

立法會
Legislative Council

LC Paper No. CB(1)1324/20-21
(These minutes have been seen
by the Administration)

Ref : CB1/PL/FA

Panel on Financial Affairs

**Minutes of meeting held on
Monday, 9 August 2021, at 11:30 am
in Conference Room 2 of the Legislative Council Complex**

- Members present** : Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)
Hon WONG Ting-kwong, GBS, JP (Deputy Chairman)
Hon Abraham SHEK Lai-him, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Kin-por, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBM, GBS, JP
Hon MA Fung-kwok, GBS, JP
Ir Dr Hon LO Wai-kwok, GBS, MH, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon CHAN Chun-ying, JP
Hon CHEUNG Kwok-kwan, JP
Hon LUK Chung-hung, JP
Hon Kenneth LAU Ip-keung, BBS, MH, JP
- Members absent** : Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon CHENG Chung-tai
- Public officers attending** : Agenda Item III
Ms Salina YAN, JP
Permanent Secretary for Financial Services and the
Treasury (Financial Services)

Mr Desmond WU
Principal Assistant Secretary for Financial Services and
the Treasury (Financial Services)6

Ms Noel TSANG
Principal Assistant Secretary for Financial Services and
the Treasury (Financial Services) Insurance and
Retirement Scheme

Clerk in attendance: Ms Connie SZETO
Chief Council Secretary (1)4

Staff in attendance : Miss Sharon LO
Senior Council Secretary (1)9

Ms Sharon CHAN
Legislative Assistant (1)4

Action

I Information papers issued since the meeting on 5 July 2021

(LC Paper No. CB(1)1151/20-21(01) — First quarterly report of 2021
on "Employees
Compensation Insurance —
Reinsurance Coverage for
Terrorism")

Members noted the information paper issued since the regular meeting held on 5 July 2021.

II Date of next meeting and items for discussion

(LC Paper No. CB(1)1170/20-21(01) — List of outstanding items for
discussion)

2. Members agreed to discuss the following item proposed by the Administration at the regular meeting scheduled for 6 September 2021, at 10:45am:

Action

- (a) Development of green and sustainable finance in Hong Kong.

Proposed discussion item for future meetings

Impacts of the Mainland's regulatory reforms on Hong Kong's financial and capital markets

3. Mrs Regina IP referred to the Mainland's recent regulatory reforms, such as the stepping up of scrutiny into several giant Chinese technology firms and crackdown on private tutoring sector including a ban on listing of private education firms, and suggested inviting the Administration to brief the Panel on the impacts of the reforms on Hong Kong's financial and capital markets. The Chairman agreed to follow up the suggestion with the Administration.

III Directorate staffing proposals in the Financial Services Branch of the Financial Services and the Treasury Bureau

(LC Paper No. CB(1)1170/20-21(02) — Administration's paper on Directorate staffing proposals in the Financial Services Branch of the Financial Services and the Treasury Bureau)

Briefing by the Administration

4. At the invitation of the Chairman, Permanent Secretary for Financial Services and the Treasury (Financial Services) ("PSFS(FS)") briefed members on the Administration's proposals to re-create one supernumerary Administrative Officer Staff Grade B (D3) post of Deputy Secretary for Financial Services and the Treasury (Financial Services)3 ("DS(FS)3") (already lapsed since 1 January 2021), and retain one supernumerary Administrative Officer Staff Grade C ("AOSGC") (D2) post of Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 6 ("PAS(FS)6") (would lapse on 1 January 2022) in the Financial Services Branch ("FSB") of the Financial Services and the Treasury Bureau ("FSTB") for four years from 1 January 2022 or upon approval by the Finance Committee ("FC"), whichever was the later, until 31 December 2025. She said that DS(FS)3 was responsible for, inter alia, overseeing policies and legislation relating to the accountancy sector, corporate insolvency, individual bankruptcy, companies, money lenders and trusts, measures to promote the development of financial technologies ("Fintech"), and matters relating to

Action

Hong Kong's participation in the Asian Infrastructure Investment Bank ("AIIB") and the Asian Development Bank ("ADB"). DS(FS)3 was supported by two AOSGC posts including PAS(FS)6 who was responsible for overseeing policy matters relating to companies, money lenders and trusts, work on Fintech and AIIB and ADB. PSFS(FS) said that the Administration also proposed deleting four directorate posts created for the operation of the then Office of the Commissioner of Insurance ("OCI") given that the Insurance Authority ("IA") had been operating smoothly after taking over the responsibility of supervising insurance companies from the then OCI in June 2017 and assuming the direct regulation of insurance intermediaries in September 2019. After seeking the Panel's view, the Administration would seek endorsement of the Establishment Subcommittee ("ESC") and approval of FC on the above proposals in August and September 2021 respectively.

