

立法會
Legislative Council

LC Paper No. CB(1)1946/03-04
(These minutes have been seen
by the Administration)

Ref: CB1/SS/5/03

Subcommittee on
Proposed Resolution under section 3(1) of the Loans Ordinance
(by way of issuance of Government Bonds)

First Meeting on
Thursday, 13 May 2004, at 4:30 pm
in Conference Room B of the Legislative Council Building

- Members present** : Hon Hon SIN Chung-kai (Chairman)
Dr Hon David CHU Yu-lin, JP
Hon Emily LAU Wai-hing, JP
Hon Henry WU King-cheong, BBS, JP
Hon Audrey EU Yuet-mee, SC, JP
- Public Officers Attending** : Mr Martin GLASS
Deputy Secretary for Financial Services and the Treasury

Mr Tommy YUEN
Principal Assistant Secretary for Financial Services and the Treasury

Ms Phyllis KO
Senior Assistant Law Draftsman, DOJ
- Clerk in attendance** : Ms Pauline NG
Assistant Secretary General 1
- Staff in attendance** : Mr Stephen LAM
Assistant Legal Adviser 4

Miss Edith CHAN
Council Secretary (1)1

Mr Anthony CHU
Council Secretary (1)2

I Election of Chairman

Mr SIN Chung-kai was elected Chairman of the Subcommittee.

II Meeting with the Administration

- (File Ref: FIN CR 1/2241/03
- The Legislative Council Brief on "Resolution to authorise the proposed issuance of Government bonds" issued by the Financial Services and the Treasury Bureau on 31 March 2004
- LC Paper No. LS73/03-04
(issued vide LC Paper No. CB(2)2213/03-04)
- Legal Service Division Report dated 29 April 2004
- LC Paper No. CB(1)1806/03-04(01)
- Information Paper provided by the Administration
- LC Paper No. CB(1)1806/03-04(02)
- A background brief on the Proposed Resolution
- LC Paper No. CB(1)1806/03-04(03)
- Letter dated 23 April 2004 from Assistant Legal Adviser to the Administration;
- LC Paper No. CB(1)1806/03-04(04)
- The Administration's reply dated 26 April 2004 to the Assistant Legal Adviser;
- LC Paper No. CB(1)1806/03-04(05)
- Letter dated 27 April 2004 from Assistant Legal Adviser to the Administration
- LC Paper No. CB(1)1806/03-04(06)
- The Administration's reply dated 27 April 2004 to the Assistant Legal Adviser.
- LC Paper No. CB(1)1806/03-04(07)
- Submission dated 11 May 2004 from Fitch Ratings
- LC Paper No. CB(1)1806/03-04(08)
- Submission dated 11 May 2004 from the Association of Chartered Certified Accountants
- LC Paper No. CB(1)1821/03-04(02)
- Submission dated 12 May 2004 from the Hong Kong Association of Banks

LC Paper No. CB(1)1811/03-04(01) - The Administration's response to
(English version) submissions from Fitch Ratings
LC Paper No. CB(1)1821/03-04(01) Hong Kong Limited and the
(Chinese version) Association of Chartered Certified
Accountants Hong Kong

2. The Subcommittee deliberated (Index of proceedings attached at **Appendix**).

Follow-up actions to be taken by the Administration

3. At the request of the Subcommittee, the Administration agreed to take the following actions -

- (a) to state in the Financial Secretary's speech when moving the proposed resolution that the proceeds from the issuance of Government bonds to be credited into the Capital Works Reserve Fund would only aim to finance those public works projects approved or to be approved by the Finance Committee; and
- (b) to provide details of the offering of Government bonds to the Panel on Financial Affairs in mid June 2004.

The Way forward

4. The Subcommittee completed the scrutiny of the proposed resolution. Members supported the objectives of the issuance of Government bonds, and agreed that a report be circulated to the House Committee. Members recommended that the Financial Secretary may move the proposed resolution at the Council meeting on 19 May 2004.

(Post-meeting note: The report of the Subcommittee (LC Paper No. CB(1)1839/03-04) was circulated to all Members of the House Committee on 14 May 2004.)

