By fax: 2527 0790

CB1/PL/FA
2869 9244
2869 6794

28 June 2006

Secretary for Financial Services and the Treasury
(Attn: Mrs Millie NG)
18th floor, Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

Dear Millie,

<div align="center">

Panel on Financial Affairs
Follow-up to meeting on 4 May 2006

Progress of preparation of Basel II Capital and Disclosure Rules

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I refer to the information paper provided by the Administration on the above subject on 23 June 2006 and our subsequent telephone conversations.

To facilitate the Panel to consider the need to set up a subcommittee (either under the Panel or the House Committee) to study the draft Capital and Disclosure Rules before the two sets of Rules are tabled before the Legislative Council (LegCo) in October and November 2006 respectively for negative vetting, I should be grateful if the Administration would provide the following information:

(a)   Whether both Capital and Disclosure Rules need to be in place before the implementation of Basel II in Hong Kong on 1 January 2007;

(b)   When the final draft Capital Rules is expected to be ready for issue to LegCo Members (e.g. late August 2006); and

(c)   When the final draft Disclosure Rules is expected to be ready for issue to LegCo Members (e.g. late September 2006).

Given that the subject matter may be considered by the Panel at its meeting on 3 July 2006, I should be most grateful if you would let me have the Administration's written response (in both Chinese and English) by 29 June 2006.   Please forward the soft copy of the written response to Ms May LEUNG at mleung@legco.gov.hk.

Please note that unless the Administration raises objection, the written response provided to the Panel will be made available to the media and public and placed in the Library of LegCo.   The written response will also be available on the Web Site of LegCo on the Internet.

Yours sincerely,

(Miss Salumi CHAN)
Clerk to Panel

c.c.   Hon Bernard CHAN, JP (Chairman)
        Mr Andy CHING, Senior Manager/HKMA   (Fax: 2509 9159)