

**For Information
On 10 December 2012**

**LEGISLATIVE COUNCIL PANEL
ON INFORMATION TECHNOLOGY AND BROADCASTING**

**Revision of Fees under the
Electronic Transactions (Fees) Regulation**

PURPOSE

This paper outlines the Administration's proposal to revise the fees for the recognition of Certification Authorities (CAs) and digital certificates issued by them under the Electronic Transactions (Fees) Regulation (Cap. 553A) (the Regulation).

BACKGROUND

2. Enacted in 2000, the Electronic Transactions Ordinance (Cap. 553) (ETO) provides a legal framework to give electronic records and electronic signatures the same legal status as that of their paper-based counterparts. The ETO also establishes a Voluntary Certification Authority Recognition Scheme (Scheme) for organisations to operate as recognized CAs to issue digital certificates to authenticate digital signatures used in electronic transactions. Under the Scheme, both the CA and the digital certificates it issues requires recognition by the Government Chief Information Officer (GCIO), which will only be granted upon achievement of the stipulated security and trustworthiness standards in its systems, operations and services.

3. In vetting an application for, and renewal of, recognition of a CA and the digital certificates it issues, GCIO is required by law to take the following into consideration —

- (a) financial position of the CA;
- (b) arrangements to cover any liability that may arise from activities related to the ETO;
- (c) the system, procedure, security arrangements and standards for issuing digital certificates to subscribers;

- (d) independent assessment report and statutory declaration on the CA's compliance with the ETO and the Code of Practice for Recognized Certification Authorities (Code of Practice);
- (e) the reliance limits set for the digital certificates issued by the CA; and
- (f) whether digital certificates are issued in accordance with the certification practice statement and the Code of Practice.

4. Currently, there are two CAs recognized under the ETO. The Hongkong Post is a recognized CA mandated under the ETO. The Digi-Sign Certification Services Limited (Digi-Sign) is a commercial CA recognized by GCIO under the ETO. In February 2012, we have lengthened the validity period of the recognition from two to three years with reference to industry practices.

PROPOSED FEES REVISION

5. Recognition of a CA and the digital certificates it issues requires diligent vetting to ensure fulfilment of statutory requirements set out in paragraph 3 above. In line with the "user pays" principle, it is government policy that fees charged by the Government should in general be set at levels sufficient to recover the full cost of providing the goods or services. These are currently set out in the Regulation, which are borne by the CA and have no direct impact on members of the public.

6. The proposed fee revision covers the application for, and renewal of, recognition of a CA and digital certificates it issues. The current fee levels have been in force since commencement of the Regulation in 2000. Recent costing exercises reveal that the prevailing fee levels cannot recover the full costs incurred. To achieve full cost recovery whilst extending the validity of the recognition from two to three years (paragraph 4 refers), the proposed increase in the average annual costs is around **27%**.

Type of Applications	Existing Fee (\$)	Average Annual Cost (2-year Validity)	Proposed Fee (\$)	Average Annual Cost (3-year Validity)	Percentage Increase of Average Annual Cost
	(1)	(2)	(3)	(4)	$[(4)-(2)] \div (2) \%$
A. Recognition or renewal of recognized certification authority	15,000	7,500	28,450	9,483	27%

Type of Applications	Existing Fee (\$)	Average Annual Cost (2-year Validity)	Proposed Fee (\$)	Average Annual Cost (3-year Validity)	Percentage Increase of Average Annual Cost
	(1)	(2)	(3)	(4)	$[(4)-(2)] \div (2) \%$
B. Recognition of a particular digital certificate made simultaneously with (A)	1,500	750	2,850	950	27%
C. Recognition of a particular digital certificate	3,400	1,700	6,460	2,153	27%

7. At present, the proposed fee increase affects only one commercial CA, Digi-Sign, which is a wholly-owned subsidiary of Tradelink Electronic Commerce Limited, a public listed company in Hong Kong.

FINANCIAL IMPLICATIONS

8. If the proposed fees revision is implemented, the estimated increase in revenue is about \$27,000 in the 2013-14 financial year.

EFFICIENCY IMPROVEMENT MEASURES

9. OGCIO will continue to enhance efficiency and streamline procedures so as to contain the costs in providing the services.

IMPLEMENTATION TIMETABLE

10. We aim at introducing the Electronic Transactions (Fees) (Amendment) Regulation 2013 to the Legislative Council in March 2013 for approval. Subject to the enactment of the Regulation, we will implement the new fees in May 2013.

WAY FORWARD

11. Members are invited to note the proposed revision of fees. We will proceed with the necessary legislative amendments to implement the revised fees.

**Office of the Government Chief Information Officer
Commerce and Economic Development Bureau
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