

立法會
Legislative Council

LC Paper No. CB(1)1774/07-08
(These minutes have been seen
by the Administration)

Ref : CB1/PL/FA/1

Panel on Financial Affairs

Minutes of meeting
held on Monday, 5 May 2008 at 10:45 am
in the Chamber of the Legislative Council Building

Members present : Hon CHAN Kam-lam, SBS, JP (Chairman)
Hon Ronny TONG Ka-wah, SC (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon James TO Kun-sun
Hon Bernard CHAN, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS
Hon CHIM Pui-chung
Hon TAM Heung-man

Members attending: Hon WONG Kwok-hing, MH
Dr Hon Fernando CHEUNG Chiu-hung

Member absent : Hon SIN Chung-kai, SBS, JP

**Public officers
attending**

: Agenda Item IV

Financial Services and the Treasury Bureau

Ms Angelina KWAN

Principal Assistant Secretary for Financial Services and
the Treasury (Financial Services)

Miss Clara CHAN

Assistant Secretary for Financial Services and the
Treasury (Financial Services)

Hong Kong Monetary Authority

Mr Raymond CHAN

Head of Banking Policy Division

Agenda item V

Professor K C CHAN, SBS, JP

Secretary for Financial Services and the Treasury

Mr Kevin HO

Permanent Secretary for Financial Services and the
Treasury (Financial Services)

Agenda item VI

Professor K C CHAN, SBS, JP

Secretary for Financial Services and the Treasury

Mr Stanley YING

Permanent Secretary for Financial Services and the
Treasury (Treasury)

Ms Shirley LAU

Principal Assistant Secretary for Financial Services and
the Treasury (Treasury)

**Attendance by
invitation**

: Agenda item IV

Hong Kong Association of Banks

Mr Raymond LEE

Acting Chairman (also Chief Financial Officer, Bank of
China (Hong Kong) Ltd)

Mrs Ann KUNG

Head of Channel Management (General Manager)
Bank of china (Hong Kong) Ltd

Ms Louisa CHEANG

Vice-Chairman (also Head of Personal Financial
Services, Area Management Hong Kong, The Hong Kong
and Shanghai Banking Corporation Ltd)

Mrs Bethy TAM

Vice-Chairman (also Chief Operating Officer, Standard
Chartered Bank (Hong Kong) Ltd)

Mr TONG Hon-shing

General Manager and Head of Personal Banking Division
Bank of East Asia, Ltd

Mr Shigekatsu NIWA

Head of Financial Institutions Department
Bank of Tokyo-Mitsubishi UFJ, Ltd

Ms Amy CHOI

Director of Sales and Distribution
Citibank (Hong Kong) Limited

Mr William TANG

Senior Manager
Wing Lung Bank Ltd

Ms Eva WONG

Secretary

Consumer Council

Ms Connie LAU

Chief Executive

Ms Vera TAM

Chief Research & Trade Practices Officer

Agenda item V

Mandatory Provident Fund Schemes Authority

Ms Hendena YU
Chief Operating Officer (Enforcement)

Ms Gabriella YEE
Chief Manager (Policy Development & Research)

Clerk in attendance: Miss Polly YEUNG
Chief Council Secretary (1)5

Staff in attendance: Mr KAU Kin-wah
Assistant Legal Adviser

Ms Annette LAM
Senior Council Secretary (1)3

Ms Rosalind MA
Senior Council Secretary (1)8

Ms Sharon CHAN
Legislative Assistant (1)8

Action

I. Confirmation of minutes of meeting and matters arising

(LC Paper No. CB(1)1381/07-08 — Minutes of meeting on 8 April 2008)

The minutes of the meeting held on 8 April 2008 were confirmed.

II. Information papers issued since the last meeting

(LC Paper No. CB(1)1238/07-08(01) — Administration's paper on first quarterly report of 2008 on Employees Compensation Insurance — Reinsurance Coverage for Terrorism

LC Paper No. CB(1)1183/07-08 — Rewrite of the Companies Ordinance — Consultation Paper on Company Names, Directors' Duties, Corporate Directorship and Registration of Charges

LC Paper No. CB(1)1394/07-08(01) — Administration's paper on the loan guarantee scheme for severe acute respiratory syndrome impacted industries)

2. Members noted that the above papers had been issued for the Panel's information.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)1379/07-08(01) — List of outstanding items for discussion

LC Paper No. CB(1)1379/07-08(02) — List of follow-up actions)

Regular meeting in June 2008

3. Members noted that as agreed at the meeting held on 8 April 2008, the regular meeting in June would be re-scheduled to Tuesday, 10 June 2008 to facilitate the attendance of the Financial Secretary (FS). Members agreed to discuss the following items at the meeting to be held on 10 June at 2:00 pm:

- (a) Proposal to write off a judgement debt; and
- (b) Briefing by the Financial Secretary and other officials on Hong Kong's latest overall economic situation.

