

Panel on Financial Affairs

List of outstanding items for discussion

(Position as at 2 March 2006)

**Proposed timing for
discussion at Panel
meeting**

**1. Conflict of interest issue and other financial issues
involved in and after the listing of The Link Real Estate
Investment Trust**

At the special meeting held on 14 December 2005, the Panel discussed with the Administration on the financial issues related to the listing of The Link Real Estate Investment Trust (The Link REIT). Members noted from the written reply of Mr Paul CHENG, the Chairman of the Board of The Link Management Limited (The Link), that due to short notice and prior commitment in China, he was unable to attend the special meeting to discuss with Members on the question of conflict of interest between his advisor role with Deutsche Bank and the role as Chairman of the Board of The Link.

3 April 2006

At the meeting held on 5 January 2006, the Panel decided that the conflict of interest issue and other financial issues involved in and after the listing of The Link REIT be further discussed at the meeting on 3 April 2006. Mr Paul CHENG and other representatives of The Link, the Administration (including representatives from the Housing, Planning and Lands Bureau and the Financial Services and the Treasury Bureau), the Securities and Futures Commission (SFC), and the Hong Kong Exchanges and Clearing Limited have been invited to attend the meeting.

**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.

May 2006

Proposed timing for discussion at Panel meeting

3. Briefing by the Hong Kong Monetary Authority on the development of capital and disclosure rules to be made under the Banking (Amendment) Ordinance 2005

The Banking (Amendment) Ordinance 2005 was enacted in July 2005 to provide a legal framework for the implementation of Basel II in Hong Kong (i.e. the revised capital adequacy regime for authorized institutions (AIs) promulgated by the Basel Committee on Banking Supervision (BCBS) in 2004). Among other things, the Amendment Ordinance provides the HKMA with a rule making power to prescribe capital and disclosure rules on the manner of calculating AIs' capital adequacy ratio (CAR) and requirements on public disclosure of AIs' financial affairs including the CAR. These rules are subsidiary legislation subject to negative vetting by LegCo.

May 2006

The HKMA proposes to brief the Panel in May 2006 on the progress of developing the capital and disclosure rules. The Administration plans to table the relevant subsidiary legislation before LegCo for negative vetting by mid-2006. The HKMA plans to implement Basel II in Hong Kong from 1 January 2007 to tie in with BCBS's timetable.

4. Briefing by the Financial Secretary on Hong Kong's latest overall economic situation

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

June 2006

5. Proposal to write off a judgement debt

At the Panel meeting held on 6 June 2005, members were briefed on the Administration's proposal to write off the judgement debt owed to the Government by an auctioneer hired by the former Government Supplies Department to conduct commercial disposal of unserviceable or obsolete government stores and confiscated goods which was considered irrecoverable. Members expressed concerns

To be confirmed

Proposed timing for discussion at Panel meeting

about actions taken by the Administration to recover the outstanding payments from the auctioneer and details of the Administration's internal investigation on the case including the disciplinary proceedings taken against the involving civil servants. It was agreed that the Panel would further discuss the proposal in due course after the Administration had provided the supplementary information requested by members.

The Administration plans to further consult the Panel on its proposal to write off the judgement debt in due course and then seek the approval of the Finance Committee on the proposal.

6. Briefing on the draft Companies (Amendment) Bill 2006

The Companies (Amendment) Bill 2006 aims to enable the introduction of a scriptless securities market allowing securities to be issued and transferred electronically. The Bill has been included in the Legislative Programme 2005-06 provided by the Administration in October 2005.

To be confirmed

As advised by the Administration on 24 November 2005, the SFC is considering the way forward and the corresponding legislative amendments, and will brief the Panel on the way forward in due course.

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

The Administration commissioned a consultancy study on the feasibility of establishing Policyholders' Protection Funds (PPFs) in Hong Kong in late 2002 and conducted a consultation exercise from December 2003 to March 2004 to invite public views on whether and how PPFs should be introduced in Hong Kong.

To be confirmed

At the Panel meeting on 1 March 2004, members were briefed on the findings of the consultancy study and proposed PPF options. The Administration undertook to consult the Panel on the way forward after the public consultation

Proposed timing for discussion at Panel meeting

exercise.

As advised by the Administration on 24 November 2005, the Consultant is required to produce a final report on stage 1 of the study commenting on the desirability and feasibility of introducing a Policyholders' Protection Funds scheme in Hong Kong. According to the current work progress, more time is still required for the Consultant to finalize its draft final report for further discussions with the Commissioner of Insurance (C of I). The Administration is monitoring the work of the Consultant and will brief the Panel once it is ready to do so.

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

In October 2003, the Administration commissioned the consultancy study to examine the effectiveness of the current supervisory framework and to assess the need for further enhancement of the current framework for the protection of policyholders in Hong Kong.

To be confirmed

As advised by the Administration on 24 November 2005, the Consultant is undertaking a detailed study of various possible options for enhancing the asset safeguarding mechanism and asset valuation framework. According to current work progress, it is expected that the Consultant could finalize a Third Report and start drafting a public consultation paper for consideration by the C of I in the next few months. The Administration is keeping in view the progress of the consultancy study and will brief the Panel once it is ready to do so.

