

立法會
Legislative Council

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Panel on Financial Affairs

Minutes of special meeting
held on Wednesday, 31 August 2011 at 4:30 pm
in the Chamber of the Legislative Council Building

Members present : Hon CHAN Kam-lam, SBS, JP (Chairman)
Hon CHAN Kin-por, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon James TO Kun-sun
Hon Emily LAU Wai-hing, JP
Hon Vincent FANG kang, SBS, JP
Hon LEE Wing-tat
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Hon Paul CHAN Mo-po, MH, JP

Member attending : Dr Hon Samson TAM Wai-ho, JP

Members absent : Dr Hon David LI Kwok-po, GBM, GBS, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon Abraham SHEK Lai-him, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Mrs Regina IP LAU Suk-ye, GBS, JP

Public officers attending : Agenda item I

Mr Anthony LI
Principal Assistant Secretary for Financial Services
and the Treasury (Financial Services)

Agenda item II

Ms Julia LEUNG, JP
Under Secretary for Financial Services and the
Treasury

Miss Carmen CHU, JP
Executive Director (External)
Hong Kong Monetary Authority

Attendance by invitation : Agenda item I

Mr Keith LUI
Executive Director, Supervision of Markets
Securities and Futures Commission

Mr Charles GRIEVE
Senior Director, Corporate Finance Division
Securities and Futures Commission

Mr Charles LI
Chief Executive
Hong Kong Exchanges and Clearing Limited

Mr Mark DICKENS
Head of Listing Division
Hong Kong Exchanges and Clearing Limited

Mr Bryan CHAN
Head, Market Data Department
Hong Kong Exchanges and Clearing Limited

Mr Bill CHOW
Chief Technology Officer
Hong Kong Exchanges and Clearing Limited

Agenda item II

Ms Christina CHOI
Director, Investment Products
(Policy, China and Investment Products Division)
Securities and Futures Commission

Ms Carol HUI
Acting Assistant Commissioner of Insurance
(Policy and Development Division)
Office of the Commissioner of Insurance

Clerk in attendance : Ms Anita SIT
Chief Council Secretary (1)5

Staff in attendance : Mr Noel SUNG
Senior Council Secretary (1)5

Mr Hugo CHIU
Council Secretary (1)5

Ms Haley CHEUNG
Legislative Assistant (1)5

Action

I Disruption of HKExnews website service and the suspension of trading arrangement on 10 August 2011

(LC Paper No. CB(1)2921/10-11(01) — Letter dated 12 August 2011
from Hon James TO

LC Paper No. CB(1)2947/10-11(01) — Administration's paper on
"Disruption of HKExnews
Website Services and
Suspension of Trading of
Certain Issuers on 10 August
2011"

- FS24/10-11 —A summary of local press reports on disruption of HKExnews website services and suspension of trading in the shares of seven issuers and related derivatives on 10 August 2011 prepared by the Research Division of Legislative Council (compiled by extracting relevant local press reports from 10 August 2011 to 29 August 2011) (Chinese version only)
- LC Paper No. CB(1)2962/10-11 —Background brief on HKExnews website service of the Hong Kong Exchange and Clearing Limited prepared by the Legislative Council Secretariat)

Briefing by the Administration

At the invitation of the Chairman, the Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) (PAS(FS)), the Executive Director, Supervision of Markets, Securities and Futures Commission (ED(SM)/SFC) and the Chief Executive, Hong Kong Exchanges and Clearing Limited (CE/HKEx) briefed members on the incident on 10 August 2011, and the remedial measures taken by SFC and HKEx, by highlighting the salient points in the paper LC Paper No. CB(1)2947/10-11(01).

(Post-meeting note: The submission from the Newspaper Society of Hong Kong (LC Paper No. CB(1)2970/10-11(01)) was tabled at the meeting and issued to members by a Lotus Notes e-mail on 1 September 2011.)