4. On item (b), the Chairman drew members' attention that at the House Committee meeting on 2 May 2008, Members expressed the view that issues related to inflation should be examined at a meeting of the Panel on Financial Affairs. He sought members' views on including the discussion on inflation and related issues in the briefing by FS. Mr James TIEN agreed with the proposed arrangement and suggested that in addition to FS and the Government Economist who would attend the briefing under the existing practice, other public officers including the Chief Executive of the Hong Kong Monetary Authority (CE/HKMA) and the Secretary for Financial Services and the Treasury (SFST) should also be invited. Members present raised no objection to the proposed arrangement. The Chairman therefore directed the Clerk to invite the relevant public officers to attend the briefing on 10 June 2008

for discussion of latest macro-economic situation, including issues related to inflation.

5. The Chairman also informed members that the Administration's briefing on the progress of the Companies Ordinance rewrite exercise was originally scheduled for this meeting and then deferred to the June meeting. The Administration had subsequently advised that the topical public consultations on several subjects of the Companies Ordinance were being conducted and preliminary feedback from the public on the proposals would not be available until October/November 2008. The Administration therefore proposed to defer discussion of the item to a meeting in late 2008. Members raised no objection to the Administration's proposed arrangement.

(Post-meeting note: Notice of the meeting to be held on 10 June 2008 was issued to members vide LC Paper No. CB(1)1452/07-08 on 6 May 2008.)

Special meeting on 30 June 2008

6. The Chairman reminded members that a special meeting had been scheduled to be held on 30 June 2008 at 2:30 pm for the Panel to receive views of organizations/individuals on the proposal to increase employees' control over Mandatory Provident Fund (MPF) investment.

IV. Impact of banks' branch closure and fee-charging on the public

(LC Paper No. CB(1)1379/07-08(03) — Administration's paper on impact of banks' branch closure and fee-charging on the public

LC Paper No. CB(1)1379/07-08(04) — Submission from the Hong Kong Association of Banks (English version only)

LC Paper No. CB(1)1379/07-08(05) — Submission from the Consumer Council

LC Paper No. CB(1)1380/07-08 — Updated background brief on the impact of banks' branch closure and fee-charging on the public prepared by the Legislative Council Secretariat)

Presentation by the Hong Kong Association of Banks

7. With the aid of a power-point presentation, Mr Raymond LEE, Acting Chairman of the Hong Kong Association of Banks (HKAB), briefed members on the latest development on initiatives taken by the banking sector to improve the provision of basic banking services to the public since the last Panel meeting on 2 April 2007. He highlighted the salient points as follows:

- (a) Bank branches and ATM distribution
 - (i) The number of bank branches had increased by 38 from 1 226 in December 2006 to 1 264 in December 2007.
 - (ii) The number of Automated Teller Machines (ATMs) had increased by 138 from 2 409 in December 2006 to 2 547 in December 2007.
 - (iii) According to a survey commissioned by the HKAB and conducted by the University of Hong Kong, over 80% of the interviewees found the current ATM services provided by the two major ATM networks convenient. On average, each user made cash withdrawal and fund transfer etc through ATMs twice a week.
- (b) Channel preference of banking customers
 - (i) Statistics on financial transactions of five major banks showed that non-branch channels such as the Internet and other electronic channels had become increasingly popular. Internet banking, ATM and phone banking accounted for 39%, 36% and 13% respectively of the financial transactions conducted in year 2007. Transactions at bank branches stood at 12%, compared with 23% in 2003. The number of personal Internet banking accounts had increased by 172% to 4.9 million in December 2007 from 1.8 million in December 2003. Customers over 65 years of age had made more use of different non-branch channels.
- (c) Review of industry initiatives
 - (i) With the addition of the chain of Circle K convenience stores, the number of retail outlets providing cash withdrawal services through Easy Pay System (EPS) facilities had grown significantly from 508 outlets in December 2006 to 775 in December 2007. The number of cash withdrawal transactions made through retail outlets had risen by 48% to about 450 000 during the same period.

- (ii) The number of banks and retail outlets providing cash withdrawal services inside public housing estates and Home Ownership Scheme (HOS) estates or within 10 minutes walking distance from such estates had increased by 17% from 2 282 in December 2006 to 2 674 in December 2007, covering 94% of public housing estates and HOS estates. More than 40 bank branches /ATMs were newly set up in retail facilities managed by the Link Management Limited (the Link) and Housing Authority (HA).
 - (iii) The combined results of two surveys conducted at elderly centres by HKAB found that the ATM Education Campaign had been effective in promoting awareness and the use of ATMs among the elderly. 21% of the respondents already had ATM cards, while 17% would consider applying for an ATM card.
- (d) Plan for the remaining months of 2008
- (i) The banking industry would continue to build on the success of the community-wide ATM Education Campaign, including developing a computer simulation program to teach the elderly how to use ATMs.
 - (ii) The banking industry would work closely with the Link and HA to set up new bank outlets in public housing estates.

8. Mr Raymond LEE said that despite the global trend of migration to automated channels, the banking industry would strive to provide convenient banking services to meet the needs of different customer groups. However, as Hong Kong's financial service sector was highly competitive, the banking industry had to operate according to sound commercial principles while striving to fulfil their corporate social responsibilities.