9. Scheme for outsourcing summary bankruptcy cases

The purpose of the Bankruptcy (Amendment) Bill 2004 is to empower the Official Receiver to outsource debtor-petition summary bankruptcy cases to private-sector insolvency practitioners. The Bills Committee on Bankruptcy (Amendment) Bill 2004 requested the Administration to review the outsourcing scheme after implementation of the

To be confirmed

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scheme. The Secretary for Financial Services and the Treasury undertook in his speech during the resumption of the Second Reading debate on the Bill at the Council meeting on 6 July 2005 that the Administration would review the outsourcing scheme 24 months after implementation of the scheme and report the outcome of the review to the LegCo.

The Administration has been invited to report the outcome of the review to the Panel in due course.

10. Review of the Inland Revenue Ordinance

In response to Hon TAM Heung-man's suggestion for the Administration to review the Inland Revenue Ordinance (IRO), five organizations/individuals have forwarded their submissions to the Panel on the subject in early 2005.

To be confirmed

In its reply dated 11 August 2005, the Financial Services and the Treasury Bureau (FSTB) advised that it had, in conjunction with the Inland Revenue Department (IRD), reviewed the issues set out in the submissions, and they would take the following actions:

- (a) For those issues which are tax relief proposals, FSTB will review the issues with the FS in preparing next year's budget;
- (b) For those issues which involve the interpretation of the IRO and IRD's administrative practices, IRD and the Joint Liaison Committee on Taxation (JLCT) are working together to conduct in-depth reviews on these as appropriate. The Administration believes that most of the issues have been or could be dealt with through the issuance of new or revised Departmental Interpretation and Practice Notes;
- (c) For those issues with no details given, IRD will approach the parties concerned to better understand the

Proposed timing for discussion at Panel meeting

problems; and

- (d) FSTB has forwarded the submissions to JLCT, and will keep the Panel informed of any substantial comments from JLCT.

To facilitate members' consideration of Hon TAM Heung-man's suggestion for the Panel to discuss the above subject at a future meeting, the Administration has been invited to update the Panel in writing on the progress of the actions referred to in items (b), (c) and (d) above before the end of December 2005. Members were informed of the position vide LC Paper No. CB(1)2260/04-05 issued on 13 September 2005.

The Administration provided a further written response with an update on the actions referred to in items (b), (c), and (d) above in January 2006. The written response was issued to members vide LC Paper No. CB(1)985/05-06(01) on 27 February 2006.

11. Introduction of a new category of "travel insurance agents"

At the Panel meeting held on 4 July 2005, members were briefed on the Administration's proposal to introduce a new category of "travel insurance agents" to facilitate travel agents to be registered as insurance agents for the sale of travel insurance. Members expressed reservation on whether the proposal was the best option to achieve the policy objective of encouraging Hong Kong people to take out travel insurance before they travel. The Administration was requested to give further thought to the proposal and consider how the grave concern expressed by the insurance intermediaries could be addressed.

To be confirmed

At the Panel meeting held on 5 December 2005, members were briefed on the progress of the proposal. Members noted that the insurance industry had accepted the proposal after further discussion with the Administration. The Administration was requested to report to the Panel on the implementation of the "travel insurance agents" registration

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system about one year after the implementation of the system, including information on the number and percentage of travel agents who have passed the “Travel Insurance Agents Examination” and registered under the system, and the Administration’s assessment of the effectiveness of the registration system and the impact of the system on the professional standards of insurance intermediaries.

12. Proposal on sale and outsourcing of the funding and administration of loans made to students

At the Panel meeting held on 5 January 2006, the Administration briefed Members on its plan to sell off the portfolio and outsource the funding and administration of non means-tested student loans to the private sector. Given the possible impact of the proposal on the students having loans under the two non-means tested loan schemes concerned, Members urged the Administration to consult the Panel on Education (Education Panel) and relevant student bodies on the proposal before reverting to the Panel.

To be confirmed

When the subject was discussed at the special meeting of the Education Panel held on 26 January 2006, the following motion was passed:

“本委員會反對政府將免入息審查學生貸款出售和外判予私營機構，並要求政府盡快完成檢討整個學生貸款計劃，以達至協助有需要之學生完成學業，而不至於畢業後長期負債。”

(English translation)

“That this Panel opposes the sale of the Government’s non-means-tested student loan portfolio and the outsourcing of the funding and administration of these loan schemes to the private sector, and requests that the overall review of all student loan schemes be completed expeditiously for the purpose of providing assistance to the needy students to enable them to finish their studies without having to repay debts over a prolonged period of time after graduation.”

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13. Review of the Personalized Vehicle Registration Marks Scheme

At the request of the Bills Committee on Revenue (Personalized Vehicle Registration Marks) Bill 2005, the Administration undertook to conduct an overall review of the captioned Scheme one year after its implementation and report the outcome of the review to the relevant Panel. The Bills Committee has referred the issue to the Panel for follow-up action.

To be confirmed

The Administration has been invited in February 2006 to report the outcome of the review to the Panel in due course.

Council Business Division 1
Legislative Council Secretariat
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