

LegCo Panel on Financial Affairs

List of follow-up actions arising from discussions in previous sessions
(Position as at 3 November 2006)

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. Proposal to write off a judgement debt	6 June 2005	Members considered that the Administration had not provided the Panel with sufficient information for consideration of the 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. 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, as set out in LC Paper No. CB(1)2013/04-05(01) issued on 8 July 2005.	The Administration's response awaited. The Administration proposes to further consult the Panel on the proposal in due course.

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<p>5. Progress report on proposed measures to address risks arising from securities margin financing</p>	<p>6 February 2006</p>	<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> <ul style="list-style-type: none"> (a) The number of SMF providers that were likely to be affected by the 180% re-pledging limit; (b) The impact of the long-term measure of complete segregation of collateral of borrowing and non-borrowing margin clients: <ul style="list-style-type: none"> (i) on the operating cost of SMF providers, including the respective impact on small, medium and large-sized SMF providers; and (ii) on borrowing and non-borrowing margin clients, including the likely increase in service fees paid by them. 	<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.</p>

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<p>6. 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 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>7. Impact of branch closure of banks on the public</p>	<p>3.7.2006</p>	<p>To address members' concern about the impact of branch closure of banks on the public, the Administration and the Hong Kong Association of Banks (HKAB) were requested to explore, in collaboration with other parties concerned, feasible measures for provision of basic banking services to the public in various districts, taking into consideration the suggestions/views expressed by members as set out in LC Paper No. CB(1)2087/05-06(01) issued on 4 August 2006.</p>	<p>An interim reply from HKAB was issued to members vide LC Paper No. CB(1)181/06-07(01) on 27 October 2006. Further response awaited.</p>

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8. Review of the Mandatory Provident Fund Schemes Compensation Fund	3.7.2006	<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>(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>	Response awaited.
9. Regulation of securities firms	29.9.2006	<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</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 on item (b) awaited.</p>

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		<p>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 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</p>	

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		<p>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 the following aspects:</p> <ul style="list-style-type: none"><li data-bbox="981 608 1655 922">(i) whether the same “unusual patterns” or misconduct mentioned in paragraph 6 of the paper provided by SFC (LC Paper No. CB(1)2248/05-06(01)) had been identified in SFC’s previous onsite inspections or previous examination of financial returns submitted by the three securities firms concerned;<li data-bbox="981 970 1655 1169">(ii) whether the actions taken and decisions made in relation to the three cases mentioned above were consistent with the relevant internal procedures and operational guidelines; and<li data-bbox="981 1217 1655 1409">(iii) if the answer(s) to item (i) and/or item (ii) above were in the affirmative, whether the SFC’s internal procedures and operational guidelines were adequate in ensuring the effective performance of SFC’s regulatory	

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10. Rewrite of the Companies Ordinance	16 October 2006	<p>The Administration undertook to provide a paper to update the Panel on the progress of the exercise to rewrite the Companies Ordinance (Cap. 32), including the following items:</p> <ul style="list-style-type: none"> (a) Work plan and timeframe for undertaking various tasks at different stages of the exercise, and the progress made so far; (b) Financial resources allocated for the exercise and the amount of expenditure incurred so far; and (c) Number and rank of posts created for the exercise, and the number and rank of officers appointed so far. 	<p>The Administration's response was circulated to members vide LC Paper No. CB(1)228/06-07(02) on 3 November 2006.</p>
11. Regulation of the derivative warrants market	16 October 2006	<p>The Administration undertook to liaise with SFC for providing the Panel with a progress report on the proposals put forward by SFC in November 2005 for strengthening the existing regulatory framework following its comprehensive review of the derivative warrants market.</p>	<p>Progress report provided by SFC was circulated to members vide LC Paper No. CB(1)228/06-07(03) on 3 November 2006.</p>