

**立法會**  
*Legislative Council*

LC Paper No. CB(1)936/99-00

(These minutes have been  
seen by the Administration)

Ref : CB1/PL/FA/1

**Legislative Council**  
**Panel on Financial Affairs**

**Minutes of Meeting held on**  
**Monday, 1 November 1999, at 10:45 am**  
**in the Chamber of the Legislative Council Building**

**Members present** : Hon Ambrose LAU Hon-chuen, JP (Chairman)  
Hon Eric LI Ka-cheung, JP (Deputy Chairman)  
Hon James TIEN Pei-chun, JP  
Hon LEE Cheuk-yan  
Hon Martin LEE Chu-ming, SC, JP  
Hon NG Leung-sing  
Hon James TO Kun-sun  
Hon CHEUNG Man-kwong  
Hon HUI Cheung-ching  
Hon Bernard CHAN  
Hon SIN Chung-kai  
Hon Jasper TSANG Yok-sing, JP  
Hon Timothy FOK Tsun-ting, JP  
Hon FUNG Chi-kin

**Members absent** : Hon Albert HO Chun-yan  
Dr Hon David LI Kwok-po, JP  
Hon Ronald ARCULLI, JP  
Hon Ambrose CHEUNG Wing-sum, JP  
Dr Hon Philip WONG Yu-hong  
Hon Emily LAU Wai-hing, JP

**Public officers** : For Item IV

**attending**

Mr Martin GLASS  
Deputy Secretary for the Treasury

Ms Esther LEUNG  
Principal Assistant Secretary for the Treasury

Mr Donald CHEN  
Assistant Secretary for the Treasury

Mr Lawrence WONG  
Assistant Commissioner of Customs and Excise  
(Administration & Excise)

Mr Simon WONG  
Senior Staff Officer (Office of Management Service),  
Customs and Excise Department

For Item V

Miss Vega WONG  
Principal Assistant Secretary for the Treasury

Mr Stanley WONG  
Deputy Director of Government Supplies,  
Government Supplies Department

Mrs Mimi BROWN  
Deputy Government Property Administrator,  
Government Property Agency

Mr CHING Sik-fan  
Assistant Director of Accounting Services  
(Computer), Treasury

Mr D R STEVENSON  
Rating Adviser, Rating and Valuation Department

Mr K K MOK  
Assistant Commissioner (Administration and Staff  
Development), Rating and Valuation Department

Mrs Virginia GREEN  
Chief Assessor (Computer), Inland Revenue

Department

For Item VI

Mrs Rebecca LAI, JP  
Acting Secretary for Financial Services

Miss Vivian LAU  
Principal Assistant Secretary for Financial Services

Mr Raymond L C LI  
Executive Director, Banking Policy Department  
Hong Kong Monetary Authority

Mr H Y MOK  
Assistant Commissioner of Insurance

For Item VII

Mr Bryan CHAN  
Principal Assistant Secretary for Financial Services

For Item VIII

Ms Susie HO  
Deputy Secretary for Financial Services

Mr Alan C K WONG, JP  
Commissioner of Insurance

**Attendance by  
Invitation**

: For Item VI

Mr Keith LUI  
Director, Supervision of Markets Division  
Securities & Futures Commission

Mr WONG Siu-fun  
Market Services Group  
The Stock Exchange of Hong Kong Limited

Mr Mark HO  
Head, Compliance Department  
Hong Kong Futures Exchange Limited

Mr Henry CHAN  
Executive Director, Supervision of Markets Division  
and Information Technology Division  
Hong Kong Securities Clearing Company Limited

For Item VII

Mr Mark DICKENS  
Executive Director, Supervision of Markets Division  
Securities and Futures Commission

Mr William GROSSMAN  
General Counsel, Hong Kong Futures Exchange  
Limited

**Clerk in attendance** : Ms Estella CHAN,  
Chief Assistant Secretary (1)4

**Staff in attendance** : Ms Pauline NG  
Assistant Secretary General 1

Ms Connie SZETO  
Senior Assistant Secretary (1)1

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**I Confirmation of minutes and matters arising**  
(LC Paper No. CB(1)146/99-00)

The minutes of the Panel meeting held on 7 October 1999 was confirmed.