2. The Chief Technology Officer, HKEx (CTO/HKEx) remarked that HKEx was extremely concerned about the stability of the HKExnews Website, which was an essential infrastructure component for the stock market of Hong Kong. The security design of the HKExnews Website was of a very high standard. The website operated on a dual set of identical systems connecting to two separate Internet Service Providers, which provided 100% redundancy in case one of the systems failed to function normally. Intrusion Protection

System (IPS) was deployed as part of the security defense mechanism. Contingency measures were also drawn up jointly with the Listing Division. CTO/HKEx pointed out that the incident on 10 August 2011 was an organized attack on the HKExnews Website. On that day the network monitoring consoles of HKEx and its appointed network vendor reported a sudden rise in internet traffic for the HKExnews Website. HKEx's information technology (IT) support teams and the network vendor conducted immediate investigation and identified that "distributed denial of service" (DDOS) attempts had occurred and flooded the internet bandwidth for investor access to regulatory disclosures posted on the HKExnews Website. The DDOS were organized attacks originated from "zombie" PCs. CTO/HKEx said that following the established IT security response procedures, HKEx requested its network providers to block the access for these "zombie" PCs, and took measures to stabilize the HKExnews Website. These two quick fix actions helped restore the website to normal service but only for a short while. The HKExnews Website became unstable again when the hacker(s) initiated more sophisticated DDOS attacks involving a mixture of hacking techniques in spurs of extremely high frequency connection requests, and in the guise of normal requests from legitimate users of the website within a very short period of time. Despite the attempt of HKEx's IT support team to reset the various system components to alleviate the effect of the attacks, services of the website resumed briefly and went down again under the continuous attacks. After detailed analysis of the attack traffic pattern, and subsequent deployment of further anti-intrusion measures jointly devised by the IT support team and HKEx's external anti-hacking experts, the intrusions were successfully fended off, and the HKExnews Website resumed normal service at around 8:00 pm on 10 August 2011. CTO/HKEx remarked that the new intrusion protection system for the HKExnews Website involved very high-end technology and HKEx was the first commercial establishment in Hong Kong to introduce such a system in Hong Kong. CTO/HKEx stressed that HKEx considered that the security and integrity of its computer systems was of paramount importance, and would continue to enhance its IPS in order to guard against hacking/intrusions of its computer systems, with a view to providing a free, fair and timely platform for dissemination of issuers' information, and upholding the regulatory disclosure regime.

3. The Head of Listing, HKEx (H(L)/HKEx) remarked that HKEx's suspension policy was drawn up based on its statutory responsibilities to ensure an orderly, informed and fair market as laid down in section 21 of the Securities and Futures Ordinance (SFO) (Cap. 571). HKEx had to ensure that price sensitive information (PSI) was made equally available to professional and retail investors at the same time and outside the trading hours so that investors could access and digest the information. H(L)/HKEx said that based

on the suspension policy, an average of about 12 suspensions were effected each week. The contingency plan had been reviewed by HKEx's Listing Committee earlier this year, taking into consideration the comments from SFC staff. HKEx considered that when there was a breakdown of the HKExnews Website service, the issuers' information would not be made equally available to all investors, and the trading of the securities of the issuer(s) involved should be suspended. Details of how the contingency plan was activated on 10 August 2011 were set out in HKEx's report. HKEx was exploring the feasibility of introducing additional and/or alternative channels for investors to access company information. For the longer term, HKEx would review the regulatory disclosure arrangement with a view to enhancing the means for distribution of PSI and the suspension policy. Market participants, the Listing Committee and SFC would be consulted on any proposals to change to the disclosure arrangements and suspension policy.

Discussion

4. Mr Jeffrey LAM expressed concern that the incident on 10 August 2011 might recur in future. Noting that HKEX was able to fend off the attacks on the HKExnews Website after analyzing the DDOS and consulting its external anti-hacking experts, Mr LAM enquired whether, in enhancing its IPS, HKEx would consider hiring experts to conduct vigorous mock attacks on the HKExnews Website so as to test the robustness of the IPS.

