

Panel on Financial Affairs

List of follow-up actions arising from discussions in previous sessions and the current session

(Position as at 3 January 2007)

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
1. Reinsurance cover for employee compensation insurance policies	20 December 2001	The Administration was requested to provide written reports, on a quarterly basis, on the up-to-date market situation of reinsurance coverage for terrorist activities on treaty arrangements and the Administration's assessment of the continued need for the \$10 billion facility as approved by Finance Committee on 11 January 2002.	The seventeenth quarterly report provided by the Administration was circulated to members vide LC Paper No. CB(1)102/06-07(01) on 19 October 2006.
2. Loan Guarantee Scheme for Severe Acute Respiratory Syndrome Impacted Industries	Referred by the Finance Committee at its meeting held on 25 April 2003	The Administration undertook to report the operation of the Scheme to the Panel one year after its implementation, and to submit progress report at six month intervals thereafter.	The sixth report on the operation of the Scheme was circulated to members vide LC Paper No. CB(1)221/06-07(01) on 2 November 2006.

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3. Proposal of re-structuring the filing fees for non-Hong Kong companies	3 January 2005	The Administration was requested to report to the Panel in due course on the situation about non-Hong Kong companies' compliance with the new requirement for them to file a full annual return. The report should include, inter alia, the statistics on compliance, non-compliance and late returns, enforcement actions taken/to be taken (if any), and measures proposed by the Administration to improve the situation.	Information awaited.
4. Progress report on proposed measures to address risks arising from securities margin financing	6 February 2006	<p>Members noted that the proposal of imposing a 180% re-pledging limit on securities margin financing (SMF) providers and the long-term measure of complete segregation of collateral of borrowing and non-borrowing margin clients would have cost implications on SMF providers and their clients. In this connection, members requested the Securities and Futures Commission (SFC) to provide the following information:</p> <p>(a) The number of SMF providers that were likely to be affected by the 180% re-pledging limit;</p> <p>(b) The impact of the long-term measure of complete segregation of collateral of borrowing and non-borrowing margin clients:</p> <p>(i) on the operating cost of SMF providers, including the respective impact on small,</p>	The required information for item (a) and the interim reply for item (b) provided by the Administration was issued to members vide LC Paper No. CB(1)1023/05-06(01) on 3 March 2006. The Administration's further response on item (b) awaited.

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		<p>medium and large-sized SMF providers; and</p> <p>(ii) on borrowing and non-borrowing margin clients, including the likely increase in service fees paid by them.</p>	
<p>5. Policies on remuneration for and post-termination employment of senior executives of the Hong Kong Monetary Authority and Securities and Futures Commission</p>	<p>4 May 2006</p>	<p>Regarding the reviews being conducted on the policies on post-termination employment of senior executives of the Hong Kong Monetary Authority (HKMA) and SFC, members suggested that reference be made to the improved arrangements introduced for directorate civil servants on 1 January 2006. In this connection, the Governance Subcommittee (GSC) of the Exchange Fund Advisory Committee and the SFC were invited to inform the Panel of the outcome of their reviews in writing in due course.</p>	<p>The written response from the GSC Chairman was issued to members vide LC Paper No. CB(1)182/06-07(01) on 27 October 2006.</p> <p>Response from SFC awaited.</p>
<p>6. Review of the Mandatory Provident Fund Schemes Compensation Fund</p>	<p>3 July 2006</p>	<p>In response to members' concern about the review of collection of levy and reserve level of the Mandatory Provident Fund Schemes Compensation Fund (Compensation Fund), the Mandatory Provident Fund (MPF) Schemes Authority undertook to:</p> <p>(a) explore feasible measures to improve provision of services to members of MPF Schemes; and</p>	<p>Response awaited.</p>

