

Panel on Financial Affairs

List of follow-up actions
(Position as at 12 October 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	(a) 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: (i) explore feasible measures to improve provision of services to members of the Mandatory Provident Fund Schemes; and (ii) work out a model/mechanism for determining the optimum level of the Compensation Fund and provide a progress report to the Panel in	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 briefed the Panel on the findings of the review at the meeting on 6 July 2009.

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
	6 July 2009	<p>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>(b) In relation to some members' view that the scope of the Mandatory Provident Fund (MPF) Schemes Compensation Fund should be extended to cover default mandatory contributions owed by insolvent employer companies, the Administration/MPFA were requested to provide the following information, on yearly basis, since the implementation of the MPF System:</p> <p>(i) number of cases of default mandatory contributions owed by employers; and</p> <p>(ii) amount of default mandatory contributions involved in the cases in (a) above.</p>	<p>The Administration's response was circulated to members vide LC Paper No. CB(1)2423/08-09 on 4 August 2009.</p>
3. Issues relating to the Government's "buy-back" proposal for Lehman Brothers-related minibonds	30 December 2008	<p>To address members' concern about the delay of the "buy-back", the following follow-up actions were requested -</p> <p>(a) the Hong Kong Association of Banks(HKAB)'s 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</p>	<p>SFC, HKMA and the 16 distributing banks have already reached an agreement in relation to the repurchase of Lehman Brothers Minibonds from eligible customers on 22 July 2009. Following that, Chief Executive Officer/SFC has explained the details of</p>

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
		<p>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; and</p> <p>(b) 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.</p>	<p>the repurchase agreement to the Legislative Council Members in the context of a hearing of the Subcommittee to Study Issues Arising from Lehman Brothers-related Minibonds and Structured Financial Products held on 3 August 2009.</p>
<p>4. Briefing on the work of HKMA</p>	<p>21 May 2009</p>	<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> <p>(a) remuneration of HKMC staff;</p> <p>(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.</p>	<p>The Administration's response issued vide LC Paper No. CB(1)2055/08-09(02) on 26 June 2009.</p>
<p>5. Remuneration policies</p>	<p>21 May 2009</p>	<p>(a) To address a member's concern about the</p>	<p>The Administration's response</p>

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
of the Hong Kong Monetary Authority and remuneration levels of the senior executives		<p>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:</p> <ul style="list-style-type: none"> (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 (ii) the areas of HKMA's performance which GSC would assess when making recommendations on the annual pay adjustment. <p>(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>	<p>to item (a) issued vide LC Paper No. CB(1)2062/08-09(01) on 26 June 2009.</p> <p>The Administration's response to item (b) issued vide LC Paper No. CB(1)1946/08-09(02) on 16 June 2009.</p>
6. Enhancing deposit	1 June 2009	(a) In relation to a member's concern about the	HKDPB's response was

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
protection under the Deposit Protection Scheme (DPS)		<p>investment strategy and return of the DPS Fund, the Administration/Hong Kong Deposit Protection Board (HKDPB) were requested to consider and advise whether the sums in the DPS Fund should be placed with the Exchange Fund for investment, and receive a "fixed rate" fee payment like that for the fiscal reserves.</p> <p>(b) In relation to a member's concern about the implementation of the full deposit guarantee arrangement, HKDPB was requested to provide the latest information on the number of account holders with non-protected deposits, following the deadline for notifications by authorized institutions to account holders with non-protected deposits by the end of May 2009.</p> <p>(c) To address a member's concern about the scope of protection under DPS, HKDPB was requested to provide the following information:</p> <p>(i) if the protection limit under DPS was increased to \$200,000, the percentage of depositors and the percentage of value of deposits covered (taking into account the effect of account-splitting behaviour of depositors in response to the increase); and</p> <p>(ii) if the protection limit under DPS was increased</p>	<p>circulated to members vide LC Paper No. CB(1)2114/08-09(01) on 30 June 2009.</p>