**II Information papers issued since last meeting**

LC Paper No. CB(1)117/99-00 - Information paper on opposition to  
land and sea departure tax referred  
by the Duty Roster Members

LC Paper No. CB(1)220/99-00 - A prospectus and a press release of  
the Tracker Fund of Hong Kong  
issued by Exchange Fund  
Investment Limited

LC Paper No. CB(1)238/99-00(01) - Progress Report on the Launch of the Growth Enterprise Market

LC Paper No. CB(1)238/99-00(02) - Government Share Disposal Programme - Launch of TraHK

2. Members noted the above four information papers issued since last meeting.

3. The Chairman advised that in response to members' request when the Cyberport project was discussed at meetings of the Public Works Subcommittee and Finance Committee, the Finance Bureau (FB) had provided an information paper on "Ground rules for special consideration of private sector initiatives". The paper had been circulated to all Members of the Legislative Council. FB had also offered to brief members on the paper at a meeting of the Panel if so required.

### **III Items for discussion at the next meeting scheduled for 6 December 1999**

LC Paper No. CB(1)228/99-00(01) - List of outstanding items for discussion

LC Paper No. CB(1)228/99-00(02) - List of follow-up actions

4. Members agreed to discuss the following items at the next regular Panel meeting to be held on Monday, 6 December 1999, at 10:45 am -

(a) Briefing by the Financial Secretary on Hong Kong's latest economic situations; and

(b) Briefing by the Chief Executive of Hong Kong Monetary Authority (HKMA) on its works.

*(Post meeting note: HKMA subsequently requested to postpone the briefing to the Panel meeting in January 2000. Upon Ms Emily LAU's request and with the Chairman's concurrence, the item on "Ground rules for special consideration of private sector initiatives" was added in the agenda for the December meeting.)*

### **IV Measures to strengthen enforcement efforts against the supply and use of illicit fuel**

(LC Paper No. CB(1)228/99-00(03))

5. The Deputy Secretary for the Treasury (DS/T) briefed members on the legislative proposals to strengthen the enforcement efforts in tackling the problem of supply and use of illicit fuel as detailed in the information paper. He explained that section 40(c) of the existing Dutiable Commodities Ordinance (DCO) (Cap.109) presumed hydrocarbon oil to be dutiable under certain conditions and put the burden of proof on the suspects. However, there were difficulties in proving the supply of certain illicit fuel and the use of detreated oil or dutiable light diesel oil as fuel used by vehicles. To address these problems, the Administration proposed to make the following amendments to DCO:

- (a) expanding the scope of the presumption clause so that it could be invoked for any dealings in light diesel oil, petrol, or detreated oil taking place at any locations other than in licensed premises;
- (b) adding a presumption to the effect that any light diesel oil found in the fuel tank of a motor vehicle (other than that arriving from the Mainland) with a sulphur content in excess of the maximum level of 0.05% by weight as prescribed under the Air Pollution Control (Motor Vehicle Fuel) Regulations (APC(MVF)R) was presumed to be dutiable; and
- (c) increasing the maximum penalty for an offence in relation to the supply or use of marked oil and detreated oil to a fine of \$1 million and imprisonment for two years.

6. The Assistant Commissioner of Customs and Excise (AC/C&E) also briefed members on details of the Customs and Excise Department (C & ED)'s recently devised Action Plan to further enhance its enforcement on the supply and use of illicit fuel as set out in the information paper.

7. Members generally supported the legislative proposals and enhanced enforcement actions to combat the problem of supply and use of illicit fuel which had not only led to revenue loss but also caused environmental pollution and fire hazards.

