

## LEGISLATIVE COUNCIL BRIEF

### **Electronic Transactions Ordinance (Cap. 553) ELECTRONIC TRANSACTIONS (FEES) (AMENDMENT) REGULATION 2013**

#### **INTRODUCTION**

Section 49(b) of the Electronic Transactions Ordinance (Cap. 553) (ETO) provides that the Secretary for Commerce and Economic Development (SCED) may make regulations to prescribe the fees payable in respect of applications for the recognition of Certification Authorities (CAs), the recognition of digital certificates or the renewal of such recognition.

2. In accordance with the above provision, SCED has made the Electronic Transactions (Fees) (Amendment) Regulation 2013 (the Amendment Regulation) at **Annex A**.

#### **BACKGROUND AND JUSTIFICATIONS**

3. Enacted in 2000, the ETO provides a legal framework to give electronic records and electronic signatures the same legal status as that of their paper-based counterparts. The ETO also establishes a Voluntary Certification Authority Recognition Scheme (the Scheme) for organisations to operate as recognized CAs to issue digital certificates to authenticate digital signatures used in electronic transactions. Under the Scheme, both the CA and the digital certificates it issues requires recognition by the Government Chief Information Officer (GCIO) upon achievement of stipulated security and trustworthiness standards in its systems, operations and services.

4. Recognition of a CA and the digital certificates it issues requires diligent vetting to ensure fulfillment of statutory requirements set out in the ETO. In line with the “user pays” principle, it is government policy that fees charged by the Government should in general be set at levels sufficient to recover the full cost of providing the goods or services. The fees for the applications of recognition are currently set out in the Electronic Transactions (Fees) Regulation (Cap. 553A) (the Fees Regulation).

5. Currently, there are two CAs recognized under the ETO. The Hongkong Post is a recognized CA mandated under the ETO. The Digi-Sign Certification Services Limited (Digi-Sign) is a commercial CA recognized by GCIO under the ETO. In February 2012, we have lengthened the validity period of the recognition from two to three years with reference to industry practices.

6. The proposed fee revision covers the application for and renewal of recognition of a CA and digital certificates it issues. The current fee levels have been in force since commencement of the Fees Regulation in 2000. Recent costing exercises reveal that the prevailing fee levels cannot recover the full costs incurred. Detailed cost computations are set out at **Annex B**. To achieve full cost recovery whilst extending the validity of the recognition from two to three years, the proposed increase of the fee in terms of average annual amount is around **27%**.

Type of Applications	Existing Fee (\$)	Average Annual Amount (2-year Validity)	Proposed Fee (\$)	Average Annual Amount (3-year Validity)	Percentage Increase of Average Annual Amount (Approximate)
	(1)	(2)	(3)	(4)	$[(4)-(2)] \div (2) \%$
A. Recognition or renewal of recognized certification authority	15,000	7,500	28,450	9,483	27%
B. Recognition of a particular digital certificate made simultaneously with (A)	1,500	750	2,850	950	27%
C. Recognition of a particular digital certificate	3,400	1,700	6,460	2,153	27%

## **THE AMENDMENT REGULATION**

7. The Amendment Regulation, at **Annex A**, revises the fees for the application for and renewal of recognition of a CA and digital certificates it issues.

## **LEGISLATIVE TIMETABLE**

8. The legislative timetable of the Amendment Regulation is as follows —

Publication in the Gazette	22 February 2013
Tabling in Legislative Council	27 February 2013
Commencement	1 May 2013

## **LEGAL IMPLICATIONS**

9. The proposed amendments are in conformity with the Basic Law, including the provisions concerning human rights. They do not affect the current binding effect of the ETO.

## **FINANCIAL AND STAFFING IMPLICATIONS**

10. When the proposed fees revision is implemented, there will be an increase in revenue of about \$27,000 in the 2013-14 financial year. There are no staffing implications.

## **ECONOMIC IMPLICATIONS**

11. The proposed fees are borne by the CA and have no direct impact on members of the public. At present, the proposed fees increase affects only one commercial CA, Digi-Sign, which is a wholly-owned subsidiary of Tradelink Electronic Commerce Limited, a public listed company in Hong Kong.

## **EFFICIENCY INITIATIVES**

12. We have taken measures to reduce or contain the cost of our services through implementing efficiency initiatives and streamlining procedures. Efficiency savings have been reflected in the proposed fee adjustments.

## **PUBLIC CONSULTATION**

13. We consulted the Panel on Information Technology and Broadcasting of the Legislative Council on 10 December 2012. The Panel supported the proposed fee adjustments.

## **PUBLICITY**

14. The Amendment Regulation will be published in the Gazette on 22 February 2013. A spokesman will be available to answer enquiries.

## **ENQUIRIES**

15. For enquiries on this brief, please contact Mr. Gary LAI, Assistant Government Chief Information Officer (Digital Economy Facilitation), at 2810 2623.

**Office of the Government Chief Information Officer  
Commerce and Economic Development Bureau  
February 2013**



## Electronic Transactions (Fees) (Amendment) Regulation 2013

(Made by the Secretary for Commerce and Economic Development under section 49(b) of the Electronic Transactions Ordinance (Cap. 553))

### 1. Commencement

This Regulation comes into operation on 1 May 2013.

### 2. Electronic Transactions (Fees) Regulation amended

The Electronic Transactions (Fees) Regulation (Cap. 553 sub. leg. A) is amended as set out in section 3.

### 3. Schedule amended (fees)

(1) The Schedule, item 1—

**Repeal**

“15,000”

**Substitute**

“28,450”.

(2) The Schedule, item 2—

**Repeal**

“15,000”

**Substitute**

“28,450”.

(3) The Schedule, item 3—

**Repeal**

“1,500”

**Substitute**

“2,850”.

(4) The Schedule, item 4—

**Repeal**

“3,400”

**Substitute**

“6,460”.



Secretary for Commerce and  
Economic Development

1 February 2013



### Explanatory Note

This Regulation amends the Schedule to the Electronic Transactions (Fees) Regulation (Cap. 553 sub. leg. A) to increase the fees payable in respect of the following applications under the Electronic Transactions Ordinance (Cap. 553) (*principal Ordinance*)—

- (a) an application for recognition as a recognized certification authority within the meaning of the principal Ordinance;
- (b) an application for renewal of the recognition as such a recognized certification authority;
- (c) an application for recognition of a particular certificate as defined by the principal Ordinance or a particular type, class or description of certificates (if made simultaneously with an application specified in subparagraph (a) or (b)); and
- (d) an application for recognition of a particular certificate as defined by the principal Ordinance or a particular type, class or description of certificates (if not made simultaneously with an application specified in subparagraph (a) or (b)).

## Annex B

### COST COMPUTATION

#### Fees under the Electronic Transactions (Fees) Regulation (Cap. 553A)

**Cost at 2013-14 price level  
(for processing one application)**

	Type of Applications		
	A	B	C
	<b>Recognition or renewal of recognized certification authority (\$)</b>	<b>Recognition of a particular digital certificate made simultaneously with (A) (\$)</b>	<b>Recognition of a particular digital certificate (\$)</b>
Staff Costs	25,199	2,519	5,718
Departmental Expenses	917	92	208
Accommodation Costs	1,765	175	402
Depreciation	224	22	51
Central Administrative Overhead	367	37	83
<b>Full Costs</b>	<b>28,472</b>	<b>2,845</b>	<b>6,462</b>
<b>Existing Fee</b>	<b>15,000</b>	<b>1,500</b>	<b>3,400</b>
<b>Proposed Fee</b>	<b>28,450</b>	<b>2,850</b>	<b>6,460</b>