

**立法會**  
**Legislative Council**

LC Paper No. CB(1)86/02-03  
(These minutes have been  
seen by the Administration)

Ref : CB1/PL/FA/1

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

**Minutes of meeting held on**  
**Friday, 19 July 2002 at 10:45 am**  
**in the Chamber of the Legislative Council Building**

- Members present** : Hon Ambrose LAU Hon-chuen, GBS, JP (Chairman)  
Hon Henry WU King-cheong, BBS, JP (Deputy Chairman)  
Hon James TIEN Pei-chun, GBS, JP  
Hon Albert HO Chun-yan  
Hon LEE Cheuk-yan  
Hon Eric LI Ka-cheung, JP  
Hon NG Leung-sing, JP  
Hon CHAN Kam-lam, JP  
Hon Jasper TSANG Yok-sing, GBS, JP  
Hon Emily LAU Wai-hing, JP  
Hon MA Fung-kwok, JP
- Members absent** : Dr Hon David LI Kwok-po, GBS, JP  
Hon James TO Kun-sun  
Hon Bernard CHAN, JP  
Hon SIN Chung-kai  
Dr Hon Philip WONG Yu-hong
- Public officers attending** : For item IV  
  
Mr Martin GLASS  
Deputy Secretary for Financial Services and  
the Treasury (Treasury)

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Miss Erica NG  
Principal Assistant Secretary for  
Financial Services and the Treasury (Treasury)

Mrs Alice LAU  
Commissioner of Inland Revenue

Mr LEUNG Kam-hang  
Chief System Manager  
Inland Revenue Department

Miss LAU Ming-sum  
Acting Assistant Commissioner of Inland Revenue

Miss WONG Tsui-ling  
Senior Superintendent of Stamp Office

Mr Thomas LI  
Senior Assessor  
Inland Revenue Department

For item V

Mr Martin GLASS  
Deputy Secretary for Financial Services and  
the Treasury (Treasury)

Miss Erica NG  
Principal Assistant Secretary for  
Financial Services and the Treasury (Treasury)

Mr CHOW Kwong  
Assistant Commissioner of Customs and Excise

Mr LAM Ming-mon  
Senior Staff Officer  
Office of Dutiable Commodities Administration  
Customs and Excise Department

For item VI

Ms Salina YAN  
Principal Assistant Secretary for  
Financial Services and the Treasury (Financial Services)

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- Attendance by invitation** : For item VI
- Mr Mark DICKENS  
Executive Director, Supervision of Markets  
Securities and Futures Commission
- Miss Stella LEUNG  
Senior Director, Supervision of Markets  
Securities and Futures Commission
- Ms Angelina KWAN  
Director, Supervision of Markets  
Securities and Futures Commission
- Mr KWONG Ki-chi  
Chief Executive  
Hong Kong Exchanges and Clearing Ltd
- Mr Stephen LAW  
Head - IT/Systems  
Hong Kong Exchanges and Clearing Ltd
- Mr Eddie CHOW  
Vice President - Administration  
Hong Kong Exchanges and Clearing Ltd
- Clerk in attendance** : Ms Anita SIT  
Chief Assistant Secretary (1)6
- Staff in attendance** : Mr Watson CHAN  
Head  
(Research & Library Services Division)
- Miss Kitty LAM  
Research Officer 8
- Mr WONG Tin-yau, Anthony  
Senior Assistant Secretary (1)8
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**I Confirmation of minutes of meeting and matters arising**

Confirmation of minutes

LC Paper No. CB(1)2101/01-02 - Minutes of meeting on 4 March 2002

LC Paper No. CB(1)2289/01-02 - Minutes of meeting on 6 May 2002

The minutes of the meetings held on 4 March 2002 and 6 May 2002 were confirmed.

Matters arising from meeting on 3 June 2002

LC Paper No. CB(1)2286/01-02(01)- Proposed research outline on Operation of Trading Funds provided by the Research and Library Services Division of the LegCo Secretariat

2. The Chairman said that at the Panel meeting on 3 June 2002, during the discussion of the proposal to set up the Rating and Valuation Department (RVD) Trading Fund, members requested the Research and Library Services Division (RLSD) of the LegCo Secretariat to conduct a research to examine the performance, cost-effectiveness, public accountability and staffing arrangements of existing trading funds. The Chairman then consulted members on the draft outline of the research.