8. Mr James TIEN Pei-chun enquired about the rationale for proposing to add a presumption to DOC instead of stepping up enforcement of APC(MVF)R which prohibited the supply of light diesel oil with a sulphur content higher than 0.05% as a means to combat illicit fuel. In response, DS/T explained that the Administration needed as many weapons as possible to crack down on the problem of supply and use of illicit fuel. As APC(MVF)R prohibited the supply of light diesel oil with a sulphur content higher than 0.05% for vehicular use, all light diesel oil used by vehicles with a sulphur content above 0.05% would likely be detreated oil or dutiable light diesel oil. However, C & ED had no power to take prosecution action against any vehicle owners for using duty-not-paid diesel

oil on the ground that the oil had a sulphur content of over 0.05%. It was therefore proposed to widen the presumption provision of DCO so that any light diesel oil found in the fuel tank of a vehicle with a sulphur content higher than 0.05% was presumed to be dutiable. DS/T explained that because of resource limitations, it was not feasible to provide every enforcement officer with the necessary detection equipment for measuring the sulphur content of light diesel oil found in the fuel tank of a motor vehicle. Such test could only be conducted at certain roadside check points.

9. Mr Martin LEE Chu-ming expressed reservation over the proposed penalty for an offence in relation to marked oil and detreated oil. He considered that whilst the proposed maximum penalty of \$1 million and imprisonment for 2 years would be too low to produce sufficient deterrent effect on well-organized crime syndicates engaging in the supply of illegal fuel, it would be too heavy for users of illicit fuel. He urged the Administration to reconsider the penalty level for the offence with a view to stipulating a heavier penalty for suppliers and a lighter one for users.

10. AC/C&E informed that despite the existing maximum penalty prescribed for the offence being a fine of \$200,000 and imprisonment of two years, the penalty imposed by Court on convicted cases in 1999 only involved fines ranging from \$200 to \$120,000 and 14 days to 12 months imprisonment. DS/T said that one of the purposes of the legislative proposals was to rationalise the penalty levels for using illicit fuel in vehicles with a view to rectifying the discrepancy in the maximum penalty for offences in relation to marked oil and detreated oil as well as that relating to dutiable light diesel oil since both of them involved an intention to avoid payment of duty on hydrocarbon oil. Regarding the comment on the apparent heavy penalty on user of illicit fuel, DS for T stressed that in order to deter the smuggling and using of illicit fuel, it would be unjustified to prescribe a lighter penalty for users ~~vis-à-vis~~ a heavier one for suppliers as both were engaging in a law-breaking activity for personal gain. Nonetheless, he noted the member's concern and opined that the issue could be further discussed if a Bills Committee on the Dutiable Commodities (Amendment) Bill was to be formed when the Bill was introduced into the Legislative Council.

**V Progress of Y2K compliance work in Government and non-government organizations under the purview of the Finance Bureau (LC Paper No. CB(1)228/99-00(04))**

11. Members were briefed on the progress of Y2K compliance work in departments under the purview of FB and the Audit Commission (AC) for which

FB had a housekeeping responsibility. They noted that all the mission-critical systems identified had been confirmed Y2K compliant. All of the departments and AC had formulated and tested their Y2K contingency plans.

12. In reply to Mr NG Leung-sing's concern about possible Y2K-induced system failures in the Inland Revenue Department (IRD) and disruption on the service provided by the Department, the Chief Assessor (Computer) of Inland Revenue Department (CA(C)/IRD) stressed that all mission-critical computer, embedded and line communication systems in IRD had been rectified, tested and confirmed to be Y2K compliant. An internal audit review was underway to further assure the quality of Y2K compliant systems. As such, IRD did not envisage any Y2K-induced system failures which would affect its mission-critical systems to such an extent that revenue collection would be threatened. Nonetheless, IRD had drawn up contingency plans which included transferring essential operations to back-up systems or switching to manual operation, making back-up copies of all computer programmes and data, etc. to deal with unforeseen Y2K-induced problems with a view to ensuring the continuation of critical operations. She added that IRD had already put in place contingency measures for tackling emergency situations arising from failures of its operational systems not induced by Y2K problem. Whilst it usually took no more than three hours to recover from minor system failures, should there be a disastrous system failure lasting for over 48 hours, the contingency plan would be activated to start operation of essential functions by using the back-up system provided by the Information Technology Services Department. On the other hand, CA(C)/IRD remarked that since Y2K rollover did not fall on the peak working period of IRD, even if systems had to be switched to manual operation, the additional workload could be absorbed by existing staff and no extra manpower would be required.

