

Panel on Financial Affairs

List of outstanding items for discussion

(as at 28 October 2010)

- | | | Proposed timing
for discussion at
Panel meeting |
|----|--|--|
| 1. | Briefing by the Financial Secretary (FS) on Hong Kong's latest overall economic situation | |
| | The Panel has invited FS to brief the Panel and all other LegCo Members on macro economic issues on a regular basis since mid-1999. Such briefings are normally held in June and December each year. | 29 November 2010,
and June 2011 |
| 2. | 2011-2012 Budget consultation | |
| | FS will consult the LegCo on the 2011-2012 Budget. | 29 November 2010 |
| 3. | Extension of a supernumerary directorate post in the Financial Services Branch (FSB) to coordinate the anti-money laundering (AML) matters | |
| | The Administration proposes to extend a supernumerary Administrative Office Staff Grade C post in FSB to complete the legislative exercise to enhance the AML regulatory regime for financial institutions in line with the international standards. The Administration plans to submit the staffing proposal to the Establishment Subcommittee and the Finance Committee on 5 and 28 January 2011 respectively. | 6 December 2010 |
| 4. | Treatment of accrued benefits derived from mandatory contributions for Mandatory Provident Fund (MPF) in case of bankruptcy of the scheme member | |
| | The Administration proposes to amend the Mandatory Provident Fund Schemes Ordinance (Cap. 485) to put it beyond doubt that accrued benefits in a registered MPF scheme derived from mandatory contributions in respect of a scheme member shall be protected against vesting in a trustee-in-bankruptcy in case of bankruptcy of the scheme member. The Administration plans to consult the Panel on | 6 December 2010 |

**Proposed timing
for discussion at
Panel meeting**

the proposed amendment. The Administration plans to introduce the relevant Bill into Legislative Council in the second half of the 2010-2011 legislative session.

5. Proposed establishment of Policyholders' Protection Fund (PPF)

The Panel was briefed on the proposed framework for the establishment of PPF on 6 July 2009. The Administration proposes to consult the Panel on detailed proposals of PPF, including the scope of coverage, the levy rates and the corresponding levels of compensation, compensation limits and the target fund size, the governance framework as well as other detailed operational arrangements.

4th quarter of 2010

6. Briefing on the work of Hong Kong Monetary Authority (HKMA)

The Chief Executive of HKMA briefs the Panel on the work of HKMA on a regular basis. Such briefings are normally held in February, May and November each year.

February 2011,
and
May 2011

7. Depreciation allowances for profits tax in respect of machinery or plants under the Inland Revenue Ordinance (IRO) (Cap. 112)

The Panel discussed the issues relating to the granting of depreciation allowances for profit tax in respect of machinery and plants under the "import processing" arrangement on 14 December 2009. The Panel passed a motion urging the Government to, inter alia, review and amend section 39E of the IRO with a view to granting depreciation allowances for profit tax relating to machinery and plants under the "import processing" arrangements. The Administration's written response dated 10 March 2010 was issued to members vide LC Paper No. CB(1)1371/09-10(02).

1st quarter 2011

At the Panel meeting on 21 October 2010, members noted that the Administration was studying the issue in collaboration with the Joint Liaison Committee on Taxation. Members requested the Administration to report to the Panel the

**Proposed timing
for discussion at
Panel meeting**

progress of the matter in about three to four months.

**8. Budget of the Securities and Futures Commission (SFC)
for the financial year of 2011 – 2012**

In line with the usual practice, SFC will brief the Panel on its budget for the coming financial year in late February or early March.

1st quarter 2011

**9. The roles and operation of the Hong Kong Mortgage
Corporation Limited (HKMC)**

The Panel discussed the roles and operation of HKMC at the meeting on 2 November 2009. After the meeting, Hon Mrs Regina IP raised further questions regarding the operation of HKMC (LC Paper No. CB(1)559/09-10 dated 2 December 2009), and HKMC provided a written response (LC Paper No. CB(1)687/09-10 dated 15 December 2009). At the Panel meeting on 4 January 2010, Mrs IP requested for further discussion of HKMC's operations. Members agreed that the item be put on this list, and if necessary, representatives from the banking sector be invited to give their views on HKMC's operations.

To be confirmed

The Panel conducted a visit to HKMC on 8 February 2010. In response to Mrs Regina IP's request on 1 March 2010, HKMC provided information on HKMA's business projections for HKMC prior to HKMC's establishment and on the possibility of providing reverse mortgage service by HKMC (LC Paper No. CB(1)1462/09-10(02) dated 25 March 2010).

Mrs Regina IP wrote to the Panel Chairman on 5 August 2010 requesting HKMC to provide updated information on its operation. Mrs IP's letter and HKMC's reply were issued to members vide LC Paper No. CB(1)2793/09-10(01) and (02) dated 2 September 2010.

**10. Policy response to the review of HKMA's work on
banking stability**

**Proposed timing
for discussion at
Panel meeting**

The Panel was briefed on the report on "Review of HKMA's work on banking stability" at the meeting on 5 January 2009. HKMA will brief the Panel on the policy response to the review report.

To be confirmed

11. Review of the "abscondee" regime under the Bankruptcy Ordinance (Cap.6) (BO)

During the Bills Committee's deliberation of the Statute Law (Miscellaneous Provisions) Bill 2007, the Administration advised Members of its plan to review the "abscondee" regime (i.e. bankrupts who left Hong Kong and could not be contacted) under the Bankruptcy Ordinance (Cap.6) (BO). The Administration further advised that taking into account the policy content involved in the review, and the fact that more time would be needed to study the issue and conduct necessary research into relevant developments in other common law jurisdictions and consultations, it was not appropriate or possible to include legislative amendment proposals with respect to the "abscondee" regime as a whole in the Bill. Any proposed legislative amendments to the "abscondee" regime should be taken forward in a separate exercise.

To be deferred to
the next LegCo
term

Members of the Bills Committee were concerned about the timeframe for introducing the proposed legislative amendments to the "abscondee" regime and whether public consultation would be conducted. The Bills Committee agreed that the issues should be referred to the Panel for follow-up.

The Administration has reconsidered the timing for conducting a review of the "abscondee" regime. Noting that following the Court of Final Appeal's ruling on the legal effect of section 30A(10)(b)(i) of the BO, the Official Receiver's Office has been operating the abscondee regime on that basis without encountering any practical or operational difficulties, there is no immediate need for changes to the operation of the abscondee regime. Nevertheless, the Administration recognizes that it would be desirable to review the subject taking into account prevailing overseas practices / legislation, technological advances and lifestyle changes

**Proposed timing
for discussion at
Panel meeting**

which may need to be considered in the administration of a bankrupt's estate with a view to modernizing our abscondee regime.

The Administration intends to commence a detailed research on overseas practices within 2011 in preparation for a review of the abscondee regime. It will take into account Government's legislative programme and other competing priorities of the Financial Services and the Treasury Bureau in considering the timing to pursue any legislative programme. It intends to report developments to the Panel in the next term of LegCo.

Council Business Division 1
Legislative Council Secretariat
28 October 2010