulated to members vide LC Paper No. CB(1)1421/08-09(01) on 27 April 2009.</p>