Discussion

Justifications for re-creating and retaining the two directorate posts

5. Mr CHAN Chun-ying supported the proposals on the two directorate posts. On the DS(FS)3 post, he pointed out many of its duties were ongoing in nature and asked why the Administration had not submitted the proposal earlier as the post had already lapsed since 1 January 2021. Moreover, Mr CHAN noted that there were another two Deputy Secretaries ("DSes") in FSB overseeing policies and initiatives including regulation and development of securities and capital markets, asset and wealth management, banking, financial cooperation with the Mainland, insurance and mandatory provident fund etc. He enquired if the Administration would consider creating permanent directorate posts in FSB given that all DSes were already fully occupied with their own heavy portfolios.

6. Mr CHAN Kin-por said that he supported the proposals in view of the importance of the policy and legislative initiatives under the purview of DS(FS)3 and PAS(FS)6, which were critical to the development of Hong Kong's financial services sector.

7. While expressing support for the proposals, Mr MA Fung-kwok enquired about the urgency of the proposals which necessitated the Panel to hold a meeting during the summer break of the Legislative Council ("LegCo") to consider the item.

8. PSFS(FS) advised that there were at present two permanent DSes posts in FSB and the proposed DS(FS)3 post would be supernumerary. All DSes were fully engaged with their existing policy initiatives and legislative exercises which were critical to the development of the financial services sector in Hong Kong, in

Action

particular promoting financial collaboration with the Mainland including the Guangdong-Hong Kong-Macao Greater Bay Area ("the Greater Bay Area") in various fronts so as to facilitate Hong Kong enterprises to tap into the opportunities arising from the Mainland market. The Administration noted that LegCo Members had previously expressed reservations about proposed creation of permanent directorate posts under the current financial situation, and had therefore critically reviewed the two directorate posts in FSB. After the review, FSB decided to create time-limited supernumerary posts first to handle the related duties. On the submission of the proposals to the Panel, PSFS(FS) said that FSB had been fully engaged in recent months with various policy initiatives and legislative exercises, such as the reform of the regulatory regime of the accounting profession and the implementation of the new inspection regime of the Company Register, and hence could only submit the proposals for consultation with the Panel until now. The Chairman supplemented that in view of the urgency of the proposals, he had agreed to the Administration's request for consultation with the Panel early.

Further reform of the regulatory regime of the accounting profession

9. Mr Holden CHOW noted that DS(FS)3 was responsible for the legislative exercise to further enhance the regulatory regime for the accounting profession by developing the Financial Reporting Council ("FRC") into a full-fledged independent regulatory and oversight body for the profession, and a Bill had already been introduced into LegCo in this regard. He was of the view that DS(FS)3 should continue to engage stakeholders and address their concerns, in particular how FRC would carry out the regulatory functions transferred from the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the transitional arrangements in order to ensure a smooth transition to the new regime, and how the new regulatory regime would promote the development of the accounting profession.

10. Ms Starry LEE said that practitioners in the accounting and auditing profession had expressed concern over transferring the major regulatory functions of HKICPA, a professional body, to FRC, a regulatory body independent from the trade. She concurred that the Administration should step up its efforts in engaging various stakeholders and to address their concerns. She further enquired if FRC would consider recruiting practitioners or former practitioners for carrying out the regulatory work under the reformed new regime. Moreover, she noted that DS(FS)3 would also lead a review on the initiative for further improving Hong Kong's insolvency regime, and enquired about the timetable of the relevant legislative exercise.