Presentation by the Consumer Council

9. At the invitation of the Chairman, Ms Connie LAU, Chief Executive of Consumer Council (CC) briefed members on CC's observations and suggestions as follows:

- (a) Opening and closing of branches
 - (i) Of the 105 bank branches opened in various districts in Hong Kong between January 2006 and March 2008 as reported in the Administration's paper, 68 (about two-thirds) provided basic deposit and withdrawal services to all account holders,

while 37 (one-third) offered services to selected customer segments only, such as premium account holders and small and medium enterprises.

- (ii) CC's study on the opening and closure of bank branches by 19 banks revealed a net increase of 35 branches (3.5%) from 999 in July 2006 to 1 034 in January 2008. The opening and closure of branches was found in both busy districts (e.g. Wanchai, Yau Tsim Mong) and non-busy districts (e.g. Sai Kung, Northern District). A few opened in remote (e.g. Tuen Mun) and/or low-income districts (e.g. Kwun Tong, Sham Shui Po).
 - (iii) In relation to a bank's plan to increase ATMs in public housing estates and to expand its branch network in Hong Kong, CC considered that the banking industry had taken proactive steps to realize its corporate social responsibilities in response to the needs of the community, particularly the underprivileged groups.
 - (iv) CC suggested that the Administration, HKMA and HKAB should continue to monitor the provision of basic banking services, particularly in low-income districts, and liaise with HA on the feasibility of increasing the provision of bank branch services in public housing estates.
- (b) Problems encountered by customers when using ATMs
- (i) ATM-related complaint cases received by CC had gone up from 21 in 2005 to 27 in 2006 and 35 in 2007. Eight complaints were received from January to March 2008. There was an increase in complaints about the accuracy and reliability of ATMs, involving the amounts of money ranging from \$500 to \$20,000.
 - (ii) CC suggested that while actively promoting the use of ATM services, banks should enhance the accuracy and reliability of the ATM system. Complaint statistics and data on ATM accuracy and reliability should be released periodically to enhance transparency and consumer protection. The Hong Kong Monetary Authority (HKMA) and the banking sector should agree on a reasonable timeframe for investigating and responding to consumer complaints.

Discussion

Provision of basic banking services for the elderly and underprivileged

10. Miss TAM Heung-man noted that according to CC's study, there was only a net increase of 35 (3.5%) bank branches from July 2006 to January 2008. While there was an increase of five new branches in the Central & Western District and four in Wanchai District, only two new branches were set up in Wong Tai Sin District which had a predominantly elderly population. As a result, the elderly persons had to either walk a long distance or incur traveling expenses to get to a nearby bank branch. Miss TAM doubted the effectiveness of the ATM Education Campaign in enhancing senior citizens' understanding in the use of ATMs. She called on the banking industry to make available more branch channels for the provision of basic banking services in districts with a predominantly elderly population.

11. In response, Mr Raymond LEE remarked that the opening and closure of bank branches was the commercial decision of individual banks. To assist senior citizens, service Ambassadors were deployed at bank branches to assist customers in learning to use e-channels. Publicity and education campaigns would be stepped up to build on the success of the community-wide ATM education campaign and the industry-wide simplified ATMs to facilitate use by the elderly.

12. Mr Fernando CHEUNG was disappointed that the Administration and HKAB had not implemented the improvement measures as recommended by CC at the Panel meeting held on 2 April 2007, such as a more transparent fee waiver policy, free ATM services to disadvantaged customers, waiver of bank fees and charges for disadvantaged groups such as recipients of welfare payments, the introduction of mobile branches in underprivileged areas, and enabling cash withdrawals at retail outlets without making any purchase etc. He was concerned that many of the bank branches were located in the basement or upper floors in office buildings that were not readily accessible by disabled persons. He expressed regret that the banking industry had not fulfilled its corporate social responsibilities.

13. Referring to the low utilization of non-branch channels by customers over 65 years of age as shown in HKAB's power-point presentation (slide 12), Ms Emily LAU expressed reservation over CC's view made in the paper that the banking sector had taken proactive moves in response to the needs of the community. She enquired whether CC had compiled any statistics on the utilization of non-branch channels by the elderly and the underprivileged. She also raised the question of whether banks should be required to seek approval for opening and closing bank branches.

14. Ms Connie LAU replied that CC did not have such statistics as referred in HKAB's presentation. She stressed that CC, as a consumer watchdog, attached great importance to safeguarding the interests of consumers, particularly the disadvantaged groups. In its study report in 2007 on the impact of branch closure and fee increases on disadvantaged consumers, CC had urged the banking sector to consider various measures to enhance the provision of basic banking services. Ms LAU said that some

banks opened branches at different locations within the same district upon the closure of old branches, but some banks closed their branches without re-opening any in the same district. While the opening and closure of branches was a commercial decision of individual banks, CC was of the view that as a matter of principle, basic banking services should be made available to the underprivileged in each district, particularly in public housing estates and low-income areas. She assured members that CC would continue to keep a close watch on the provision of basic banking services. At the Panel's request, Mr Raymond LEE said that HKAB would endeavour to provide, as far as practicable, information and statistics which CC might need in conducting its study on consumer needs for basic banking services.