3. Ms Emily LAU enquired about the reasons for selecting the three trading funds, namely, the Land Registry Trading Fund, the Electrical and Mechanical Services Trading Fund and the Post Office Trading Fund, out of the existing five trading funds in Hong Kong for the research. She also enquired why the HM Land Registry and the Ordnance Survey in the United Kingdom (UK) were selected for the research. Head, Research & Library Services Division (H(RL)) said that the aforementioned trading funds in Hong Kong had been selected because they were similar to the proposed RVD Trading Fund, in terms of nature of service, client base and the commitment to utilize commercial potential. It was also considered useful to draw reference from the experience of the trading funds in the UK. H(RL) also said that apart from the UK, he was not aware of other jurisdictions having established trading funds.

4. In regard to the way forward, H(RL) said that subject to the Panel's endorsement of the proposed research outline, RLSD would proceed with the research and produce the draft research for discussion by end October 2002. Members agreed to the proposed research outline.

Request for research on Linked Exchange Rate System

LC Paper No. CB(1)2213/01-02(01)- Letter from Hon Emily LAU

5. The Chairman referred to the letter from Ms Emily LAU dated 2 July 2002 requesting that RLSD conduct a research study on the linked exchange rate

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system (the Link) adopted in Hong Kong, and invited members' views on Ms LAU's request. There being no objection to Ms LAU's request, the Chairman requested H(RL) to prepare a draft research outline on the subject for the Panel's consideration in September 2002. Ms Emily LAU said that some information relating to the Link had already been obtained by RLSD in the course of conducting the research previously on the "Practices of overseas jurisdictions in building up and maintaining their fiscal reserves". She suggested that RLSD should consult the Hong Kong Monetary Authority (HKMA), the banking industry and academics to obtain more in-depth information on the Link. H(RL) noted Ms LAU's suggestions.

**II Information papers issued since last meeting**

LC Paper No. CB(1)2059/01-02(01) - Press release entitled "Home Owner Mortgage Enhancement Programme" provided by the Hong Kong Mortgage Corporation Limited

LC Paper Nos. CB(1)2155/01-02(01) - Report of Task Force on  
and (02) Review of Government's  
Financial Reporting Policy and  
relevant information note  
provided by the Finance  
Bureau and the Treasury

LC Paper Nos. CB(1)2244/01-02(01), - Hong Kong 2001 Population  
(02) and (03) Census Main Report and the  
relevant press release

LC Paper Nos. CB(1)2278/01-02(01) - Hong Kong 2001 Population  
and (02) Census Thematic Report -  
Youths and the relevant press  
release

6. Members noted the above information papers issued since last meeting.

**III Date and items for discussion for next meeting**

LC Paper No. CB(1)2152/01-02(01) - List of outstanding items for discussion

LC Paper No. CB(1)2286/01-02(02) - List of follow-up actions

7. Members agreed that an informal meeting would be held on 16 September 2002 to discuss the research report of the governance of HKMA, and that a Panel meeting should be held on 24 September 2002 at 2:30 pm to

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discuss the subject with the Administration and relevant parties, and that the research report should be presented to the Panel at the meeting. Members also agreed that a full two-hour meeting should be dedicated for the discussion of the subject. In response to Mr James TIEN's enquiry, H(RL) confirmed that as per members' request at the meeting on 6 May 2002, the research on the governance of HKMA would also examine the impact of the implementation of the accountability system of principal officials on the political neutrality and other governance aspects of HKMA.

Planning process in relation to the 2003-04 Budget

8. Mr LEE Cheuk-yan suggested that the Financial Secretary (FS) should be invited to brief the Panel on the planning process in relation to the 2003-04 Budget. He gathered that unlike the normal practice in the past where Bureau Secretaries and Department Heads would discuss and agree with FS on the resource allocation for different policy areas, for the 2003-04 Budget, FS would allocate a predetermined financial provision for each policy area. Mr LEE considered that Panel members should be kept informed of any major changes to the budget planning process. Ms Emily LAU supported Mr LEE's suggestion.

9. Mr James TIEN said that he did not have strong views on the need to discuss the subject, but had to point out that since other LegCo Panels would be interested to know how the new planning arrangement for the Budget would affect their respective policy areas, it might be more appropriate to discuss this subject at the House Committee.

10. Mr CHAN Kam-lam said that as far as he could recall, it was not an established practice for the Administration to brief LegCo Members on the internal arrangements within the Administration in conducting its annual resource allocation exercise. He expressed reservation on the suggestion of Mr LEE Cheuk-yan.