5. CE/HKEx responded that in addition to enhancement of the IPS, Mr LAM's proposal would also be considered by HKEx as some financial institutions had hired hacking experts to carry out mock attacks on their computer systems in order to test the security features of the computer systems. CTO/HKEx added that in the past HKEx had engaged independent consultant companies to undertake mock attacks to test the security of the HKExnews Website. As DDOS might cause unexpected damage to the website infrastructure, and given the important functions of the HKExnews Website, the infiltration tests had not been carried out at the severest level. In view of the incident on 10 August 2011, HKEx would discuss with the independent consultants to explore the possibility of conducting severer tests on the IPS of the HKEx Website. CTO/HKEx stressed that HKEx had consulted its technology providers and regularly upgraded the security features of its computer systems to the latest state of technology.

6. Mr James TO enquired whether the contingency plan and suspension policy had been formulated based on the assumption that the HKExnews Website was the only means to disseminate PSI. Mr TO further enquired whether HKEx considered that the suspension of the trading of securities and

related products of seven issuers on 10 August 2011 purely as a result of the disruption of the HKExnew Website might be unfair to certain group(s) of investors.

7. CE/HKEx responded that given the disruption of the HKExnews Website service on 10 August 2011, and in accordance with the existing contingency plan and suspension policy, HKEx had no choice but to suspend the trading of the securities and related structured products of the seven issuers which released their periodic results announcement on the HKExnews Website during the lunch publication window on the day. The existing disclosure arrangement and suspension policy were implemented after public consultation and had been in force since 2000, which required all issuers to disclose PSI in a timely and fair manner as well as free of charge on the HKExnews Website, and investors had been familiar with the system. HKEx had taken immediate actions after the disruption of the HKExnews Website service on 10 August 2011 to ensure that the website service would return to normal as soon as possible, and had made temporary measures to facilitate regulatory disclosures so that even if the HKExnews Website continued to be out of service, HKEx would not be compelled to suspend the trading of other securities. CE/HKEx pointed out that HKEx had to suspend the trading of the affected securities for the whole afternoon on 10 August 2011 but not for a shorter period, say half an hour, because based on the feedbacks to an earlier public consultation exercise, a suspension of a relatively short period such as half an hour would only lead to chaos in the market, as the brokers would not know whether they should cancel or re-enter the orders of their clients made immediately before and after the suspension period, and some investors might even not be aware that trading had resumed. As a result, the Listing Committee had decided in 2010 that the existing suspension arrangements should continue. A public consultation had to be conducted again if the existing suspension policy was to be revised.

8. CE/HKEx said that HKEx would review the regulatory disclosure arrangement, based on the principle of providing a centralized, free and fair platform to investors to access PSI of issuers. Basically, three options would be considered: (a) the existing centralized, free and equal information dissemination model should be maintained; (b) the possibility of adopting a de-centralized and multiple information dissemination model whereby PSI was distributed through a number of websites and other means, which would entail additional operational and monitoring procedures and costs; and (c) the feasibility of utilizing the US and UK model under which the issuers were required only to make their announcements on the press, bearing in mind that the majority of the investors in the US and UK markets were institutional investors, and investors who were experienced, resourceful and quick in

picking up the information. HKEx would need to consult the market participants in reviewing the regulatory disclosure arrangement.

9. In response to Mr James TO's query as to whether the IPS of the HKExnews Website had been so designed as to be able to cope with hacking attacks of the severest level, CE/HKEx said that HKEx would enhance its IPS to guard against future attacks on the HKExnews Website.