HKAB

15. In response to Mr Albert HO's enquiry, the Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) (PAS/FS) confirmed that as advised by the Social Welfare Department, CSSA recipients were free to choose the banks for autopayment of their social welfare payments. Arrangements had been put in place since November 2006 to standardize the date of receipt of social welfare payments by all recipients no matter which banks their accounts were with.

Banking facilities at premises managed by the Housing Authority and the Link

16. Referring to Annex A of the Administration Paper No. CB(1)1379/07-08(03), Mr Fernando CHEUNG expressed concern that as at 31 March 2008, ATMs and ATMs at convenience stores and bank branches were provided at only 12 of the 53 retail facilities being managed by the HA. Noting that 38 new bank branches and 138 new ATMs were set up in 2007, he sought details on the number, location and distribution of such new branches and ATMs that were provided in public housing estates.

17. PAS/FS explained that banking facilities provided at premises managed by the Link had not been included in Annex A because the Link was not part of the Administration. As advised by HA, 52 out of 53 public housing estates managed by it were served by banking facilities located in or within a 10-minute walking distance of the estates. She stressed that the accessibility of banking services for public housing estate residents was satisfactory. The statistics provided by HKAB showed that the number of cash withdrawal points in or within a 10 minute-walking distance of public housing estates and HOS estates had increased by 392 (i.e.17%) from 2 282 in December 2006 to 2 674 in December 2007, covering 94% of public housing estates and HOS estates. At the request of Mr Fernando CHEUNG, Mr Raymond LEE, acting Chairman of HKAB, agreed to provide a more detailed breakdown, as far as practicable, on the number, location and distribution of new branches and ATMs provided in public housing estates.

HKAB

18. Mr WONG Kwok-hing commented that the banking sector had increasingly targeted its services at economically active customers at the expense of fulfilling its corporate social responsibility. Instead of relying primarily on the cooperation of the banking sector, Mr WONG asked what measures and incentives would be provided by the Government to encourage banks to provide basic banking services in public

housing estates. In response, PAS/FS said that the Administration had been working closely with HKAB on measures to address concerns about the provision of basic banking services in the community. The Administration participated in the discussion of the Task Force on Financial Service Delivery Channels (Task Force) and reflected the views of the Legislative Council and the general public to HKAB on an ongoing basis. Direct dialogue between HA and HKAB on the provision of banking services in retail facilities under HA's management was also underway. Without compromising the general market rent policy for commercial premises in public housing estates under its management, HA adopted a flexible approach in designating and letting out premises for banking facilities. It had implemented a package letting arrangement which allowed flexibility in rental discussion. It also carried out necessary improvement works in the relevant premises to meet the layout and structural requirements of prospective bank tenants. PAS/FS added that HA was actively considering two suggestions put forward by HKAB in its letter of April 2008, namely, provision of smaller sites of around 6 to 8 square metres for standalone ATMs and reservation of sites with more pedestrian flow and better accessibility. To further facilitate provision of banking services in public housing estates, HA would be encouraged to identify and propose suitable premises for rental by the banking industry in due course.

Interconnecting the major ATM networks

19. Mr Ronny TONG enquired about the progress on members' suggestion to interconnect the two main ATM networks in Hong Kong, namely, the Electronic Teller Card (ETC) and the Joint Electronic Teller Services Limited (JETCO) systems so that cash deposit and withdrawal through ATMs could be made among different member banks of ETC and JETCO. He was concerned that remote and low-income areas were not adequately served by both ATM networks. For areas served by only one ATM network, customers of the other network would have to travel to the other ATM facility for basic cash withdrawal and deposit services. Mr TONG urged the Administration and the HKAB to assume a more active role in facilitating an early interface of the two networks. Sharing a similar view, Mr Albert HO questioned whether a target date had been set for implementing interconnected ATM services. In the event that interconnection of the two networks was not feasible, Mr HO opined that every district should be served by both ATM networks, and this factor should be taken into account when planning the location and distribution of ATMs.

20. Mr Raymond LEE responded that the HKAB had provided the relevant findings of the feasibility study on ATM interconnection to the ETC and JETCO operators for their consideration. While HKAB appreciated the general support of the public for ATM interconnection, Mr LEE stressed that it remained a commercial decision of the operators. He understood that the two network operators were actively considering the feasibility of interconnection and related issues such as the administration charge. Furthermore, HKAB and its member banks had endeavoured to address concerns about access to banking services by the public through alternative channels such as cashback service at retail outlets and chained convenience stores, and would work closely with EPS to further expand vendor

HKAB

coverage. At Mr Ronny TONG's request, Mr LEE agreed to provide after the meeting information on the availability and distribution of ETC and JETCO machines in various districts.

21. While interconnection of the two ATM networks might result in a reduction in the overall number of ATMs to minimize overlap, the Chairman considered that interconnection would give bank customers the flexibility of using both networks, and would eventually lead to more outlets for basic banking services. He called on the Administration and HKAB to expedite the study on the feasibility of interconnection.

