

Panel on Financial Affairs

List of follow-up actions
(Position as at 27 May 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 provide a progress report to the Panel in 18 months'	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>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> <ul style="list-style-type: none"> (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; (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 (iii) the availability and distribution of the two main ATM networks in Hong Kong, namely, 	<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>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。"</p> <p><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, and should submit its report to this Panel in six months' time."</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 provided a progress report for discussion at the Panel meeting on 1 June 2009 (LC Paper No. CB(1)1711/08-09(03))</p>

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<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 measures/plans to assist the affected investors to recover their money as soon as possible. 	<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>(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. Government Bond Programme</p>	<p>4 May 2009</p>	<p>To address members' concerns about the background and merits of the Government Bond Programme (GBP), the Administration was requested to provide supplementary information, covering but not limited to the followings:</p> <ul style="list-style-type: none"> a) considerations and analysis for the launch of GBP, including reasons for adopting the strategy as currently proposed as opposed to the approach adopted in previous issuance exercises; b) whether the Administration would consider the possibility of issuing asset-back securities as in the securitization exercise of “Five tunnels and one bridge” in 2004; 	<p>The Administration's response was circulated to members vide LC Paper No. CB(1)1507/08-09(02) on 7 May 2009.</p>

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		<ul style="list-style-type: none"> c) details of the proposed mechanism in executing GBP; d) proportion of bond issues for institutional and retail investors, and any flexibility for increasing the proportion for retail issues in the event of strong demand from retail investors; e) minimum subscription amount for retail issues; f) estimates of the indicative yields for the government bonds and the relevant mechanism for determining the yields; g) how retail investors could benefit from GBP given that the interest rate was very low at the moment; h) detailed considerations of the investment strategy for the Bond Fund, and the appropriateness of placing the proceeds raised under GBP with the Exchange Fund (EF) for investment. In this connection, the Administration was also requested to provide information on the track record of EF investment returns/losses in the past years; i) assessment of the expected investment returns for the Bond Fund, and any anticipation of the worst case scenario for the shortfall of the Bond Fund in meeting the financial obligations of bond issues; 	

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		<ul style="list-style-type: none"> j) additional manpower required and administrative cost incurred for implementing GBP; k) measures to improve risk disclosure in the bond issues and to enhance secondary market liquidity; and l) impact of GBP on the banking sector, in particular the small and medium-sized banks. 	
6. Briefing on the work of the Hong Kong Monetary Authority	21 May 2009	<p>In relation to a member's concern about media reports of significant investment losses incurred from high risk investments undertaken by the Hong Kong Mortgage Corporation Limited (HKMC), HKMA was requested to provide the following information:</p> <ul style="list-style-type: none"> (a) remuneration of HKMC staff; (b) investment strategy of HKMC and its investment returns in the past years, as well as the assessment made by HKMC's consultant on its risk management and credit ratings. 	Response awaited
7. Remuneration policies of the Hong Kong Monetary Authority and remuneration levels of the senior	21 May 2009	<ul style="list-style-type: none"> (a) To address a member's concern about the mechanism for determining the remuneration levels of the senior executives of HKMA, GSC of the Exchange Fund Advisory Committee was invited to provide detailed information on: 	Response awaited

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executives		<ul style="list-style-type: none"><li data-bbox="936 357 1644 592">(i) the benchmark adopted in determining the remuneration levels and annual pay adjustments for senior executives of HKMA, in particular the pay level/pay trend statistics which had been used for reference in the 2008 pay review; and<li data-bbox="936 639 1644 794">(ii) the areas of HKMA's performance which GSC would assess when making recommendations on the annual pay adjustment. <p data-bbox="853 842 1644 1241">(b) To address a member's concern about the procedures for identifying the successor of Mr Joseph YAM, the incumbent Chief Executive of HKMA who would retire in October 2009, the Financial Secretary was requested to provide in writing the considerations for appointing a three-member committee to give advice on suitable candidates, and the possible conflict of interests which might arise if advice was sought from GSC instead.</p>	