11. Ms Emily LAU suggested that as an initial step, the Panel Clerk should send a letter to FS to convey members' concerns on the planning process for the Budget. Subsequent to FS' reply, members would decide whether and how they would pursue the matter at the House Committee or another appropriate forum. Expressing his concern that the budget planning process might not fall within the purview of the Panel, the Chairman instructed the Panel Clerk to discuss the matter with the Assistant Secretary General 1 (ASG1) and revert to him thereafter.

*(Post meeting note: With the concurrence of the Chairman, a letter dated 22 July 2002 was sent by ASG1 to FS to convey Members' concerns about the planning process in relation to the 2003-04 Budget raised at this Panel meeting and other recent occasions. The letter was circulated to Panel members and copied to other Members vide LC Paper No. CB(1)2342/01-02(01) dated 24 July 2002. The reply letter*

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from FS was circulated vide LC Paper No. CB(1)2467/01-02 dated 2 September 2002.)

Proposal on sharing of positive consumer credit data

12. The Chairman informed members that according to the Office of the Privacy Commissioner for Personal Data, a public consultation document on the above proposal would be issued probably in late August 2002. Members agreed that a meeting would be arranged to discuss the subject some time after the release of the consultation document.

*(Post meeting note: The consultation document was issued to members vide LC Paper No. CB(1)2454/01-02 dated 28 August 2002.)*

**IV Briefing on proposed legislative amendment to the Stamp Duty Ordinance**

LC Paper No. CB(1)2152/01-02(03) - Paper provided by the Administration

13. At the Chairman's invitation, the Commissioner of Inland Revenue (C of IR) briefed the Panel on the proposed alternative stamping system as delineated in the information paper LC Paper No. CB(1)2152/01-02(03). She said that subject to members' comments, the Administration planned to introduce the relevant legislative amendments to the Stamp Duty Ordinance (Cap. 117) in the next legislative session.

Timetable for implementing the proposed new system of stamping

14. Mr James TIEN expressed his support in principle for the proposed alternative stamping method. He noted that the target implementation for the proposed stamping method was mid-2004. As electronic payment systems were quite common, he enquired if the proposed stamping method could be implemented earlier than 2004.

15. C of IR agreed that improved services to the community such as the proposed new method of stamping should be put in place as soon as possible. However the proposed new stamping system was a large project, which involved the development of a new electronic Property Stamping System and would take more than one year to fully address the associated security and administrative issues. Notwithstanding the above, since the proposed new stamping system formed part of an approved package of information and technology enhancements for the Inland Revenue Department (IRD), some preparatory work had already been done for putting the new stamping system in place. In this regard, IRD had secured a financial provision of HK\$3 million to conduct a technical feasibility study on the new electronic stamping system. The study was scheduled to be completed before end 2002.

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16. Mr James TIEN further enquired about the possibility of implementing the proposed new stamping method in phases, such that the new stamping method could be used for certain instruments at an earlier time. In response, C of IR said that the objective of the proposed new stamping method was to provide convenience to users and streamline the existing stamping services, and hence generate cost and time savings for both users and IRD. Since the new stamping system would be most suitable for stamping large volumes of property transaction documents and tenancy agreements, restricting the application of the new stamping method to a small quantity of such instruments at the initial phase might not generate the economy of scale and achieve the objective of providing convenience to users.

Benefits of the proposed new stamping method

17. Mr CHAN Kam-lam considered that by obviating the need to present the original instruments, the proposed new stamping method had many benefits, and therefore he supported the proposal. He asked whether under the new stamping method, applicants would be required to personally obtain the certificate of stamping at the Stamp Office of IRD. C of IR explained that under the proposed new stamping method, a certificate of stamping would be issued to certify that the relevant amount of stamp duty had been paid. The applicant could choose to pay the required amount of stamp duty electronically and to print out the certificate of stamping at his own premises. Hence, there would be no need for the applicant to be present at the Stamp Office to collect the certificate of stamping. The aforesaid technical feasibility study would identify the suitable electronic payment systems to facilitate payment of the stamp duty electronically.

18. In response to Mr MA Fung-kwok's enquiry about the expected cost and time savings arising from the new stamping system, C of IR said that the current six days required for the stamping process included the time required for presenting the original instruments and the retrieval of the stamped instruments. Under the new stamping system, applications for stamping of instruments could be submitted electronically together with the payment of stamp duty. Upon receiving the application and the relevant amount of stamp duty, the certificate of stamping would be issued to the applicant by mail or electronically. As the stamping process could be completed on line, the overall stamping process could be substantially shortened.