Measures to facilitate the use of e-banking

22. Given the global trend of migration to automated channels, Mr Jeffrey LAM suggested that specific education initiatives such as training classes and seminars should be jointly organized with elderly centres and district organizations to promote the use of ATMs and other electronic channels by the elderly and disadvantaged groups. In response, Mr Raymond LEE said that an ATM Education Campaign featuring eight exhibitions were held in various districts between March to December 2007. These were supported by the distribution of educational materials such as leaflets, ATM location maps, VCDs and posters, throughout the territory at exhibitions, bank branches, shopping centres, public housing estates, elderly homes, elderly centres, public libraries and district offices. Service Ambassadors were deployed at branches to teach the elderly how to use ATMs. In the coming months, member banks would continue to build on the success of the community-wide ATM Education Campaign and would cooperate with elderly centres/charity organizations to organize a series of talks for the elderly and develop a computer simulation programme to demonstrate the use of ATMs step by step to the elderly.

23. The Chairman considered that access to ATM facilities could be further simplified by the use of finger-prints and other biometric authentication in lieu of personal identification number (PIN) to facilitate elderly people's use of ATM facilities. Mr Raymond LEE advised that HKAB had provided a written submission giving details on a number of issues raised at the last Panel meeting. The use of biometric authentication as a substitute for PIN in accessing ATMs was still at an experimental stage and was not widely adopted globally. In fact, in addition to the biometric identification process for physical security reasons, customers were also required to input a PIN code, thus resulting in more onerous procedures for customers. While the banking industry would monitor technology development in this respect, the use of biometric authentication as an alternative to PIN was not recommended at the present stage. Referring to the simplified ATMs launched across the territory since April 2007, Mr LEE stressed that the introduction of simplified ATM screens had helped to enhance the user-friendliness of ATMs for less experienced ATM users, in particular elderly customers.

Provision of banking services through post offices

24. Mr WONG Kwok-hing was concerned that the reduction in the number of bank branches had caused great inconvenience to some customers, in particular the elderly. He urged the Administration to actively explore the feasibility of providing withdrawal and deposit services through post offices. Mr Albert HO said that overseas experience had indicated that such an arrangement was viable. He considered that the Government should take the lead in setting a policy direction for the HongKong Post (HKP) and HKAB to work out the arrangement. Given that the matter had been under discussion for quite some time, he urged the Administration to clarify its policy stance. Mr Jeffrey LAM also asked the Administration to account for its position.

25. In response, Head (Banking Policy) of Hong Kong Monetary Authority (H(BP)/HKMA) advised that having regard to the overlap of the distribution network of post offices and bank branches, the Task Force considered that the provision of banking services through post offices might not be an effective policy option. PAS/FS said that the proposed provision of cash withdrawal and deposit services in post offices was beyond the statutory scope of functions allowed to be carried out by HKP. That said, should there be any relevant proposal from the banking industry (e.g. placement of the ATMs in post offices), HKP would proactively look into the possibility of providing assistance and facilitation. HKP also stressed that any such proposal should not adversely affect the existing quality of postal services or require cross-subsidization from postal services. PAS/FS highlighted that the implications of the suggestion had to be considered carefully. In addition to the need for legislative amendments, there were other practical considerations, such as the operational system, premises security, regulatory regime and resource implications, etc.

26. In response to Mr Jeffrey LAM, PAS/FS advised that provision of banking services in post offices was not a policy priority of the Administration and no resource would be allocated by the Administration for that purpose. Apart from the fact that the network of post offices might overlap with those of bank branches and ATMs, the Administration would need to put in tremendous resource in upgrading relevant systems and staff training should the proposal be taken forward. HKP, as a government department, was subject to various institutional and resource constraints. It was doubtful whether it could render flexible and competitive banking services comparable to commercial banks. In addition, it was not certain how the regulatory regime applicable to banks would apply to HKP if it provided banking services. She said that given the high penetration rate of banking services and the steady increase in the number of banking facilities over the past few years, banking services in Hong Kong had been maintained at a satisfactory level. PAS/FS assured members that the Administration would continue to work closely with the banking industry and make use of the Task Force as a forum to further explore options and initiatives to enhance the provision of basic banking services to meet the needs of the community.

Motion passed at the meeting

27. Miss TAM Heung-man and Ms Emily LAU considered that the banking industry had not catered for the needs of underprivileged groups and moved a motion in the following terms:

"鑒於銀行分行關閉及其設施和收費等仍未能照顧弱勢社群之需要，本委員會要求政府立即成立工作小組，評估及監察情況，並提出政策以改善銀行服務，以照顧老弱傷殘及低收入人士之需要。此工作小組應包括有關弱勢群體的代表及銀行公會及消委會代表。工作小組應在6個月後向本委員會提交報告。"

(English translation)

"That, as banks close their branches and their facilities and fee-charging etc. still fail to cater for the needs of the underprivileged groups, this Panel requests the Government to establish a working group immediately for assessing and monitoring the situation, as well as recommending policy initiatives to improve banking services so as to cater for the needs of the elderly, the underprivileged, the disabled and low-income earners. The working group should comprise representatives from the underprivileged groups concerned and those from the Hong Kong Association of Banks and the Consumer Council, and should submit its report to this Panel in six months' time."