10. Mr KAM Nai-wai said that despite HKEx's statement at the beginning of the year that HKEx's computer systems were secure and robust, the incident on 10 August 2011 showed that the security of the HKExnews Website was weak in face of hacking attacks. Given that nearly all major stock markets were subject to hacking attacks, the incident might give the investing public the impression that as an international financial centre, Hong Kong's financial infrastructure was weak. Mr KAM asked whether, in drawing up the contingency plan, consideration had been given to remedial actions other than suspension of trading, if and when the HKExnews Website was out of service, so that the trading of the securities affected could continue without the HKExnews Website service. Mr KAM enquired, if suspension of trading was the only alternative as claimed by the CE/HKEx, when the HKExnews Website was unstable, why the trading of the securities concerned could be resumed on the next day (i.e. 11 August 2011), and why HKEx did not advise the investors beforehand that they might access the Bulletin Board when the HKExnews Website was out of service in order to obtain information about issuers' disclosures. Mr KAM further asked whether it was due to the issuers' refusal to defer their announcements on 10 August 2011 that HKEx decided to suspend trading of their securities and related structured products.

11. CE/HKEx responded that before the incident on 10 August 2011, the HKExnews Website had been operating normally since its inception in 2007. As it was the first time the HKExnews Website failed to function on 10 August 2011, many investors might not be aware of the Bulletin Board service and HKEx had no option other than implementing the contingency plan and suspending the trading of the affected securities. Since the HKExnews Website became stable again on 11 August 2011 and investors were informed of the remedial actions taken by HKEx, including the provision of the Bulletin Board service, HKEx had authorized the resumption of trading of the securities concerned. CE/HKEx pointed out that once the location of the Bulletin Board was made known to the public, the Bulletin Board might also be subject to hacking attacks, similar to the HKExnews Website. H(L)/HKEx supplemented that once the HKExnews Website became unstable in the morning of 10 August 2011, the issuers who were expected to disclose PSI on the day were informed that the trading of their securities and related structured

products would be suspended if they proceeded to make the disclosure while the website remained unstable. The issuers had a very difficult decision to make under the circumstance as it was unsure when the HKExnews Website service would resume to normal. In the end two issuers had decided to postpone their announcements, and the securities and related structured products of seven issuers were suspended in the afternoon of 10 August 2011 as they decided to disclose PSI while the HKExnews Website was out of service.

12. Mr CHIM Pui-chung remarked that the suspension of trading of securities in the stock market was an important decision and would have a profound impact on the market. He considered that the suspension on 10 August 2011 was a result of red tape. Mr CHIM enquired about the Government's stance over the incident and the legal backing for using the HKExnews Website as the only centralized repository for regulatory disclosure.

13. PAS(FS) responded that the Government attached great importance to ensuring the Hong Kong stock market operating in an orderly manner and the financial infrastructure facilities functioning properly. Once the incident on 10 August 2011 came to its notice, the Financial Services and the Treasury Bureau (FSTB) contacted SFC and HKEx, and understood that SFC and HKEx had taken the necessary steps to remedy the situation. PAS(FS) pointed out that the average daily hit rate of the HKExnews Website was 1.2 million, and for issuers and investors, the website was an important centralised repository for regulatory disclosures. As the website became unstable, and some investors might be deprived of the access to PSI, the continued trading of the affected securities would contravene the principle of operating the stock market in a fair and orderly manner. During the incident on 10 August 2011, HKEx had tried its best to maintain the stability of the HKExnews Website, and taken steps to avoid, as far as possible, suspension of trading of the affected securities. HKEx had also contacted the issuers concerned with a view to deferring the disclosure of PSI on that day. It was only after all such efforts had failed that HKEx decided to implement the contingency plan and suspend the trading of the affected securities in order to protect the interest of all investors. The Government supported HKEx's decision.

14. ED(SM)/SFC supplemented that SFC regulated the operation of HKEx based on the SFO, and HKEx implemented the disclosure regime in accordance with the Listing Rules, which were also drawn up based on the SFO. The HKExnews Website was introduced after public consultation in 2000, and the Legislative Council was consulted in 2007 on the centralized repository system.