19. C of IR further said that the capital cost for the new stamping system was estimated to be about HK\$10 million, but the estimation would be adjusted following the technical feasibility study of the new stamping method. In regard to cost savings generated by the new system, C of IR said that on the assumption that 50% of property transaction documentation would be submitted electronically, a total of 11 staff positions could be dispensed with over time and this would result in cost savings of HK\$3.4 million per annum. The capital cost



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of the new system could therefore be recouped in a few years.

Legal status of stamped instruments under the proposed new stamping method

20. Mr Henry WU asked if the problem of applicants submitting false information for stamping was anticipated and whether the new stamping method would affect the legal status of the instrument if it was submitted as evidence in court. C of IR said that the function of the certificate of stamping was to certify that stamp duty had been paid for the relevant instruments. The certificate was not meant to carry any effect in regard to the legality of the original instruments. She further said that as the stamping of an instrument protected the interest of the holder of the instrument, it would be in the interest of the holder to ensure that the information contained in the application form for stamping was correct.

21. The Chairman thanked the Administration for attending this discussion session.

**V Briefing on proposed legislative amendment to the Dutiable Commodities Regulations**

LC Paper No. CB(1)2286/01-02(03) - Paper provided by the Administration

22. At the Chairman's invitation, the Deputy Secretary for Financial Services and the Treasury (Treasury) (DS/FST) briefed members on the proposals to remove the prescriptions on the standards of quality for Chinese-type spirits from the Dutiable Commodities Regulations (Cap. 109 subsidiary legislation) (the Regulations), and to introduce a labeling requirement for liquors under the Dutiable Commodities Ordinance (Cap. 109). The details of the proposals were contained in the information paper LC Paper No. CB(1)2286/01-02(03).

Simplifying the overall categorization of liquors

23. Mr James TIEN supported the proposal to remove the prescriptions on the standards of quality for Chinese-type spirits, as the proposal would facilitate the trading of Chinese-type spirits. He also suggested that the Administration should consider simplifying the overall categorization of liquors if such could facilitate enforcement of duty collection and the trading of a greater variety of liquors.

24. DS/FST and the Principal Assistant Secretary for Financial Services and the Treasury (Treasury) (PAS/FST) responded that the fine categorization of Chinese-type spirits as currently provided in the Regulations had caused some difficulty in the import of Chinese-type spirits. The import of other types of spirits such as Japanese-type and western spirits did not pose such problems because they were not as specifically categorized under the Regulations. As the

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prescriptions concerning western spirits and fortified wine were working well, the Administration had no intention to introduce changes to these prescriptions.

Practices of other jurisdictions for the import and export of liquors

25. Mr Henry WU enquired about the practices of overseas jurisdictions for dealing with the standards of quality of liquors for import and export purposes. DS/EST said that he was not aware of other jurisdictions having prescriptions for Chinese-type spirits similar to those currently set out in the Regulations. PAS/EST supplemented that countries which exported liquors such as France, Australia and certain provinces in China required the alcoholic strength to be specified on the bottle labels. Countries which required imported liquors to specify the alcoholic strength on bottle labels included the United States, New Zealand, France and Australia.

26. The Chairman thanked the Administration for attending this discussion session.

**VI Issues arising from the interruption of the futures and options trading system on 28 May 2002**

LC Paper No. CB(1)2152/01-02(04) - Paper provided by the Securities and Futures Commission

LC Paper No. CB(1)2152/01-02(05) - Paper provided by the Hong Kong Exchanges and Clearing Limited

27. The Chairman welcomed the representatives from the Administration, the Securities and Futures Commission (SFC) and the Hong Kong and Exchanges and Clearing Limited (HKEx). At his invitation, Mr K C KWONG, the Chief Executive of HKEx, briefed the Panel on the issues arising from the market disruption on 28 May 2002, including the cause of the interruption of the futures and options trading system and the measures that had been and were being taken to prevent the recurrence of similar incidents. Referring to Appendix I to the information paper LC Paper No. CB(1)2152/01-02(05), Mr KWONG informed the Panel that HKEx had completed three out of the five short-term improvement measures recommended by the independent consultant engaged by HKEx to investigate into the incident. HKEx had also commenced work on the medium-term improvements which were targeted to complete in three to four months. At the close of his presentation, he apologized on behalf of HKEx to affected parties for the inconvenience caused by the market disruption on 28 May 2002.