13. Noting that IRD would activate its Y2K-contingency measures to recover tax from taxpayers should any system failure occurred in its business associates such as electronic payment service providers and banks, Mr HUI Cheung-ching enquired about measures to deal with possible disputes arising from such tax recovery action. In response, CA(C)/IRD said that in case of system failures in its business associates, IRD together with concerned business associates would take immediate action to inform taxpayers and advise them to use other tax collection systems. Taxpayers would be reminded to keep paper record of effected tax payment to facilitate search in the future if necessary. She emphasized that IRD would maintain close liaison with business associates on this matter in order to minimize inconvenience caused to taxpayers.

## **VI Progress of Y2K compliance work in Government and non-government organizations under the purview of the Financial Services Bureau**

(LC Paper No. CB(1)228/99-00(05))



14. The Acting Secretary for Financial Services (SFS(Atg)) updated members on the progress of Y2K compliance work in the financial services sector in Hong Kong and the departments under the purview of the Financial Services Bureau (FSB) as set out in the information paper. On Y2K readiness of financial institutions, SFS(Atg) advised that the two registered intermediaries under the direct supervision of the Securities and Futures Commission (SFC) referred to in paragraph 4 of the paper had completed internal testing of all their mission-critical systems at the end of October 1999. Regarding Y2K contingency planning, the small number of outstanding registered intermediaries referred to in paragraph 15 of the paper had also completed their contingency plans at the end of October 1999. FSB had set up a Financial Sector Y2K Emergency Co-ordination Centre (FSECC) to co-ordinate the exchange of information within the financial services sector and monitor the development of incidents in the sector during the Y2K critical periods. The operation and communication of FSECC had been validated during the rehearsals in early September and the rollover to 9 September with no major problems identified. A large-scale rehearsal would be held in mid-November. The Administration would consider releasing the results of various rehearsals at opportune time.

15. Responding to Mr James TIEN Pei-chun's enquiry about Y2K compliance position of overseas banking institutions which had interface with local banks and shared financial systems, the Executive Director, Banking Policy Department, Hong Kong Monetary Authority (ED/BPD(HKMA)) said that the international banking community had regarded preparations for Y2K as one of its main priorities over the past few years and had so far achieved a very high level of Y2K preparedness as recognised by the international financial community. On testing with the global payment systems, over 20 banks in Hong Kong participated through the co-ordination of the Hong Kong Interbank Clearing Limited in the Global Financial Industry Y2K Test organised by the New York Clearing House in June 1999. The testing results were satisfactory and had demonstrated participants' readiness to interface with the global payment infrastructure. On the other hand, HKMA also recognised that the lack of readiness among banking institution's counterparties could pose significant risks to them. As such, HKMA had required all authorized institutions (AIs) to conduct assessment of their counterparties and establish appropriate risk control measures as part of their Y2K contingency planning. The majority of AIs had reported that they had largely completed their counterparty assessment.

16. On Mr James TIEN's enquiry about the legal position of banking institutions and their customers in Y2K-related disputes, ED/BPD(HKMA) remarked that legal responsibility of respective parties would depend on the terms of contract governing the parties. SFS (Atg) supplemented that with the satisfactory progress of Y2K compliance position of financial institutions and adequate contingency planning, the Administration considered that the financial

services sector in Hong Kong should be well prepared for problems that might arise during Y2K rollover and able to deal with them in an appropriate manner. She added that it would be difficult to ascertain the impact on the banking business for the time being without knowing whether a problem would occur and if so further details of such a problem.

17. In response to Mr SIN Chung-Kai's enquiry about details of the "wellness checks" on Y2K compliant systems of institutions in the securities and futures industry to be conducted on 1 and 2 January 2000, Mr Keith LUI, Director of Supervision of Markets Division of SFC, said that the test was part of the Y2K contingency plans with the purpose of ascertaining the actual performance of various systems after the millennium rollover and their readiness for opening of the market on 3 January 2000. The two Exchanges and the Hong Kong Securities Clearing Company (HKSCC) would conduct checks on their building facilities, infrastructure and systems. The Exchanges would also run simulation tests and mock trading sessions with their members. The two Exchanges and HKSCC would set up their respective Y2K command centres which would maintain close communication with the crisis management centre of SFC in monitoring the wellness checks and simulation tests.