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		<p>(b) work out a model/mechanism for determining the optimum level of the Compensation Fund and provide a progress report to the Panel in 18 months' time. The progress report would also cover information on the assessment of the risks arising from claims, if any, to the Compensation Fund.</p>	
<p>7. Regulation of securities firms</p>	<p>29 September 2006</p>	<p>(a) The Administration was requested to liaise with SFC and provide the Panel with the following information:</p> <p>(i) Number of meetings between SFC staff and/or staff of the Financial Services and the Treasury Bureau with the clients of the following three securities firms since the issuance of restrictions notices to the firms:</p> <ul style="list-style-type: none"> ● Whole Win Securities Limited; ● Tiffit Securities (Hong Kong) Limited; and ● Wing Yip Company Limited. <p>(ii) Information on investor compensation in respect of cases of securities firms failure in the past two years (including the three</p>	<p>The written response from the Administration and SFC on item (a) was circulated to members vide LC Paper No. CB(1)203/06-07(01) on 1 November 2006.</p> <p>Response from PRP on item (b) was issued to members vide LC Paper No. CB(1)306/06-07(02) on 17 November 2006. Further response from PRP would be kept in view.</p>

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		<p>recent cases mentioned in item (a)(i) above), including a breakdown of the cases by the following items:</p> <ul style="list-style-type: none"> ● Number of clients affected; and ● Amount of compensation paid to the affected clients through the Investor Compensation Fund. <p>(b) To address a member's concern on whether the misconduct involved in the three cases mentioned in item (a)(i) above could have been uncovered at an earlier stage and in view of the advice given by the Chief Executive Officer of SFC that the internal operational procedures of SFC were subject to review by the Process Review Panel of SFC (PRP), the PRP was invited to review the three cases mentioned above, including aspects set out in the letter dated 3 October 2006 to PRP (LC Paper No. CB(1)306/06-07(01)).</p>	
8. Issues relating to change in shareholding in PCCW Limited (PCCW)	23 November 2006	(a) Noting from the paper provided SFC and The Hong Kong Exchanges and Clearing Limited (HKEx) (Last paragraph of LC Paper No. CB(1)308/06-07(01)) that "listed issuers are subject to a general requirement to ensure announcements are accurate and complete in	Concerns noted by the Administration/ SFC/ HKEx for consideration. Consolidated response from SFC and the Stock Exchange of Hong Kong was issued to members vide LC Paper

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		<p>all material respects and not misleading or deceptive", members had requested SFC/HKEx to advise the Panel of the following, where practicable:</p> <ul style="list-style-type: none">(i) Whether investigation had been carried out on the compliance or otherwise with the above-mentioned general requirement by parties concerned in making public announcements relating to the proposed sale of shares of PCCW;(ii) If the answer to (i) above was in the affirmative, to provide the Panel with the findings of the investigation and to address members' concern about whether the interests of minority shareholders of PCCW had been adequately safeguarded; and(iii) If SFC/HKEx decided against disclosing the information requested in (i) and (ii), the statutory basis or policy consideration for such a decision. <p>(b) SFC/HKEx were requested to provide a more detailed analysis of section 378(3)(a) of the Securities and futures Ordinance (SFO) (Cap.571), including the following:</p>	<p>No. CB(1)531/06-07(01) on 15 December 2006.</p>

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		<p>(i) the policy intent and interpretation of section 378 of SFO, including the application of the said section on cases where public interests were at stake; and</p> <p>(ii) whether HKEx was bound by the secrecy requirements under section 378 of SFO and if so, the relevant provisions in the section applicable to HKEx.</p> <p>The legal adviser to the Panel had also been invited to provide input, if necessary, on (i) and (ii). Members had also urged SFC/HKEx to seriously consider disclosing information on the proposed sale of PCCW's shares to allay public concerns about irregularities, if any.</p> <p>(c) Members were concerned about the factors/circumstances which had been considered by the Takeovers Executive of SFC in arriving at the ruling that there was not sufficient evidence that Mr Francis LEUNG, Mr LI Ka-shing and the two LI Ka-shing foundations were acting in concert in respect of the sale of PCCW's shares, in particular whether any exemption had been granted. In this connection, members had urged SFC to consider publishing its ruling and the underlying reasons pursuant to paragraph 16.3</p>	

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		of the Introduction of The Codes on Takeovers and Mergers and Share Repurchases.	

Council Business Division 1
Legislative Council Secretariat
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