Action

11. PSFS(FS) responded that FSB had been maintaining close dialogue with stakeholders in the accountancy profession, including accounting and auditing firms of different sizes, on matters relating to the new regulatory regime and measures to facilitate further development of the accounting and auditing profession. She stressed that the reform proposal only involved transfer of regulatory functions from HKICPA to FRC, without providing other additional regulatory functions and powers to FRC. As regards the composition of the FRC Board, PSFS(FS) said that while all board members were non-practitioners or retired practitioners, the Chief Executive Officer ("CEO") and many executive members of FRC were former practitioners who possessed the necessary knowledge and experience in accounting engagements and would facilitate the regulatory work under the reformed new regime. In addition, the Bill also proposed to establish a statutory advisory committee consisting of practitioners, service users and other stakeholders of the accounting profession for providing advice to FRC. The advisory committee would facilitate FRC's regulatory work under the new regime in relation to a variety of areas in accounting, audit and assurance. She assured members that FSB would continue to engage stakeholders to address their concerns with a view to ensuring a smooth transition to the reformed new regime. As regards the work on corporate insolvency, PSFS(FS) said that the Administration had been working on legislative proposals for introducing a statutory corporate rescue procedure and insolvent trading provisions in Hong Kong, and soliciting views from various stakeholders' groups. The Administration would take into account their views in considering the way forward of the exercise.

Promotion of the development of financial technologies in Hong Kong

12. Mr Holden CHOW enquired about the Administration's measures to attract overseas and Mainland Fintech talents to work and settle in Hong Kong, including measures to assist their family members to live and study in Hong Kong, and whether the two proposed directorate posts would coordinate with relevant bureaux/departments ("B/Ds") in taking forward the relevant measures that straddle across various B/Ds.

13. While expressing support for the proposals, the Chairman concurred that the Administration should develop measures to attract and facilitate innovation and technology talents to work in Hong Kong, including expediting the vetting and approval process for admission of talented professionals. He also suggested that the Administration should conduct a comprehensive study and develop measures to promote further development of Hong Kong's financial market and enhance its competitiveness, including reviewing the listing rules and regulatory requirements for companies listed in Hong Kong.

Action

14. PSFS(FS) advised that FSB had been launching various measures including the Fintech Proof-of-Concept Subsidy Scheme to facilitate the development of new products and nurturing talents as well as attract Mainland and overseas Fintech companies to establish and expand in Hong Kong. At present, experienced Fintech professionals were eligible for immigration facilitation under the Quality Migrant Admission Scheme which sought to attract highly skilled or talented persons globally to settle in Hong Kong for enhancing Hong Kong's international competitiveness.

15. Mr WONG Ting-kwong pointed out that Hong Kong had lagged behind the Mainland in Fintech development, particularly in promoting Digital Currency/Electronic Payment ("DC/EP"). He sought details on the work of the two proposed directorate posts on Fintech development, and the division of work between FSTB and the Innovation and Technology Bureau ("ITB") in promoting Fintech development in Hong Kong.

16. PSFS(FS) said that ITB was responsible for fostering the development of innovation and technology in various sectors as well as coordinating efforts of bureaux in technology matters. In view of Hong Kong's traditional strengths in financial services, FSTB would focus on devising and pressing ahead initiatives to advance the development of Fintech in Hong Kong. She added that Fintech had a wide scope and many of FSB's initiatives straddled across B/Ds, financial regulators as well as public and private bodies, which required concerted efforts of various parties involved and ITB would be involved as appropriate. For example, FSB had been cooperating with the Hong Kong Cyberport Management Company Limited in taking forward the Fintech Proof-of-Concept Subsidy Scheme, and also had been working closely with the Hong Kong Monetary Authority ("HKMA") in promoting the use of the Faster Payment System. FSB would continue to collaborate with HKMA in formulating measures to facilitate the development of local and cross-boundary DC/EP usage.

17. Mr LUK Chung-hung said that he supported the proposals. He expressed concerns over the slow progress in developing the eMPF Platform and the high administration fees charged by DC/EP operators in Hong Kong, and enquired about the Administration's assessment on the opportunities that the development of the Central Bank Digital Currency ("CBDC") in the Mainland might bring for Hong Kong. On the development of the virtual assets in Hong Kong, he stressed the need for the Administration to strike a proper balance between facilitating market development and containing the associated risks including money laundering and terrorist financing risks.