18. Addressing Mr NG Leung-sing's enquiry about the different operating periods of Y2K co-ordination/command centres set up by various regulators and financial institutions, SFS(Atg) explained that due to the different nature of and complexity in systems of respective parties, different lead time was required for running "wellness checks" for different systems to fully ascertain their performance after Y2K rollover. Whilst the FSECC established by FSB would operate in full scale during the period of 31 December 1999 to 4 January 2000, the situation would be kept under review and the operation of the Centre would be extended if necessary. ED/BPD(HKMA) supplemented that HKMA's Event Management Centre would be operating around the clock from 31 December to 4 January 2000. It would review whether there was a need to extend the operation of the Centre for the period from 5 January to 14 January 2000.

## **VII Progress of migration of Hang Seng Index futures and options contracts to the Automated Trading System**

(LC Paper No. CB(1)228/99-00(06) and 254/90-00(01))

19. Upon the Chairman's invitation, Mr William GROSSMAN, the General Counsel, Hong Kong Futures Exchange Limited (HKFE) briefed members on the progress of the migration of trading of Hang Seng Index (HSI) futures and options contracts from its open outcry system to the Hong Kong Futures Automated Trading System (HKATS) as detailed in the information paper provided by HKFE. He highlighted that a series of nine simulation tests on HKATS had been

conducted with HKFE members between 12 June 1999 and 11 September 1999. Problems experienced at various stages of the tests had been rectified at subsequent stages, except for the potential new problem that was observed during the ninth test on 11 September 1999. In the light of the global Y2K freeze period commencing on 1 October, HKFE Board (the Board) realized that it was impossible to fulfil one of SFC's pre-conditions for approving the migration of completing two consecutive "clean simulated trading tests" for HKATS before the end of September 1999. The PricewaterhouseCoopers, HKFE's independent consultant, also advised against going ahead with the migration during the global Y2K freeze period. Hence, the Board decided on 17 September 1999 to defer the migration to early Year 2000 after the Y2K freeze period. Deferment of the migration would provide HKFE with more time to enhance the proposed functionalities of HKATS and allow its members to be better prepared for the migration. Under HKFE's new project plan, two new committees namely, the Migration Business Impact Committee (MBIC) and the Migration Technical Committee (MTC) would be formed, and a new external project manager would be appointed to oversee the project.

20. Pointing out that the new project manager had not been appointed and a number of outstanding technical and functionality issues remained unresolved, some members cast doubt on the practicability of implementing the migration project in early 2000. They also raised concerns on the delineation of responsibilities between the Board, MBIC and MTC, as well as the design and validity of the simulation tests.

21. In response, Mr GROSSMAN re-iterated HKFE's commitment to the migration project. He said that notwithstanding there was no detailed implementation timetable, HKFE shared the common goal with the Administration and SFC of implementing the migration project as soon as possible within early 2000. HKFE fully recognised that the project would serve the best interest of the Exchange, its members, and Hong Kong as an international financial centre, and had therefore stepped up efforts in this regard. He informed that the Board had completed evaluation of candidates' submissions for the project manager and was in the process of negotiating with the potential appointee. Formal announcement of the appointed manager was expected to be made very soon. On the work of the two new committees, Mr GROSSMAN said that they had replaced the former Migration Special Committee. MTC was to oversee the work of the project manager and advise the Board on technology issues. MBIC was to advise the Board on the business impact of, inter alia, HKATS functionalities affecting the migration and members' readiness, and to recommend new functionalities. Whilst the project manager would co-ordinate with the two committees and related parties, it would report to the Chief Executive of HKFE. The management of HKFE, including the Board, was fully responsible for the migration project.

