

Panel on Financial Affairs

List of follow-up actions
(Position as at 24 February 2009)

Subject	Date(s) of relevant meeting(s)	Follow-up actions	Outcome
1. Proposal of re-structuring the filing fees for non-Hong Kong companies	3 January 2005 ¹	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 note to be provided to the Panel in early 2009.
2. Policies on remuneration for and post-termination employment of senior executives of the Hong Kong Monetary Authority and Securities and Futures Commission (SFC)	4 May 2006	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 SFC were invited to inform the Panel of the outcome of their reviews in writing in due course.	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. Response from SFC awaited.

¹ The provisions concerning the new requirement for non-Hong Kong companies only came into operation in mid-December 2007 upon the completion of the enhancement work of the Integrated Companies Registry Information System. The Administration plans to provide information to the Panel on the implementation of the new requirement after such has been in place for around a year.

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3. Review of the Mandatory Provident Fund Schemes Compensation Fund	3 July 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 Schemes Authority (MPFA) undertook to:</p> <p>(a) explore feasible measures to improve provision of services to members of the Mandatory Provident Fund 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>	<p>The progress report on the review of the Compensation Fund was circulated to members vide LC Paper No. CB(1)497/07-08 on 24 December 2007.</p> <p>MPFA will complete the review and provide a report for consideration in 18 months' time.</p>
4. Review of the Personalized Vehicle Registration Marks Scheme	28 February 2008	<p>(a) Of the some 700 traffic offence cases involving vehicles bearing Private Vehicle Registration Marks (PVRMs) between September 2006 and September 2007, the Administration was requested to provide information/statistics on the number of prosecutions, convictions, acquittals, and cases which had been dismissed on the grounds of enforcement difficulty caused by PVRMs.</p> <p>(b) The Administration was requested to provide a report to the Panel reviewing the implementation,</p>	<p>Response to item (a) was issued to members vide LC Paper No. CB(1)1150/07-08 on 28 March 2008.</p> <p>Response to item (b) awaited.</p>

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		operation and auction proceeds of the PVRM Scheme in one year's time.	
5. Update on the work of the Financial Reporting Council (FRC)	8 April 2008	<p>In relation to members' concerns about the effectiveness and transparency of the operation of FRC, the Administration/FRC were requested to take the following actions:</p> <ul style="list-style-type: none"> (a) review the appointment of members to FRC, having regard to some Panel members' view that consideration should be given to appointing persons of the right calibre who could spare adequate time to participate actively in the affairs of FRC; (b) consider, without prejudice to the rights and privacy of the parties concerned and having regard to public interest, making public the report or any part of the report upon conclusion of an investigation or enquiry, so as to enhance transparency and increase the awareness of the accountancy profession of the auditing and financial reporting requirements; (c) consider whether and how the operation of the Process Review Panel for FRC (to be established in the latter half of 2008) could be stepped up to effectively safeguard fair and reasonable handling of all complaints by FRC, having regard to some members' reference to the work of the Operations 	Response awaited.

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		<p>Review Committee of the Independent Commission Against Corruption;</p> <p>(d) review the existing mechanism for declaration of interest by FRC staff with a view to strengthening safeguards against any real, potential or perceived conflict of interest in their investigation or enquiry work; and</p> <p>(e) consider taking a more proactive role in initiating investigations or enquiries, instead of only acting on complaint.</p>	
<p>6. Impact of banks' branch closure and fee-charging on the public</p>	<p>5 May 2008</p>	<p>(a) In relation to members' concerns about the utilization and accessibility of non-branch channels for provision of basic banking services, the Hong Kong Association of Banks (HKAB) was requested to provide the following information/statistics as far as practicable:</p> <p>(i) the utilization of various automated non-branch channels such as automatic teller machines (ATM) facilities, phone banking and Internet banking by underprivileged groups including the elderly, the physically disabled, and recipients of Comprehensive Social Security Assistance, and other related information which might assist the Consumer Council in</p>	<p>HKAB's response to item (a) was issued to members vide LC Paper No. CB(1)2293/07-08 on 10 September 2008.</p>

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		<p>conducting its study on consumer needs for basic banking services;</p> <p>(ii) of the 38 new bank branches and 138 new ATMs set up in 2007, the number of such new branches and new ATMs provided in public housing estates, with a breakdown on their location and distribution; and</p> <p>(iii) the availability and distribution of the two main ATM networks in Hong Kong, namely, the Electronic Teller Card and Joint Electronic Teller Services Limited systems, in various districts.</p> <p>(b) The Administration/HKAB was requested to provide written response to the following motion passed at the meeting:</p> <p>"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。"</p> <p><u>(English translation)</u></p> <p>"That this Panel requests the Government to</p>	<p>The Administration's initial response to item (b) was issued to members vide LC Paper No. CB(1)1765/07-08 on 3 June 2008. The Administration is considering an appropriate mechanism to effectively gauge the views and suggestions from different user groups of banking services. Relevant parties and organizations will be</p>