15. Ms Emily LAU was concerned that it did not seem that HKEx was confident that it could successfully fend off similar hacking attacks in the future. She was also concerned about the impact of the suspension on 10 August 2011 on Hong Kong's status as an international financial centre. Given that HKEx would review on 2 September 2011 the arrangement of placing advertisements on local newspapers to list the companies which planned to release results announcements, Ms LAU enquired about HKEx's measures to enhance the regulatory disclosure regime, and to deal with a similar situation in future. Ms LAU further enquired about the stakeholders to be consulted, and the timing for announcement of the enhanced measures.

16. PAS(FS) remarked that after the incident of 10 August 2011, SFC and HKEx had taken steps to enhance the resilience of the HKExnews Website and were in the process of drawing up medium and long term measures to further improve the regulatory disclosure regime. The Government would closely liaise with SFC and HKEx regarding the development of the improvement measures, including measures to deal with regulatory disclosures in case of hacking attacks on the HKExnews Website.

17. CE/HKEx supplemented that the placement of advertisements on newspapers was only a temporary measure up to 2 September 2011. HKEx had adopted a series of interim measures to ensure the market functioned normally and investors continued to have timely access to announcements by issuers. If there was disruption to the HKExnews Website again, the Bulletin Board service would be activated, and if the Bulletin Board service was disrupted, snapshots of the notices of announcements on the Bulletin Board would be sent by email to all Exchange Participants, Clearing Participants, Information Vendors and the media for their publication and further dissemination to their clients and the public. HKEx was also considering posting such snapshots through agreements with selected portals and their media websites. HKEx would also explore the possibility of using selected mass portals to publish all issuer disclosures in parallel with the HKExnews Website for public information. HKEx would continue to look for a permanent solution. While some market participants had suggested that the US model of requiring the issuers to merely make press releases on PSI announcements, HKEx needed to ensure that the disclosure system would allow retail investors to have equal, free and timely access to PSI. CE/HKEx said that any significant changes to the regulatory disclosure arrangements and contingency plan would require public consultation which might take months to be completed. If the proposed enhancements only involved certain refinements of the existing system, then the new measures could be implemented within a short period after discussion with the listed companies, the Listing Committee and SFC.

18. Mr Paul CHAN enquired about the findings and comments made by the internal and external auditors regarding the security of the HKExnews Website since 2008, and the follow-up actions taken by HKEx. Mr CHAN also enquired about the situation of the HKExnews Website following the incident on 10 August 2011.

19. CE/HKEx responded that HKEx had engaged in the past two years external consultants to check the security of the IT systems, and based on the recommendations of the consultant, HKEx had enhanced the security of its Internet systems accordingly. In view of the incident on 10 August 2011, HKEx would accelerate the enhancement programme. CTO/HKEx supplemented that in the days after 10 August 2011, the HKExnews Website was still subject to hacking attacks, and the HKEx IT support team, with the support from external anti-hacking experts, was able to fend off such attacks. H(L)/HKEx added that in drawing up any alternative and contingency measures, HKEx had to ensure that PSI was disseminated through a system which could provide equal, free and timely access by all investors.

20. In order to facilitate the consideration of whether the incident on 10 August 2011 was an isolated case or the result of poor management, Mr Paul CHAN requested the HKEx to provide information on (a) the findings of its internal and external reviews conducted in relation to the enhancements made to the HKExnews Website since 2008; (b) the respective comments of its internal audit team and external auditor regarding the security of the information technology systems of HKEx; and (c) follow-up actions taken by HKEx in the light of the review/audit findings.

(Post-meeting Note: The relevant information provided by HKEx was circulated to members vide LC Paper No. CB(1) 3024/10-11 on 22 September 2011.)

21. The Deputy Chairman said that given the significant impact of suspension of trading on the market, HKEx should review its contingency plan and suspension policy, so that when similar incidents occurred, HKEx could resort to alternative measures other than the suspension arrangement. The Deputy Chairman further enquired as to what party(ies) might benefit from hacking attacks on the HKExnews Website.