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Implications of the trading disruption on 28 May 2002, and measures taken to prevent recurrence of similar incidents

28. Mr Henry WU enquired whether HKEx had received any claims from investors for financial losses sustained as a result of the incident, and asked whether apart from HKEx, any other party/parties should take up responsibility for the incident. He also expressed concern about the impact of the incident on Hong Kong's reputation as an international financial centre. Mr Albert HO shared the concerns of Mr WU.

29. Mr K C KWONG replied that in view of the fact that the Uninterruptible Power Supply (UPS) had functioned effectively on 20 May 2002 to prevent a power failure from disrupting the trading system, and that the UPS had been regularly maintained by the vendor, HKEx did not intend to pursue any claims against the vendor for the incident on 28 May 2002. He confirmed that up to the present, HKEx had not received any claims from investors for financial losses arising from the incident.

30. Regarding the impact of the incident on Hong Kong's reputation as an international financial centre, the Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) (PAS/FST) said that the Administration was deeply concerned with the incident and the general stability of the trading system which was crucial to Hong Kong's reputation as an international financial centre. HKEx had the responsibility to ensure the stability and reliability of the trading systems of the exchanges. After the incident, the Administration through SFC had requested the Risk Management Committee of HKEx to conduct an overall review of the stability of the trading systems of the exchanges, as well as the fail-safe mechanisms and contingency measures for the trading systems. Additionally, the Administration had expressed its view that the issues arising from the incident should be discussed by HKEx's board of directors.

31. Mr Mark DICKENS, Executive Director (Supervision of Markets), SFC, supplemented that the system failover procedures for trading interruptions and the trading resumption policy, which had been informally discussed with the industry, would be reviewed by the Risk Management Committee the following week. HKEx had agreed to undertake a comprehensive review of all its information and technology (IT) systems, and SFC would be following up with HKEx and its consultants in this regard to ensure that HKEx' IT systems complied with international standards. Additionally, SFC would be supervising a review of HKEx' procedures and processes for quality management to ensure these also complied with international standards. Mr DICKENS remarked that there was no fool-proof system notwithstanding the various efforts mentioned. As such, it was important to ensure that proper communication and contingency policies and procedures were in place and adhered to by concerned parties to handle any possible incident of trading disruption.

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32. Mr Henry WU asked if the important issue of contingencies and back-up measures for handling disruptions to the trading system had been overlooked by the board of directors of HKEx in the past. He also noted that as SFC had a regulatory and monitoring role in respect of ensuring the stability of the stock market, SFC might be required to share responsibility for the incident on 28 May 2002.

33. In response, Mr K C KWONG said that the root cause of the disruption to the trading system was technical failure. However he acknowledged that there was room for improvement in various respects including HKEx's back-up and contingency measures. With the implementation of the improvements detailed in HKEx's paper, the chance of recurrence of similar incidents would be much reduced. Mr KWONG further said that the executive management of HKEx had reported the matter in detail to the board of directors and the Risk Management Committee of HKEx. Recommendations on contingency measures would be made to the Risk Management Committee for consideration the following week.

34. PAS/FST said that matters related to the stability and reliability of the trading systems should be taken up by the Risk Management Committee of HKEx, which was tasked to make relevant recommendations to the board of directors of HKEx for consideration. SFC should ensure that HKEx had proper policies, procedures and processes in place to operate a stable and fair market. SFC should therefore work closely with HKEx and industry bodies to ensure that disruptions to HKEx's trading systems were properly dealt with, and that there was adequate transparency and communication with the market on relevant issues.

35. Mr Mark DICKENS was of the view that SFC had fully discharged its duties in respect of the incident. He assured members that SFC was one of the most intrusive regulators among its counterparts in various jurisdictions, especially in regard to IT development and management of the exchanges. SFC had spent a substantial amount of time in reviewing the technology, contingency and communication systems and in ensuring that HKEx took all necessary improvements to address the problems revealed.

Trading resumption policy

36. Mr MA Fung-kwok enquired about the revision to the trading resumption policy as a result of the incident on 28 May 2002. Mr K C KWONG replied that having consulted the industry and SFC on the matter, the executive management of HKEx would be proposing to the Risk Management Committee that in the event of a disruption to the trading system, if the system could be up and running 15 minutes before five o'clock of the day after allowing sufficient time for reviving the trading system and 30 minutes for informing the market, then trading would be resumed to enable investors to settle their

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positions before the market closed. This proposed arrangement however would not be applied to the settlement day of the futures market. There was already a published formula for calculation of the settlement price to cater for trading disruptions on any settlement day.

