

SFS' speech at Finance Committee Special Meeting

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The following is the speech by the Secretary for Financial Services, Mr Rafael Hui, at the special meeting of Finance Committee today (March 22) (English translation):

Mr. Chairman,

**Introduction**

The policy objective of the Financial Services Bureau (FSB) is to strengthen Hong Kong's competitiveness by maintaining and enhancing Hong Kong's status as a major international financial centre.

The expenditure estimate of the Bureau for 2000/01 is \$162.6 million. Of this, personal emoluments will account for about 63.4%, departmental expenses for about 28.6% and general non-recurrent expenses for the remaining 8%. The expenditure estimate for 2000/01 represents a decrease of 12.4% against the revised estimate for 1999/2000.

The areas of work we will focus on in the coming year include the securities and banking sectors and the Mandatory Provident Fund system. Since discussions on these have been held at meetings of the Legislative Council and the relevant panels from time to time, I will only give a brief account here.

**I. Securities**

- The merger of the exchanges and their clearing houses has been completed;
- The financial infrastructure study has also been completed and the recommendations will be implemented by the Securities and Futures Commission and the Hong

Kong Exchange;

- The drafting of the composite Securities and Futures Bill has been completed and will be published as a White Bill for public consultation in early April. We will consult the relevant LegCo Sub-committee and the Financial Services Panel. The consultation exercise will end in late June and our target is to get the Bill enacted by April 2001.
- Other more urgent legislative amendments such as those relating to short-selling of shares and false reporting are awaiting the approval of the Legislative Council.

**II. Developing a Multi-currency Clearing System, Building a Leading Debt Market in the Region and Reforming the Banking Sector**

Regarding our recommendations on developing a multi-currency clearing system, building a leading debt market in the region and reforming the banking sector, the Financial Secretary has given a detailed account in his Budget Speech, so I am not going to repeat here.

**III. Mandatory Provident Fund System**

The Mandatory Provident Fund Authority is now actively carrying out various preparations, including approving applications and launching publicity programmes. In the coming few months, we will submit to the Legislative Council some proposed amendments to the relevant subsidiary legislation and the proposed date of implementation.

I now turn to and mention briefly some areas of work that do not attract too much public attention:

**IV. Review of the Role of the Official Receiver in the**

### Administration of Insolvency Cases

The FSB has set aside \$8 million in the coming year for commissioning a consultancy study to fully review and re-position the existing role of the Official Receiver's Office (ORO) and formulate its policy objective. We have to do that for the following reasons -

- (a) Because of the re-structuring of the economy, the remaining assets of the companies now going into liquidation have decreased. As a result, the subsidies given by the Government when administering these cases have been on the rise. It is necessary for the Government to examine whether unlimited resources should be allocated for the provision of this service, and to give the ORO a new role that will better suit the prevailing social environment and economic developments;
- (b) We hope to find ways to attract more private sector professionals to deal with insolvency cases so as to bring about healthy competition in the industry; and
- (c) The Law Reform Commission recommended in its report released in July last year that a licensing system be established to bring in formal supervision of the professional standards of the industry.

It is expected the report will be completed in 12 to 18 months' time. We will then consult the market and the industry.

### V. Review of Corporate Governance Standards in Hong Kong

To raise the standards of corporate governance in Hong Kong is an on-going task. In the past few years, apart from the

Government, the market regulators and professional organisations as well as the corporate sector itself have been committed to introducing new standards to improve the corporate governance regime in Hong Kong.

In its report published last month on the consultancy report of the Review of Hong Kong's Companies Ordinance, the Standing Committee on Company Law Reform recommended that further study be carried out on some issues. These issues were all related to enhancement of corporate governance standards and included the appointment of directors, the structure of the boards of public companies, etc. In this connection, as mentioned by the Financial Secretary in his Budget Speech, the standing committee will conduct a study this year to review the existing legal framework, rules developed by the market regulators and codes of practice proposed by professional organisations. The aim is to identify and plug any gaps in our corporate governance regime and make recommendations on ways of improvement.

The main purpose of the review is to formulate a set of standards of corporate governance that are suitable for Hong Kong's companies and in line with the characteristics of the enterprises in Hong Kong. Depending on what issue is to be reviewed, the Standing Committee on Company Law Reform will invite relevant market bodies, professional reorganisations and regulators to participate in the exercise. We have set aside \$2 million in the Estimates for 2000-01 to provide funding for the review.

#### **VI. Comprehensive Review of the Companies Ordinance**

The Standing Committee on Company Law Reform completed its report in 1999 on the recommendations in the consultancy report on the Review of Hong Kong's Companies Ordinance. More than 30 proposals on reforming the Companies Ordinance have been made by the standing committee.

We will divide the proposals into three batches. First of all, the proposals which can be introduced separately and are simple in nature will be incorporated into the first-stage Companies (Amendment) Bill. Then, in the corporate governance review to be conducted later this year, we will study those proposals requiring further examination and public consultation. Finally, we will deal with the ones involving structural changes to the Companies Ordinance in future legislative reforms. Examples of these are the integrating of the provisions relating to bankruptcy and liquidation of companies, and the reorganising and updating of the existing provisions in the Companies Ordinance.

#### **VII. Insurance Industry**

We will continue our efforts in prudent supervision of the insurance industry by reviewing and updating the insurance regulatory regime from time to time to protect the interests of policy holders. We will also continue to promote the development of the insurance industry to maintain Hong Kong's status as a leading international insurance centre. We will work closely with the industry in the operation of the Insurance Intermediaries Quality Assurance Scheme in order to upgrade the professional standards of intermediaries. At the same time, an overall review on the self-regulatory system of insurance intermediaries will be conducted this year to provide greater protection for the insured's interests.

#### **VIII. Economic Analysis and vital statistics**

To provide economic analysis and statistical services is another important task of the FSB. We will pay more attention to the local and international economic developments and those of the Mainland, study the effects of these developments on Hong Kong's economy, and publish economic reports and provide economic forecasts on a regular basis.

In the coming year, we will focus on making preparations

for the census to be held in 2001. The Census and Statistics Department will also conduct a number of surveys, such as the Household Expenditure Survey, survey of the labour force and survey of the services industry, with a view to collecting more data to assist the Government in its formulation of policies.

End/Wednesday, March 22, 2000

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