22. As regards the concern about the design and validity of the simulation tests, Mr Mark DICKENS, Executive Director of SFC said that the purpose of the tests was to ascertain the capacity of HKATS and assess the overall performance of the system under stressed conditions. Problems experienced at various tests had been rectified at subsequent stages and the system was enhanced and adjusted after each test. As such, these tests had achieved the purpose of revealing faults in the system. Independent consultants appointed respectively by SFC and HKFE had contributed a lot in the design and refining of the testing procedures. HKFE had successfully conducted the eighth test on 4 September under which the system's capability was stressed at three times the historical peak trading volume of that experienced in October 1997 (i.e. roughly five times the normal daily trading volume). The test results were satisfactory and no major problems were reported. However, a new problem at a very low system level was encountered in the ninth test which involved losses in communications connection affecting 55 workstations at 29 member firms. SFC and the Board had taken the matter seriously and were identifying the possible causes and solutions for the problem. SFC had made it clear to the Board that it would consider granting approval to the migration provided that the system had survived at least two consecutive "clean simulated trading tests" designed to the same specification. He also added that as members of HKFE were the only counterparties to the system, they were required to participate in all of the simulation tests. The Principal Assistant Secretary for Financial Services (PAS/FS) added that the benchmark for the tests for HKATS was on par with international standards and had been validated by SFC's external consultant.

23. Mr CHEUNG Man-kwong queried whether the Board had closely monitored the progress of the migration project. In view of the merger of the two Exchanges and the likelihood that the new Exchange would form alliances with overseas exchanges, Mr CHEUNG was also concerned about the compatibility of HKATS with other trading systems. He expressed worries that HKATS might need to be replaced and the over \$100 million worth of system would hence be wasted.

24. Mr GROSSMAN responded that the Board had followed up the migration process thoroughly and closely. Besides meeting regularly to discuss and resolve issues of concern, it had also appointed the external consultant to assess the testing approach, the migration plan and the readiness of the system. Whilst the Board recognised that it was in the best interest of Hong Kong to undertake the migration as early as possible, it had acted prudently to postpone the process when the new problem in the system had not been fully diagnosed and resolved. Notwithstanding the disappointment brought by the postponement of the migration plan, the Board felt relieved that problems were found in the simulation tests so that timely remedial actions could be taken, otherwise the problems would cause serious disruption to trading after the system was installed. The Board's performance and efforts in this regard should be noted.

25. Mr DICKENS supplemented that SFC was also involved in the migration project. Apart from advising the testing procedures and engaging a consultant to assess the performance of HKATS, staff of SFC and the consultant had attended eight out of the nine simulation tests. SFC was satisfied with the Board's supervision over the migration project and had recognized the Board's efforts in sorting out technical problems with the system provider and appointing an independent consultant to review the system, all with a view to pressing ahead with the migration project. SFC was following up with the Board on its new project migration plan and had involved in setting the Terms of Reference and the evaluation criteria for the new project manager. He assured members that SFC would continue to monitor the progress of the project.. PAS/FS added that the Administration had also been maintaining close liaison with the SFC and the Board in providing necessary advice and monitoring the progress of the project. The Administration considered that the Board had taken a decisive action to postpone the project in the light of the new problem discovered in the ninth test.

26. Regarding the concern about compatibility of HKATS with other trading systems, PAS/FS stressed that rapid advancements in information technology for application in the securities and futures markets had necessitated continued enhancement on Hong Kong's market infrastructure to enable it to remain competitive in the global financial markets. As such, HKFE had made a correct policy decision in 1997 that led to the migration project. Although the global futures markets had changed significantly recently and OM (the electronic trading system which HKATS was based on) and EUREX (the common trading platform developed by the futures exchanges in Germany and Switzerland) emerged from various systems to be the two major systems used internationally, it would be wrong that the HKFE were to take a watching brief and wait till a dominant system appeared. Besides, the migration project would bring the most single important product of HKFE to the era of electronic trading and that in itself would already be a very major and meaningful step in the automation process of HKFE's business. As regards issues relating to interface between trading systems of the two Exchanges and associated clearing houses, as well as with those of overseas exchanges in the case of alliances, they would be among the priority tasks to be resolved by the new Hong Kong Exchanges and Clearing Limited (HKEC). There would be commercial considerations for HKEC to decide on what new trading system should be adopted and which overseas exchanges it should form alliances with.