28. The Chairman ruled that the motion was relevant to the agenda item under discussion and invited members to speak. Referring to the various initiatives implemented by the banking industry, such as the overall increase in new bank branches and ATMs, simplified ATM screens and the education campaign promoting the use of ATMs, H(BP)/HKMA pointed out that the banking industry had taken steps to respond to the needs of the community, in particular, the underprivileged. He advised that of the 13 banks that he had contacted, the majority had indicated plans to increase the number of bank branches.

29. In consideration that efforts had been made by the banking industry to enhance the provision of basic banking services, Mr Albert HO proposed an amendment to the motion to delete the first sentence referring to the banking industry's failure to address the needs of the underprivileged. Members agreed to the amendment.

30. The Chairman put the motion as amended by Mr Albert HO to vote. Of the members present at this juncture, four voted in favour of the motion. No member voted against it. The Chairman declared the motion passed.

(Post-meeting note: The Administration's response to the motion was issued to members vide LC Paper No. CB(1)1765/07-08 on 3 June 2008. To

facilitate follow-up, the subject has been included under the Panel's "List of outstanding items for discussion")

V. Proposal on government injection into accounts of members of the Mandatory Provident Fund Schemes and Occupational Retirement Schemes

(LC Paper No. CB(1)1379/07-08(06) — Administration's paper on proposal on government injection into accounts of members of the Mandatory Provident Fund Schemes and Occupational Retirement Schemes)

Briefing by the Administration

31. At the invitation of the Chairman, SFST briefed members on the Government's proposal to make a one-off injection of \$6,000 into accounts of members of the MPF schemes and MPF-exempted Occupational Retirement Schemes (ORSO schemes) if they each earned not more than \$10,000 a month. The proposal was announced by FS in the 2008-2009 Budget and was further expanded as elaborated by FS in his Budget Concluding Speech on 23 April 2008. In brief, the expanded proposal would also cover employees and self-employed persons (SEPs) who had recently terminated their employment and all those who had opted to join an ORSO defined benefit scheme rather than an MPF scheme, if the monthly income of their last employment between 1 March 2007 and 29 February 2008 did not exceed \$10,000. To implement the proposed injection, the Administration would need to introduce amendments to the Mandatory Provident Fund Schemes Ordinance (Cap. 485) to enable the MPFA to take necessary steps in collaboration with the MPF trustees and ORSO trustees/employers to implement the injection. The major legislative proposals were set out in paragraph 8 of the Administration's paper. Subject to members' views, the Administration would introduce a bill to implement the relevant legislative proposals as soon as possible in the current legislative session. The Administration hoped to commence injection of funds to relevant accounts within 2008-2009.

Discussion

32. Mr WONG Kwok-hing welcomed the proposal and commended the Administration for taking on board the suggestion to expand the scope of the proposal. Mr WONG was nevertheless concerned that as the accrued benefits in the MPF accounts could only be withdrawn by scheme members at the age of 65, the proposal could not provide immediate relief to low-income workers to cope with inflation. He suggested that consideration be given to allowing scheme members to withdraw their accrued benefits before the age of 65 under special circumstances.

33. In reply, SFST explained that the objective of the proposal was to enhance retirement protection and boost the savings of low-income workers for their retirement. Allowing scheme members to withdraw benefits before they reached the retirement age would not be in line with the intended objective. Regarding relief measures for the needy, SFST referred to the package of other initiatives announced in the 2008-2009 Budget to help low-income groups cope with the rising cost of living. Examples included the electricity charge subsidy and the provision of an additional one-month standard rate of Comprehensive Social Security Assistance payments etc.

34. Miss TAM Heung-man opined that in formulating budget proposals in future, the Administration should consider relief measures for the low-income and the disadvantaged groups in the form of cash assistance, in addition to injection to the MPF accounts. She was concerned whether the Administration would give due consideration to providing more immediate relief measures in future.

35. In this regard, SFST advised that the current proposal was a one-off measure to make good use of the fiscal surplus to enhance the retirement protection of low-income workers. However, he was not in a position to comment on future budget proposals at the present stage. On Miss TAM's further enquiry on the assistance rendered to the needy, SFST recapped that quite a number of measures had been proposed by FS in the 2008-2009 Budget to address the needs of low-income workers and disadvantaged groups in the face of inflation.

36. While noting that the expanded scope of the proposed injection would cover those who had terminated their employment within one year preceding the announcement of the injection proposal, Ms Emily LAU considered that the scope should be further expanded to cover all MPF scheme members holding preserved accounts irrespective of the termination date of their last employment. She enquired about the number of scheme members involved if the scope of the proposed injection would be further expanded according to her suggestion.