III Any other business

5. There being no other business, the meeting ended at 5:50 pm.

**Proceedings of the first meeting of the Subcommittee on
Proposed Resolution under section 3(1) of the Loans Ordinance
(by way of issuance of Government Bonds)
Thursday, 13 May 2004, at 4:30 pm
in Conference Room B of the Legislative Council Building**

Time Marker	Speaker	Subject(s)	Action Required
<i>Agenda Item I – Election of Chairman</i>			
000000 – 000015	Dr David CHU	Election of Chairman	
<i>Agenda Item II – Meeting with the Administration</i>			
000016 – 001046	Chairman Administration	Briefing by the Administration on the proposed resolution and on its information paper	
001047 – 001157	Dr David CHU	Support for the issuance of Government bonds	
001158 – 001916	Mr Henry WU Administration	Views of brokers in the financial services sectors on the securitization exercise of "Five tunnels and one bridge" and their suggestions to improve future bond issuance	
001917 – 002542	Ms Emily LAU Administration	The Administration's commitment to reduce the fiscal deficit: a. in reducing Government annual operating expenditure b. in increasing government revenue, other than the Goods and Services Tax if there was no general support for the new tax	
002543 – 002809	Ms Audrey EU Administration	Project details under the Capital Works Reserve Funds (CWRF) to be funded by the issuance of Government bonds	
002810 – 003109	Mr Henry WU Administration	Concerns about proceeds from bond issuance to be spent on purposes other than public works projects	
003110 – 003537	Ms Emily LAU Administration	Assessment of the effectiveness of the bonds issue [LC Paper No. CB(1)1806/03-04(08)]	
003538 – 003818	Ms Emily LAU Administration Chairman Henry WU	The allocation system of Government bonds for different types of investors.	

Time Marker	Speaker	Subject(s)	Action Required
003819 – 003938	Mr Henry WU Administration	Financial Secretary's power to transfer funds into and out of the CWRP	
003939 – 004130	Chairman Administration	Government's discretion to pursue any further borrowing if part of the \$20 billion bonds had matured and been redeemed. Administration confirmed that it was an absolute ceiling and further borrowings ought to be approved by resolution of LegCo.	
004131 – 004509	ALA4 Chairman Mr Henry WU Administration	<ul style="list-style-type: none"> a. Financial Secretary's power to expend funds under CWRP b. The use of the monies from the issuance of Government bonds which has been credited into the CWRP 	Administration to take follow-up action under paragraph 3(a) of the minutes
004510 – 005153	Chairman Administration	<ul style="list-style-type: none"> a. Whether Government bonds would be issued in foreign currency and the risk of exchange rate fluctuation b. How far Government bonds would be available to local retirement funds, such as MPF c. The timetable of the issuance of \$20 billion Government bonds 	
005154 – 005746	Ms Emily LAU Chairman Administration	Whether it is the right time to borrow and details of the proposed issuance exercise, such as cost of issuance, variety of offerings, etc.	Administration to take follow-up action under paragraph 3(b) of the minutes
005747 – 010118	Ms Emily LAU ALA4 Administration Chairman Mr Henry WU	Wording of the Proposed Resolution <ul style="list-style-type: none"> a. The means of borrowing not specified in the resolution b. Reference to the different wording in the case of the securitization of "Five Tunnel and One Bridge" 	

Time Marker	Speaker	Subject(s)	Action Required
010119 – 010753	Mr Henry WU ALA4 Administration Chairman	a. Difference between the Loans Ordinance (Cap. 61) and Loans (Government Bonds) Ordinance (Cap. 64) and their applicability in the present case b. Discretion under Section 3(4) of the Loans Ordinance to exclude the loans agreements between the Government and a lender in respect of sums borrowed to be laid on the table of the Legislative Council and the reasons for exercising such discretion in the present case	
010754 – 010927	Ms Emily LAU Administration	The issuance of Government bonds as a one-off or a recurrent exercise [Appendix II of LC Paper No. CB(1)1806/03-04(02)]	
010928 – 011007	Chairman Administration	Cost of transactions to be deducted from the proceeds of the issuance of Government bonds	
011008 – 011154	Chairman Administration	Review on the Loans Ordinance and the Loans (Government Bonds) Ordinance	
011155 – 011233	Chairman	Conclusion and the way forward	
011234	End of meeting		