

**Meeting of the Subcommittee of the House Committee of the Legislative  
Council on Monday, 7 June 2010**

1. The purpose of the Solicitors (Professional Indemnity)(Amendment) Rules 2010 (“Amendment Rules”) is to extend the existing power of the Council of the Law Society to reduce the contributions payable by new firms to all law firms.
2. The amendment is effected by replacing the reference to new firms in paragraph 2(7)(a) of Schedule 1 to the Solicitors (Professional Indemnity) Rules (“Rules”) by all firms.
3. The formula for calculating the reduction is contained in paragraph 2(7)(c) of Schedule 1 to the Rules. No change is proposed by the Amendment Rules to the formula. In the case of new firms, as well as the proposed extension of reduction to all firms, the formula prescribed by paragraph 2(7)(c) of Schedule 1 to the Rules is summarized as follows:

$$TR \times \frac{C}{TC}$$

where TR = The total amount of reduction resolved by the Council for the coming indemnity year

C = The contribution paid by a firm in the current indemnity year

TC = The total amount of contributions paid by all law firms in the current indemnity year.

4. Sample calculations are set out in appendix 1.

The Law Society of Hong Kong  
2 June 2010

**SAMPLE CALCULATIONS**

The following calculations illustrate how a reduction in the total contributions payable by all firms resolved by the Council under para 2(7)(1) of Schedule 1 to the Solicitors (Professional Indemnity) Rules Cap. 159M as amended by the Solicitors (Professional Indemnity)(Amendment) Rules 2010 may be applied to an individual law firm.

The following assumptions are made:

- (1) Assuming a resolution is passed by the Council to give a 20% discount of contributions payable by law firms in the 2010/11 indemnity year
- (2) Assuming the actual total contributions payable by all law firms for the 2010/11 indemnity year is HK\$308,000,000
- (3) Assuming the total contributions paid by all law firms for the 2009/2010 indemnity year was HK\$298,924,821
- (4) Assuming the contribution paid by Firm A for the 2009/2010 was HK\$66,222

**FIRM A**

- If the Council were to reduce the total contributions of HK\$308m paid by all law firms by 20% in the 2010/2011 indemnity year pursuant to para 2(7)(a) of Schedule 1 as amended, the total amount of reduction enjoyed by all law firms is HK\$61,600,000 (20% x HK\$308m).
- The reduction enjoyed by Firm A calculated under para 2(7)(c) of Schedule 1 as amended is as follows:

$$\text{HK\$61,600,000} \times \frac{66,222}{298,924,821}$$

$$= \text{HK\$13,646.50}$$