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		<p>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."</p>	<p>consulted and engaged in the process. Progress report will be provided to the Panel in due course.</p>
<p>7. Issues relating to the Government's "buy-back" proposal for Lehman Brothers-related minibonds</p>	<p>30 December 2008</p>	<p>(a) To address members' concern about the delay of the "buy-back", the following follow-up actions were requested -</p> <p>(i) the HKABs' Task Force on Lehman Minibonds Incident and/or distributor banks were requested to provide information on the progress of internal investigations undertaken by distributor banks into complaints lodged by the retail investors of Lehman Brothers-related minibonds, including whether the banks concerned had already completed investigation of all the cases and notified the complainants concerned of the conclusions;</p>	<p>For (a) (iii) and (b), the Administration's response was circulated to members vide LC Paper No. CB(1)696/08-09 on 30 January 2009.</p> <p>For (a)(i) and (ii), response awaited.</p>

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		<p>(ii) HKAB's Task Force on Lehman Minibonds Incident and/or distributor banks were requested to consider the suggestion of establishing a contingency fund through contributions from banks to provide compensation to affected investors in an expeditious manner; and</p> <p>(iii) the Administration was requested to provide a paper setting out the alternative measures/plans to assist the affected investors to recover their money as soon as possible.</p> <p>(b) In relation to the concern about the perceived conflict of interests in the discharge of duties by the HSBC Bank USA, N.A. as the trustee (who acted as the representative of the investors) and the directors of the special purpose vehicle issuing the minibonds (who acted on behalf of the issuer) supplied by HSBC Bank (Cayman) Limited, HKMA was required to provide information on the supervisory guidelines and/or requirements to safeguard against conflict of interests in the discharge of such duties by banks.</p>	

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<p>8. Issues relating to the Hong Kong Exchanges and Clearing Limited (HKEx)'s consultation papers on proposed changes to the Listing Rules and periodic financial reporting</p>	<p>30 December 2008</p>	<p>(a) The Administration/SFC/HKEx were requested to provide written response to the following motion passed at the meeting:</p> <p>"鑒於港交所對《上市發行人董事進行證券交易的標準守則》有關延長'禁止買賣期'的修訂引起市場強烈反響，本委員會要求有關當局取消原定於2009年1月1日對該守則修訂後的執行，並就有關問題重新展開為期6個月的諮詢，以妥善解決市場的疑慮。"</p> <p>(Translation)</p> <p>"That, given that the HKEx's amendments to the Model Code for Securities Transactions by Directors of Listed Issuers relating to the extension of the 'blackout period' have aroused strong reaction in the market, this Panel requests the authority concerned not to effect the amended Rules as scheduled on 1 January 2009 and launch a six-month consultation on the issue afresh, so as to address properly the market concerns."</p> <p>(b) To address the concern about the implementation of</p>	<p>The Administration's preliminary responses were circulated to members vide LC Papers Nos. CB(1)696/08-09 and CB(1)697/08-09 dated 30 January 2009.</p>

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		<p>the proposal to extend the "black out" period from the end of the relevant financial period until the date on which the reports were published, HKEx was requested to provide written responses on the following issues:</p> <ul style="list-style-type: none"> (i) necessity and effectiveness of the proposed extension in improving the corporate governance of listed companies in Hong Kong; and (ii) whether the proposed extension would continue to apply upon the implementation of mandatory quarterly reporting and if so, the impact of the trading restrictions imposed on directors of listed companies. 	
<p>9. Briefing on the reports prepared by the Hong Kong Monetary Authority and the Securities and Futures Commission on the Lehman Brothers Minibonds incident</p>	<p>2 February 2009</p>	<p>(a) To address members' concern about the effectiveness of the existing regulatory regime for the securities regulator to take disciplinary actions against misconduct of financial institutions in the sale of structured financial products, the Administration/ SFC were requested to provide the following information on Hong Kong and the United States for comparison:</p>	<p>SFC's response was circulated to members vide LC Paper No. CB(1)837/08-09 on 20 February 2009.</p>

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		<p>(i) legal structures in the two jurisdictions (such as the regulatory bodies empowered to take enforcement actions and the powers conferred on these bodies); and</p> <p>(ii) sanctions/penalties (such as imposing fines or civil penalties, ordering compensation to investors) which the regulators could impose on financial institutions for their misconduct.</p> <p>(b)_ SFC was requested to provide the Panel with the report entitled "The Structure of Financial Supervision: Approaches and Challenges in a Global Marketplace" published by the Group of Thirty in October 2008.</p>	
10. Briefing on the work of the Hong Kong Monetary Authority	2 February 2009	To address members' concern regarding the publicity of details on the coverage of the full deposit guarantee scheme, HKMA was requested to provide the Panel with a copy of the circular entitled "Representation on Eligible Deposits by Authorized Institutions (AIs) – A Guideline issued by the Monetary Authority under Section 7(3) of the Banking Ordinance" issued to AIs.	HKMA's response was circulated to members vide LC Paper No. CB(1)835/08-09 on 18 February 2009.

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