37. SFST advised that the proposed expansion to cover employees and SEPs currently unemployed and with monthly income not exceeding \$10,000 in their last employment between 1 March 2007 and 29 February 2008 was considered a balanced and practicable arrangement taking into consideration the policy intention of the proposal and the well-being of workers who were temporarily unemployed. The Chief Operating Officer (Enforcement), MPFA (COO/MPFA) informed members that there were about 2.6 million preserved accounts in the MPF schemes. As some scheme members were holding more than one preserved account, the actual number of members involved was likely to be less than 2.6 million. She nevertheless pointed out that some of the scheme members holding preserved accounts were currently in employment. The MPFA did not have statistics on the breakdown of scheme members by their employment status.

38. In this connection, Ms Emily LAU opined that implementation of her suggestion to further expand the scope of the proposed injection would not result in a

significant increase in the number of persons eligible for the one-off injection. She therefore called on the Administration to give serious consideration to her suggestion.

39. Dr Fernando CHEUNG opined that in addition to workers who had terminated employment, there were other economically inactive groups in the community who were not entitled to any retirement protection under the MPF System, such as housewives and persons with disabilities. Dr CHEUNG also pointed out that there had been wide public concern about the high level of fees and charges of MPF funds, which would have the effect of reducing up to 40% of the accrued benefits available to scheme members upon their retirement. Dr CHEUNG was concerned about measures to increase transparency and drive down the level of fees and charges so as to ensure that the public money injected into MPF accounts would achieve the purpose of enhancing the retirement protection of low-income workers, instead of paying hefty fees and charges.

40. In response, SFST pointed out that competition would bring market forces into full play and in turn drive down the fees and charges of MPF funds. COO/MPFA said that the MPFA had been working closely with scheme trustees to improve the transparency of fees and charges in the past few years, such as through the introduction of the Code on Disclosure for MPF Investment Funds and the Fee Comparative Platform. The initiatives implemented in the past few years had proved to be effective in lowering fees and charges of MPF funds. As a result of its ongoing review of the administration and efficiency of the MPF System, the MPFA had put forward a proposal to increase employees' control over MPF investment.

41. Dr Fernando CHEUNG enquired about the latest state of play of the proposal to increase employees' control over MPF investment. The Chairman said that this was a separate proposal and a special meeting had been arranged on 30 June 2008 for the Panel to receive deputations' views.

42. The Chairman was concerned whether the \$6,000 injection given to members of MPF-exempted ORSO schemes could be transferred to their ORSO accounts for consolidated management. In response, COO/MPFA advised that given the diversity of the governing rules of different ORSO schemes, the MPFA would need to discuss with the scheme trustees and/or employers on the detailed arrangements for the proposed injection. The MPFA took note of the Chairman's view.

VI. Electricity charge subsidy

(LC Paper No. CB(1)1379/07-08(07) — Administration's paper on electricity charge subsidy)

Presentation by the Administration

43. At the invitation of the Chairman, the Secretary for Financial Services and the Treasury (SFST) briefed members on the details of the proposal as announced by the Financial Secretary in the 2008-2009 Budget Speech to provide a subsidy of up to a maximum of \$1,800 to each residential electricity account to ease the pressure of inflation on households. A monthly subsidy of \$300 would be credited on the first day of each month for six consecutive months to each residential electricity account in existence with China Light & Power Hong Kong Ltd (CLP) and Hong Kong Electric Ltd (HEC), tentatively starting from 1 September 2008. It was proposed that the subsidy could be used under the same account over a period of three years. Subject to members' endorsement, the proposal would be submitted to the Finance Committee (FC) as soon as practicable for approval of a provision of \$4.4 billion.

Discussion

Passing on the benefit of the electricity charge subsidy to the needy

44. Given that the proposed electricity charge subsidy would benefit only the registered users/holders of residential electricity accounts, Miss TAM Heung-man was concerned that the most needy grassroot population, such as those who did not own a property, low-income earners and those who were not in receipt of Comprehensive Social Security Assistance (CSSA) or the Old Age Allowance payment, would not stand to benefit from the proposal. She called on the Administration to appeal to the landlords to pass on the electricity charge subsidy to their tenants where the rent payable was inclusive of electricity charges.

45. Mr Fernando CHEUNG pointed out that tenants renting a partitioned cubicle in a flat might not have their own electricity meter and would usually pay a fixed monthly sum to the landlord for use of electricity. He suggested that consideration be given to pass on the subsidy to the tenant concerned upon the production of a rental receipt showing the amount of electricity charges paid by the tenant to the landlord.

46. SFST advised that whether the landlord should pass on any amount of the subsidy to the tenant would depend on the terms of the tenancy agreement and was primarily a matter to be negotiated and agreed to by the parties concerned. The Administration considered it inappropriate to intervene in contractual matters between landlords and tenants, nor would it be practicable for the Government to make specific stipulation for individual cases. He stressed that the proposed subsidy was part of the overall Government policy objective to leave wealth with the people and to benefit the majority of households. He also referred members to the host of initiatives announced in the 2008-2009 Budget as well as ongoing measures targeted at helping the needy.

Time limit for the proposed electricity charge subsidy

47. While supporting the proposed subsidy, Miss TAM Heung-man noted that a time limit of three years was set for utilizing the \$1,800 subsidy. She asked whether

the Administration had conducted any study to ascertain whether the \$1,800 was likely to be exhausted in three years' time.