22. CE/HKEx reiterated that on 10 August 2011, HKEx had no option but to implement the contingency and suspension arrangement, in view of the disruption of the HKExnews Website service, which deprived some investors of the access to PSI of listed companies. Despite the introduction of the

Bulletin Board service and the snapshot arrangement to inform investors to take note of any results announcements from listed companies, the remedial measures might not enable all investors to have equal and timely access to other PSI. CE/HKEx said that HKEx would review its contingency plan with a view to drawing up alternative measures to avert, as far as possible, suspension of trading of securities. CE/HKEx remarked that HKEx was not aware as to what party(ies) would have benefited from the hacking attacks, although the Police had made one arrest relating to the 10 August 2011 incident.

23. The Chairman remarked that the suspension of trading of listed securities was an important issue as it would have a profound impact on the stock market and market participants. HKEx should consult the stakeholders, with a view to drawing up, as soon as possible, appropriate remedial measures in case of the disruption of the HKExnews Website service.

24. Given the fact that the HKExnews Website had succumbed to the hacking attacks on 10 August 2011, the need to spend several million dollars to enhance the IPS of the Website and the adverse impact of the incident on the reputation of Hong Kong as an international financial centre, Mr LEE Wing-tat enquired how the senior management of HKEx would be held accountable for the break-down of the HKExnews Website service on 10 August 2011, e.g. whether the senior executive officers would refrain from receiving their bonus or any salary increase for the year.

25. CE/HKEx responded that HKEx was also the victim of the hacking attacks on 10 August 2011, and as far as technology was concerned, the computer systems of all major stock markets were vulnerable to hacking attacks despite all the steps taken by the stock markets to guard against such attacks. HKEx and SFC were reviewing the measures to enhance the IPS of the HKExnews Website, and the contingency measures taken as a result of the instability of the Website. CE/HKEx reiterated that any changes to the contingency policy would require consultation with the stakeholders.

II Measures announced by Vice Premier LI Keqiang on 17 August 2011 relating to Hong Kong's financial services

(LC Paper No. CB(1)2949/10-11(01) — Administration's paper on "Measures of the Central Government to support the financial development in Hong Kong")

Briefing by the Administration

26. At the invitation of the Chairman, the Under Secretary for Financial Services and the Treasury (USFST) briefed members on the measures announced by the Vice Premier of the State Council to support the financial development of Hong Kong, by highlighting the salient points in the paper.

Discussion

27. The Deputy Chairman enquired about the steps taken by the Government to follow up the measures announced by the Vice Premier, with a view to implementing them as soon as possible. The Deputy Chairman remarked that the insurance sector was concerned as to whether arrangements could be made to enable Hong Kong insurance companies to provide certain types of insurance services in certain places, e.g. in a particular province, in the near future, as little progress had been made since the signing of the Mainland and Hong Kong Closer Economic Partnership Arrangement regarding the participation of Hong Kong insurance companies in the Mainland insurance market. The Deputy Chairman added that the insurance sector was also concerned about opportunities for Hong Kong insurance companies to invest in Renminbi assets in the Mainland.

28. USFST responded that before and after the announcement made by the Vice Premier, FSTB and the three financial regulators, namely the Hong Kong Monetary Authority (HKMA), SFC and the Office of the Commissioner of Insurance (OCI) had been discussing with the relevant Mainland authorities regarding the implementation of the related measures. Acting Assistant Commissioner of Insurance (Policy and Development Division) supplemented that the OCI had been actively pursuing issues with the relevant Mainland authorities regarding the measures announced by the Vice Premier relating to the insurance sector. These included the lowering of the threshold for Hong Kong insurance companies to operate in the Mainland, and arrangements for Hong Kong insurance companies to provide, on a pilot basis, specified types of insurance services in certain municipalities. The Panel would be briefed on the outcome of the discussions in due course.

