

Panel on Financial Affairs

List of outstanding items for discussion

(Position as at 29 December 2004)

**Proposed timing for
discussion at Panel
meeting**

1. Overall economic development of Hong Kong

The Panel has invited the Financial Secretary (FS) to brief the Panel and all other LegCo Members on macro economic issues on a periodic basis since mid-1999. The briefings are normally held in June and December each year.

6 December 2004
6 June 2005

2. Briefing on the work of the Hong Kong Monetary Authority

The Chief Executive of the Hong Kong Monetary Authority (CE/HKMA) briefs the Panel on the work of HKMA on a regular basis. The briefings are normally held in February, May and November each year.

17 February 2005
6 May 2005

3. Briefing on proposed amendments to the Securities and Futures Ordinance

The Administration will brief members on the proposed amendments to the Securities and Futures Ordinance, including the proposal to give statutory backing to the more important listing requirements, and miscellaneous amendments to keep up with market development.

7 March 2005

The Administration plans to introduce the relevant bill into LegCo in March 2005.

Proposed timing for discussion at Panel meeting

4. The Securities and Futures Commission Budget for the Financial Year 2005-06

The Securities and Futures Commission (SFC) will submit its budget for the Financial Year 2005-06 for the Panel's information.

7 March 2005

5. Briefing on the proposals to enhance the oversight of public interest activities of auditors and establish a Financial Reporting Review Panel

The Administration will brief the Panel on the above proposals, such as the composition and powers of the new body to be established for overseeing an Independent Investigation Board to consider complaints of alleged accounting, auditing and/or ethics irregularities committed by professional auditors involving listed companies; and a Financial Reporting Review Panel to enquire into apparent departures from the law and accounting standards in the annual accounts of companies.

7 March 2005

The Administration plans to introduce a bill for implementing the proposals into LegCo in the second quarter of 2005.

6. Briefing on the draft Companies (Amendment) Bill 2005

The Administration will brief members on the proposed amendments to the Companies Ordinance (CO) to enable the introduction of a scripless securities market so as to allow securities to be issued and transferred electronically.

4 April 2005

The Administration plans to introduce the Companies (Amendment) Bill 2005 into LegCo in May 2005.

7. Briefing on the draft Inland Revenue (Amendment) Bill

The Administration will brief the Panel on proposed amendments to the Inland Revenue Ordinance for implementing the 2003-04 Budget proposal to exempt offshore funds from profits tax.

4 April 2005

Proposed timing for discussion at Panel meeting

The Administration plans to introduce the Bill into LegCo in the second quarter of 2005.

8. Consultancy study on the feasibility of establishing insurance Policyholders' Protection Funds in Hong Kong

The Administration will update the Panel on the results of the public consultation and latest developments on the proposal to establish insurance Policyholders' Protection Funds in Hong Kong.

6 May 2005

9. Progress on the implementation of the Deposit Protection Scheme

The Administration will report on the progress in relation to the implementation of the Deposit Protection Scheme, including the formation of the Hong Kong Deposit Protection Board and the Deposit Protection Appeals Tribunal, as well as the development of the policies and procedures relating to contribution and payout, etc.

6 June 2005

10. Consultancy study on the supervisory framework of the assets of long term insurers in Hong Kong

The Administration will brief the Panel on the background, initial findings of the consultancy study and the proposed timetable for public consultation on the study.

6 June 2005

11. Comprehensive review of the Companies Ordinance

At the request of the Panel, the Administration briefed members at the Panel meeting on 5 July 2004 on the progress of the overall review of the CO and the timeframe for the rewrite exercise. Members noted that the Administration intended to commence work in 2005 and issue the White Bill for consultation in 2007. It was expected that the new legislation might be in place in 2010. Members agreed that the Panel should continue to monitor progress of the rewrite

4 July 2005

exercise.

The Administration will report on the progress of the overall review on the CO. The Administration plans to submit the financial proposal relating to the review exercise to the Establishment Subcommittee and the Finance Committee in due course.