Action

18. PSFS(FS) said that e-CNY, the Mainland's version of CBDC was an important subject in the Mainland banking sector, and HKMA was working closely with the People's Bank of China in exploring the feasibility of cross-border circulation of e-CNY. If e-CNY could be applied to cross-boundary payment, it would further promote the mutual connectivity between the Mainland (including the Greater Bay Area) and Hong Kong. Regarding the administration fees charged by DC/EP operators, PSFS(FS) advised that the designated DC/EP operators of the Government's Consumption Voucher Scheme had agreed to waive, as far as practicable, relevant fees for the installation and usage of electronic payment devices by local merchants as well as the administrative fees for processing payments made with the consumption vouchers. Moreover, a subsidy scheme had been launched earlier to support merchants operating in public markets in using contactless payment facilities. On virtual assets, PSFS(FS) said that the Administration would continue to roll out publicity and education measures to remind investors of the risks in virtual asset investment. In addition, together with the Securities and Futures Commission, FSB was developing a regulatory framework for virtual asset trading platforms through a licensing regime. On the development of the eMPF Platform, PSFS(FS) said that the Administration had just introduced a Bill into LegCo which was the second-stage legislative exercise for taking forward the eMPF Project. The Administration would closely monitor the development to ensure completion of the platform within the specified timeframe.

Further enhancing regulation of licensed money lenders

19. Mr CHEUNG Kwok-kwan said that he supported the proposed re-creation and retention of the two directorate posts in principle. He enquired if the Administration would consider conducting a comprehensive review of the Money Lenders Ordinance (Cap. 163) ("MLO") and the licensing arrangements for money lenders, in particular requiring money lenders to conduct stress tests to assess borrowers' repayment ability and assess borrowers' credit records, as well as setting a borrowing limit for unsecured personal loan borrowers.

20. PSFS(FS) said that the Administration had imposed additional regulatory requirements and licensing conditions on money lender licences, which included, amongst others, requiring money lenders to obtain the consent of a loan referee from the borrower if such a referee was involved in a loan arrangement, and to undertake an assessment of the borrower's ability to make repayments under the loan agreement before entering into a loan agreement for an unsecured personal loan. She added that PAS(FS)⁶ would continue to oversee the review of MLO taking into account the recommendations in the Consumer Council's report entitled "Money Lending – Reforming Law and Trade Practices for Consumer

Action

Protection". Priority would be given to exploring the need and feasibility of lowering the statutory interest rate ceilings stipulated in MLO.

Hong Kong's participation in the Asian Infrastructure Investment Bank

21. Mrs Regina IP expressed support for the proposals. She enquired about the timetable for setting up the AIIB office in Hong Kong and urged the Administration to expedite the relevant discussion with AIIB. She further stressed that the Administration should enhance Hong Kong's participation in AIIB with a view to promoting Hong Kong's capital market in financing AIIB infrastructure projects.

22. Mr CHAN Chun-ying sought information on the workload of DS(FS)3 and PAS(FS)6 in matters relating to AIIB and the progress of the proposal for AIIB to set up an office in Hong Kong.

23. PSFS(FS) said that the Administration was in discussion with AIIB on setting up an office in Hong Kong. The exercise, when materialized, would involve various issues including staffing arrangement, office accommodation, privileges and immunities for AIIB staff. The Administration would inform LegCo of the developments when ready. She further said that the Administration would continue to promote and facilitate AIIB in using Hong Kong's capital market for raising funds, bond issuance and dispute resolution, and to make use of Hong Kong's service providers in its procurement process.

Deletion of four obsolete directorate posts

24. Noting that OCI had already disbanded in 2017, Mr MA Fung-kwok asked why the Administration only proposed to delete the four obsolete directorate posts until now, and whether deleting the four posts would have financial implications.

25. PSFS(FS) explained that although IA took over the responsibility of supervising insurance companies from the then OCI in 2017, the four directorate posts had remained under the establishment of FSB to allow room for deploying civil servants where necessary to support the smooth operation of IA during its inception stage. For example, the Commissioner of Insurance had been deployed to take up the CEO post in IA for a year to help ensure a smooth transition and allow more time for IA to identify a suitable CEO candidate. As IA had been operating smoothly after taking up the full range of statutory functions, the Administration considered it appropriate to delete the four directorate posts. She said that the deletion of the four directorate posts would carry no financial implications as these posts had already been left vacant with no funding provision.

Action

Conclusion

26. The Chairman concluded that the Panel supported the Administration's proposals and its plan to submit the proposals to ESC and FC for approval.

IV Any other business

27. There being no other business, the meeting ended at 12:27 pm.

Council Business Division 1
Legislative Council Secretariat
13 September 2021