29. The Chairman enquired whether the Government had made any assessment of the economic benefits and job opportunities that the package of measures announced by the Vice Premier would bring about to Hong Kong, and the types and magnitude of the ancillary services, such as manpower training, required for the implementation of the measures. The Chairman opined that the Government should draw up a concrete programme, in quantitative terms, to provide the required manpower resources to facilitate the

implementation of the new measures, taking into consideration the rapid economic development in the Mainland, and the expanded Renminbi business in Hong Kong.

30. USFST responded that the measures announced by the Vice Premier provided a catalyst for the development of Hong Kong on the financial front, in particular the development of Renminbi business in Hong Kong. There was an established platform where the relevant sectors and education institutions would discuss measures to provide the types and level of manpower required for different sectors. The Government would continue to closely liaise with the parties concerned regarding the supply of qualified personnel for the implementation of the measures announced by the Vice Premier.

31. Mr Albert HO was of the view that the measures announced by the Vice Premier, instead of being "a big gift" given by the Mainland to Hong Kong, would bring mutual benefits to Hong Kong and the Mainland, as the measures would facilitate the Mainland companies to raise capital in Hong Kong, and the development of Renminbi as an international currency. Mr HO was concerned that as the economic ties between Hong Kong and the Mainland became closer, and as more and more Mainland companies were listed in Hong Kong, whether there was an effective mechanism in Hong Kong to regulate the operation of such Mainland companies. Mr HO was concerned, in particular, the "harmonization" of the regulatory regimes for the financial sectors in the Mainland and Hong Kong, and the effective enforcement of the regulatory requirements outside Hong Kong.

32. USFST concurred with Mr HO's remark that the measures announced by the Vice Premier were of mutual benefits to the Mainland and Hong Kong. USFST pointed out that the relevant regulatory bodies of Hong Kong and the Mainland co-operated in their regulatory actions mainly through a Memorandum of Understanding (MOU). The Director, Investment Products (Policy, China and Investment Products Division), SFC (D(IP)/SFC) added that SFC and its Mainland counterpart had signed an MOU for cross-border co-operation in the investigation and enforcement of the regulatory requirements for Mainland companies listed in Hong Kong, and the two bodies had maintained close liaison and co-operation in enforcement matters.

33. Mr Albert HO requested SFC to provide information on (a) the regulatory cooperative agreements agreed between SFC and the Mainland regulators; (b) a list of the relevant MOU agreed between SFC and the Mainland regulators; (c) whether the full texts of the MOU were available for public viewing; and (d) figures on exchange of information and investigatory

assistance under the cooperative arrangements with the Mainland. D(IP)/SFC agreed to revert.

(Post-meeting Note: The Administration's response (LC Paper No. CB(1)3024/10-11 (01)) was circulated to members on 22 September 2011.)

34. Ms Emily LAU enquired how the measures announced by the Vice Premier would help accelerate the transformation of Hong Kong's economy and create more job opportunities. Pointing out that the wealth gap between the rich and the poor in Hong Kong was widening, Ms LAU opined that measures should be taken to increase the job opportunities not only in the financial sectors, but for other fields as well.

35. USFST pointed out that the financial sector contributed to about 16% of the overall GDP of Hong Kong, and about 200 000 workers worked in the field. The financial sector was also one of the sectors which recorded the highest growth rate over the years. The business of professionals such as lawyers and accountants also benefited from the growth of the financial sector. The measures announced by the Vice Premier would not only benefit the senior level workers in the financial sector, but would also lead to creation of more jobs at the fresh graduate level. While the Government aimed to promote the development of different sectors, such as the six priority industries, the sustained development of the financial sector was of paramount importance to Hong Kong. With an improved economy, all strata of the society would benefit.

36. The Chairman remarked that while the Panel's discussion focused on measures to enhance the development of the financial sector, the announcement made by the Vice Premier covered measures to support the development of various sectors in Hong Kong, such as the travel industry and other service sectors. Members might wish to discuss the related measures at the relevant Panels.

III Any other business

37. There being no other business, the meeting ended at 6:30 pm.