27. Mr FUNG Chi-kin was concerned about the competence of HKATS in handling complicated trade orders and improving the problem of volatility in prices during the opening period of HSI futures market. In this connection, he also urged HKFE to review its trading hours which had been extended beyond those of cash market in late 1998 as a responding strategy to competition from the Morgan Stanley Capital International Hong Kong Index Futures (HiMSCI)

launched by the Singapore International Monetary Exchange. He pointed out that as HiMSCI had proven to be a total failure with very low trading volume, it was timely for HKFE to shorten its trading hours to be in line with those of the cash market.

28. On the handling of complicated trade orders, Mr GROSSMAN informed that the Board was working with OM Technology (the system provider of HKATS) for incorporating a state-of-the-art Bulletin Board trading function into HKATS to deal with combination or strategy trades. The new function was expected to be ready in early 2000. As regards the problem of price volatility at the market-opening period, Mr DICKENS said that a pre-market opening algorithm system would be built into HKATS to facilitate fair price discovery at the market-opening period. In the meantime, HKFE was working on a call rotation mechanism to be implemented in the market-opening period with a view to reducing excessive price movements and providing a better indication of price levels to the market. SFC was reviewing the proposed mechanism and HKFE would conduct more mock sessions with members before putting it into operation.

29. As about the concern on the difference in trading hours of the two Exchanges, Mr DICKENS said that SFC had arranged staff to observe trading during the 15-minutes discrepancy in the opening and closing of HKFE's trading hours in every trading day for a period of six weeks and had not discovered any unusual market activities. PAS/FS shared the view that synchronising the trading hours of the cash and futures market could help reducing potential scope for market manipulation and expected that the matter would be re-examined by the HKEC after the merger. He however added that SFC's surveillance had so far not revealed any malpractices nor disorder in trading during the extended operating hours of HKFE.

### **VIII Any other business**

#### An establishment proposal of Financial Services Bureau (LC Paper No. CB(1)228/99-00(07))

30. The Commissioner of Insurance (C of I) briefed members on the proposal of the Office of the Commissioner of Insurance (OCI) to create a new team headed by a permanent Assistant Commissioner of Insurance to undertake policy and development work by using the resources released from the Office of the Registrar of Occupational Retirement Scheme upon its transfer to the Mandatory Provident Fund Scheme Authority (MPFA) in January 2000. C of I said that it was necessary to create a designated team to carry out OCI's policy and development work in view of the rapid growth and increasing complexity of the insurance industry in recent years. Details on the justifications for the proposal

and duties to be undertaken by the new team of staff were contained in the Administration's information paper. Members also noted that the Administration had planned to submit the establishment proposal for consideration by the Establishment Subcommittee (ESC) later this month.

31. Members generally supported the staffing proposal. Pointing out that a lot of the duties to be undertaken by the new team, such as developing continuing professional development programme for insurance intermediaries, organizing activities to promote and publicise Hong Kong as a regional insurance centre etc., required active participation by the insurance industry, Mr Eric LI Ka-cheung remarked that OCI needed to strengthen its co-ordination with industry bodies and its role in providing supportive services and assistance to facilitate growth of the industry. He opined that the Administration should stress on this aspect of work when submitting the proposal to ESC.

32. C of I responded that OCI had been maintaining close contact with over 10 industry bodies involving insurance intermediaries, agents and brokers, as well as with relevant professional bodies in developing and implementing various industry-wide promotional, publicity and training activities. For example, the Quality Assurance Scheme for insurance intermediaries had been put into implementation after thorough consultation with these bodies. OCI recognised the importance of strengthening liaison and consultation with the industry with a view to further improving the existing self-regulatory regime of the industry and was confident that the proposed Policy and Development Division would help achieving this purpose.

#### Change of clerkship for the Panel

33. The Chairman informed that Ms Estella CHAN, Clerk to the Panel, would be leaving the Legislative Council Secretariat to join MPFA very soon. On behalf of the Panel, the Chairman thanked Ms CHAN for her service and wished her very success in her new job. He also informed members that Ms LEUNG Siu-kum, Chief Assistant Secretary (1)2, would take over the clerkship.

34. There being no other business, the meeting ended at 12:15 pm.

Legislative Council Secretariat

3 February 2000