48. In response, SFST advised that about 15% of households in Hong Kong paid an average of not more than \$150 a month while another some 20% of the households paid an average of between \$150 to \$300 a month for electricity charges. The subsidy would enable these households to cover their electricity charges for about one year and six months respectively. It was expected that over 95% of the households would have fully utilized the subsidy within a period of three years.

49. Mr WONG Kwok-hing said that some elderly people, especially those residing in public housing estates, consumed very little electricity so as to save money. It was also common for some elderly people to stay in the Mainland for a certain duration as the living expenses across the border were relatively lower. As such, Mr WONG was concerned that these people might not have used up the subsidy within three years. He asked whether the Administration would consider exercising discretion to extend the three-year time limit to cater for the needs of these elderly people.

50. In this regard, the Permanent Secretary for Financial Services and Treasury (Treasury) PS(Tsy) replied that according to the information provided by the Electrical and Mechanical Services Department, an average of \$60 to \$70 a month for electricity charges would be incurred for the use of basic electrical appliances including lighting, a rice cooker, a fan, a TV set and a refrigerator. The \$1,800 subsidy, which averaged out to be \$50 a month, would therefore be expended by most households in three years. SFST added that it was necessary to set a time limit for the one-off subsidy and that it would be impracticable for the Administration to give special consideration for individual cases. He highlighted that in drawing up the proposal, due regard had been given to the need to devise an effective, equitable and transparent mechanism which would benefit the vast majority of households.

51. Mr WONG Kwok-hing did not subscribe fully to SFST's explanation and maintained his view that exceptional cases warranted special consideration and should not be handled in a routine and inflexible manner. He reiterated his call for the Administration to give due regard to exceptional circumstances and exercise discretion on compassionate grounds to extend the three-year limit so that the full amount of the subsidy could be exhausted.

52. In response to the Chairman's enquiry about any unused subsidy at the end of the three-year period, PS(Tsy) said that any unused credit would lapse at the end of the three-year subsidy period.

Disbursement of subsidy to the electricity companies

53. Mr WONG Kwok-hing noted that as at 1 April 2008, some 2.44 million residential electricity accounts with CLP and HEC were eligible for the subsidy and a provision of \$4.4 billion was required. He sought details on the disbursement

arrangements and was concerned that the subsidy credited to residential electricity accounts might generate considerable income in the form of interest for the two electricity companies. PS(Tsy) explained that the subsidy would be used to pay electricity charges to CLP and HEC having regard to the due dates of the electricity charges. For control purpose, the electricity companies were required to provide the Government with monthly reports on the number of accounts eligible for the credit, the amount of subsidy used in the month, and the amount of unused subsidy carried forward.

Environmental concerns

54. Miss TAM Heung-man was concerned that the subsidy might encourage households to consume more energy than would otherwise be necessary, thus exacerbating environmental problems such as air pollution. She asked what measures the Administration would put in place to avoid waste of energy.

55. Mr Ronny TONG shared the concern that the subsidy might encourage increased electricity consumption. Considering that the middle-income group would benefit from various tax concessions, he suggested that instead of making the subsidy available to all residential electricity account holders, the subsidy should be restricted to, for example, households paying no more than \$1,000 a month for electricity charges. He urged that consideration be given to setting the eligibility criteria for the subsidy in a way that would help promote energy saving and ensure the effective and proper use of public money.

56. SFST said that the Administration was keenly aware of the need for energy saving. He considered that the subsidy would not encourage unnecessary electricity consumption and cause environmental concerns. He pointed out that as the subsidy would be available for use over a period of three years and any unused subsidy in a month could be carried forward for paying electricity charges under the same account till expiry of the three-year period or the close of the account, whichever was the earlier, users would have sufficient time to fully utilize the subsidy. He did not see any reason for users to increase their normal electricity consumption just for the sake of exhausting the subsidy. Regarding Mr TONG's suggestion on prescribing eligibility criteria for the subsidy, SFST pointed out that it would be difficult and would involve high administration costs to delineate who could or could not benefit from the subsidy. He reiterated that the policy objective of the subsidy was to ease the pressure of inflation on households and to benefit the majority of the people of Hong Kong.

Other concerns

57. Mr Fernando CHEUNG sought clarification on whether the electricity charge subsidy granted to CSSA recipients would be counted as income and thus be deducted from their monthly allowance payable. In reply, PS(Tsy) informed members that the electricity charge subsidy would not lead to a reduction in the amount of CSSA payment to recipients.

58. In response to Mr WONG Kwok-hing's enquiry about the arrangements for households that had moved their residence during the three-year period, PS(Tsy) said that the subsidy was account-based. Therefore, a household that had moved to another residential address would take up the account of the new residential address and be entitled to the credit for that account.

Concluding remarks

59. The Chairman expressed support for the proposed electricity charge subsidy. Noting that members had no objection in principle to the proposed subsidy, he called on the Administration to submit the proposal to FC for approval as soon as practicable.

VII. Any other business

60. There being no other business, the meeting ended at 12:57 pm.

Council Business Division 1
Legislative Council Secretariat
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