12. Management of Government investment incomes

At the Panel meeting held on 14 March 2002 when the research report entitled “Practices of Overseas Jurisdictions in Building up or Maintaining Their Fiscal Reserves” published by the Research and Library Services Division (RLSD) was presented, Members noted that detailed information on Government investment incomes was not readily available in the public domain. It would therefore be difficult to monitor how far investment incomes of the Government were ploughed back to the General Revenue Account for financing specific social services or contingent relief measures.

To be confirmed

On 16 May 2002, the then Secretary for the Treasury provided information on the sources of Government investment incomes and investment returns for the period 1996-97 to 2000-01 to Members (LC Paper No. CB(1)1772/01-02(01)). However, detailed information on the Government’s investments on equity holdings with respect to financial arrangements, corporate governance and reporting arrangements to the Government and LegCo remained not available.

At the meeting held in July 2002, members of the then “Subcommittee on matters relating to the implementation of railway development projects” (the Subcommittee) considered the draft Penny’s Bay Rail Link Project Agreement. They expressed concern about the scope and extent of powers of FS in relation to the management of dividends and other forms of income generated from the Government’s investments in public and private companies. Members were also concerned about whether proper mechanisms were in place to ensure that the exercise of such powers was properly accounted for by the executive

Proposed timing for discussion at Panel meeting

authorities to LegCo. The Subcommittee requested that the above policy issues be further discussed by the Panel.

Similar concerns were raised in the discussion on the appropriate mechanism for financing the West Kowloon Cultural District Development project and the role of LegCo in monitoring the development of this project.

To address Members' concerns on the management of Government investment incomes, RLSD proposed to conduct in-depth research on this subject to assist Members in analyzing the financial arrangements, corporate governance and reporting arrangements of selected statutory bodies in Hong Kong. The selected statutory bodies covered by the research are: Kowloon-Canton Railway Corporation, Airport Authority, Mass Transit Railway Corporation Limited, and Hong Kong Science and Technology Parks Corporation. The research outline (LC Paper No. CB(1)671/03-04(06)) was endorsed by the Panel at its meeting on 5 January 2004.

The draft research report was considered by members of the Panel at a working meeting on 15 July 2004. As agreed by members at the meeting, the Administration was invited to provide some background information on the issues set out in the draft research report and respond to their concerns raised. The information and responses would be incorporated into the draft research report to be followed up by the Panel in the new legislative term.

The revised draft research report incorporating the Administration's information was issued to members vide LC Paper No. CB(1)364/04-05 on 7 December 2004. An informal meeting has been scheduled for 7 January 2005 for RLSD to discuss with members on the revised draft report.

13. Proposal of granting tax relief to divorced persons paying maintenance to ex-spouses

This item was referred by the Panel on Administration of Justice and Legal Services (AJLS Panel) in November 2002. At the AJLS Panel meeting on 28 October 2002, that Panel discussed how the above proposal, which was the subject

To be confirmed

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matter of an oral question raised at the Council meeting on 10 July 2002, should be followed up. That Panel considered that as tax relief for divorced persons should be a matter within the purview of the Financial Services and the Treasury Bureau, the matter should be referred to the Panel on Financial Affairs for consideration. The relevant details were circulated to members vide LC Paper No. CB(1)520/02-03(01) on 12 December 2002.

The Administration has been invited to provide an information paper on the relevant issues covered by the item.

14. Proposed measures to address risks arising from securities margin financing

At the Panel meeting held on 17 December 2004, SFC reported on the progress of the public consultation on proposed measures to address risk arising from securities margin financing. Members noted that SFC would continue discussions with the brokerage industry to identify appropriate measures to address the risks involved. Members requested the Administration and SFC to report the progress to the Panel in a year's time. The progress report should cover the proposed concrete timetable for achieving complete segregation of collateral of borrowing and non-borrowing clients.

To be confirmed