Uninterruptible Power Supply (UPS)

37. Mr CHAN Kam-lam noted that the UPS was the back-up power system for the futures and options trading system such that trading would not be disrupted in the event of a power interruption. He was concerned that on 28 May 2002, UPS had failed to function as a back-up power system, and asked if the lack of maintenance was a probable cause. He also asked why the site failover process was only completed at 3:53 pm, more than 40 minutes after the futures and options trading system experienced a power interruption at 3:12 pm.

38. Mr NG Leung-sing shared the concern of Mr CHAN about the reliability of HKEx's systems. He considered that even if the UPS had been operating normally, there should be periodic checks and drills to ensure that UPS was well-maintained and that contingency measures were well rehearsed by relevant personnel.

39. Mr K C KWONG replied that there were in fact two sets of UPS, which meant that there were virtually two back-up systems. Monthly maintenance for the UPS had been carried out by an external vendor, and there had been regular rehearsal of contingency procedures by HKEx. In the light of the incident on 28 May 2002, the independent consultant had recommended a number of improvements for developing a new system, which was targeted to be put in place in October 2002. He assured members that in future, HKEx would give special attention to the maintenance of its systems and regular drills of the contingency procedures would continue to be carried out. In this connection, Mr KWONG took note of Mr Henry WU's remark that for system rehearsals involving market participants, HKEx should ensure that it had duly completed all the relevant preparatory work prior to such rehearsals.

40. As regards the time taken for the site failover process on 28 May 2002, Mr K C KWONG explained that when the UPS experienced problems on 28 May 2002, the first step taken by HKEx was to attempt to re-activate the UPS, which had taken about 10 minutes. When the attempt failed, the site failover procedure was initiated to move all transactions to the back-up centre. The standard duration for the site failover process was 45 minutes while the actual time taken for such a move on 28 May 2002 was about 30 minutes.

41. In response to the Chairman's question as to how UPS compared to back-up systems of large stock exchanges of other countries, CE/HKEx replied that the UPS of HKEx was comparable.

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Similar trading disruptions in other stock exchanges

42. Mr Albert HO recalled that a similar trading disruption of the futures market occurred a few years ago. He enquired how the frequency and duration of trading disruptions of HKEx compared with the situation of other modern stock exchanges. In response, Mr KWONG said that the disruption to the stock trading system of HKEx in February 2000 was due to human error. In regard to similar disruptions in other stock exchanges, he informed members that according to media reports, the stock exchanges in Shenzhen and Australia had suffered similar disruptions due to power failure in July 2002. Over the past months, other stock exchanges such as the Euronext, New York Stock Exchange and NASDAQ had suffered similar disruptions causing trading to be suspended up to several hours. At Mr Henry WU's request, Mr KWONG agreed to provide information on the trading disruptions experienced by other stock exchanges due to technical or human error for members' reference.

Admin.

*(Post-meeting note: The information provided by HKEx was issued to members vide LC Paper No. CB(1)2507/01-02 dated 11 September 2002.)*

Other issues

43. Mr Henry WU commented that market participants were concerned that currently, there was a 15-minute time gap between the closing of the derivatives market and the cash market. He considered that the two markets should close simultaneously as the derivatives market was unable to effectively perform its price discovery function in the absence of the cash market. Mr WU urged SFC and the Administration to review this matter and to maintain an open dialogue with the industry in this regard. Mr K C KWONG said that the system of allowing the derivatives market to continue trading for 15 minutes after the closure of the cash market had been put in place for quite some time and had been found effective for maintaining a stable trading market. The Chairman requested the Administration to take note of Mr WU's concern.

44. In response to Mr NG Leung-sing's query as to why the disclosure of the consultant's investigation report on the incident on 28 May 2002 required the consultant's agreement, Mr K C KWONG clarified that when the consultant developed the report, there was no formal arrangement as to whether or how the report would be disclosed. Additionally, in developing the report, a number of parties had been approached by the consultant to obtain information. As such, HKEx considered it appropriate to obtain the prior agreement of the consultant before the report was released to the public.

45. The Chairman thanked the Administration for attending the meeting.

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**VII Any other business**

46. There being no other business, the meeting ended at 1:00 pm.

Legislative Council Secretariat  
23 October 2002