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
		<p>to \$500,000, the percentage of depositors and the percentage of value of deposits <u>covered and not covered</u> (taking into account the effect of account-splitting behaviour of depositors in response to the increase).</p> <p>(d) To address a member's concern about the types of institution covered by DPS, HKDPB was requested to provide information regarding the number of deposit accounts in the restricted licence banks and deposit-taking companies, with breakdown by the number of accounts with a deposit of \$500,000 or below and those with a deposit of over \$500,000.</p>	
7. Impact of banks' branch closure and fee-charging on the public	1 June 2009	<p>(a) In relation to a member's concern about the fees and charges of credit card services, the Administration/HKMA were requested to provide:</p> <p>(i) comparison of the interest rates charged by individual banks for personal loans and for credit card lending;</p> <p>(ii) requirements on banks to give advance notice to customers concerned before making amendments to fees, charges and interest rates of their credit card services and measures to ensure compliance with the requirements; and</p> <p>(iii) background and details of the US Credit Card</p>	<p>HKMA's response on item (a) was circulated to members vide LC Paper No. CB(1)2131/08-09(01) on 30 June 2009.</p> <p>The Administration's response on item (b) was circulated to members vide LC Paper No. CB(1)2152/08-09(01) on 3 July 2009.</p>

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
		<p>Reform Act 2009 on the reform of credit card services, which impose control on the revision of interest rates, fees and penalties by the service providers.</p> <p>(b) In response to a member's request, the Administration undertook to relay to the Housing Authority (HA), the concerns of banks on the locations, rental levels and residents' acceptance of setting up of bank branches/ATMs at premises managed by HA.</p>	
8. Issues relating to the regulation of credit-linked products sold to retail investors	11 June 2009	In relation to a member's concern as to whether the marketing materials relating to retail credit-linked notes had contained disclosure of the credit risk when default events of the underlying collateralized debt obligations occurred, SFC was requested to provide a copy of each of the marketing leaflet for Octave Notes.	The Administration's response was circulated to members vide LC Paper No. CB(1)2117/08-09 on 30 June 2009.
9. Arrangement for the appointment of the Monetary Authority	18 June 2009	<p>In relation to the Financial Secretary's advice that details of the procedures for the appointment of MA would be provided to the public upon completion of the procedures and announcement of the result, the Administration was requested to cover details on, but not limited to, the following:</p> <p>(a) qualifications and experience required of MA;</p>	The Administration's response was circulated to members vide LC Paper No. CB(1)2335/08-09(02) on 20 July 2009.

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
		<p>(b) appointments procedures and mechanism, including consideration of the need for review and/or improvement having regard to overseas practices of appointment of heads of central banks;</p> <p>(c) tenure of office and restrictions on re-appointment after expiry of the tenure, if any;</p> <p>(d) consideration on the remuneration package for MA, having regard to the suggestion of setting aside part of the variable pay to provide a end of tenure gratuity; and</p> <p>(e) sanitization arrangements on post-termination employment of MA.</p>	
10. Briefing by the Financial Secretary on Hong Kong's latest overall economic situation	6 July 2009	To address a member's concern about the impact of the global financial crisis, the Administration was requested to provide information on the number of bankruptcy and liquidation cases in the past nine months following the outbreak of the crisis in September 2008, as compared with the number of such cases during the same period in 2007 to 2008.	The Administration's response was circulated to members vide LC Paper No. CB(1)2362/08-09 on 23 July 2009.
11. Review of the Trustee Ordinance	6 July 2009	In relation to a member's concern about the consultation on the legislative proposals to improve the Trustee Ordinance (Cap. 29), the Administration was requested,	The Administration's response was circulated to members vide LC Paper No.

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
		to set out in tabular form, its proposals in the consultation paper in comparison with the legislation/practices of other overseas jurisdictions.	CB(1)2394/08-09(01) on 29 July 2009.
12. Impact of duty-free cigarettes on tax revenue	----	Members of the Bills Committee on Dutiable Commodities (Amendment) Bill 2009 expressed concern that the tobacco duty rate increase might lead to upsurge in the sale of duty-free cigarettes, which would reduce tax revenues. The Administration was requested to provide information on sales figure of duty-free cigarettes and the duty potential of the duty-free cigarettes sold within six months to one year after enactment of the Bill. The matter was referred to the Panel on Financial Affairs for follow-up.	Response awaited.