

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1310/13-14

(These minutes have been seen  
by the Administration)

Ref : CB1/PL/FA/1

**Panel on Financial Affairs**

**Minutes of meeting**

**held on Monday, 6 January 2014 at 9:00 am  
in Conference Room 1 of the Legislative Council Complex**

**Members present :** Hon Starry LEE Wai-king, JP (Chairman)  
Hon Christopher CHEUNG Wah-fung, JP (Deputy Chairman)  
Hon Albert HO Chun-yan  
Hon James TO Kun-sun  
Hon CHAN Kam-lam, SBS, JP  
Hon Abraham SHEK Lai-him, GBS, JP  
Hon WONG Kwok-hing, BBS, MH  
Hon Andrew LEUNG Kwan-yuen, GBS, JP  
Hon WONG Ting-kwong, SBS, JP  
Hon Ronny TONG Ka-wah, SC  
Hon CHAN Kin-por, BBS, JP  
Hon Mrs Regina IP LAU Suk-yee, GBS, JP  
Hon James TIEN Pei-chun, GBS, JP  
Hon NG Leung-sing, SBS, JP  
Hon Kenneth LEUNG  
Hon Dennis KWOK  
Hon SIN Chung-kai, SBS, JP

**Member absent :** Hon Jeffrey LAM Kin-fung, GBS, JP

**Public officers  
attending :** Agenda Item IV

Mr James LAU  
Under Secretary for Financial Services and the  
Treasury

Agenda Item V

Miss Salina YAN

Deputy Secretary for Financial Services and the Treasury (Financial Services)<sup>1</sup>

Miss Ada CHAN

Principal Assistant Secretary for Financial Services and the Treasury (Financial Services)<sup>2</sup>

Agenda Item VI

Mr Patrick HO, JP

Deputy Secretary for Financial Services and the Treasury (Financial Services)<sup>3</sup>

Agenda Item VII

Mr Eddie CHEUNG

Deputy Secretary for Financial Services and the Treasury (Financial Services)<sup>2</sup>

Miss Nancy CHIEN

Acting Assistant Commissioner of Insurance (Enforcement)

Agenda Items VIII and IX

Ms Mable CHAN, JP

Deputy Secretary for Financial Services and the Treasury (Treasury)<sup>2</sup>

Ms Shirley KWAN

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

Agenda Item VIII

Mr TP TAM, JP

Deputy Commissioner of Inland Revenue (Operations)

Mr Tony WONG

Chief Assessor (Appeals)<sup>2</sup>  
Inland Revenue Department

Agenda Item IX

Mr David FONG, CMSM  
Assistant Commissioner  
(Excise and Strategic Support)  
Customs and Excise Department

Mr Isaac CHUNG  
Senior Systems Manager  
(ROCARS Maintenance and Development)  
Customs and Excise Department

**Attendance by : Agenda item IV**  
**invitation**

Mrs Laura M CHA, GBS, JP  
Chairman  
Financial Services Development Council

Mr Kent YAU  
Head/Secretariat  
Financial Services Development Council

Agenda Item V

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

Mr Rico LEUNG  
Senior Director (Supervision of Markets)  
Securities and Futures Commission

Ms Thrity MUKADAM  
Director (Supervision of Markets)  
Securities and Futures Commission

**Clerk in attendance:** Ms Connie SZETO  
Chief Council Secretary (1)4

**Staff in attendance :** Miss Winnie LO  
Assistant Legal Adviser 7

Ms Angel SHEK  
Senior Council Secretary (1)4

Ms Sharon CHAN  
Legislative Assistant (1)4

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Action

**I Confirmation of minutes of meeting and matters arising**

(LC Paper No. CB(1)626/13-14 — Minutes of the meeting on  
4 November 2013)

The minutes of the meeting held on 4 November 2013 were confirmed.

**II Information papers issued since the last meeting**

(LC Paper No. CB(1)497/13-14(01) — Letter dated 13 November  
2013 from Hon KWOK  
Wai-keung on issues  
relating to the establishment  
of an independent Insurance  
Authority (Chinese version  
only)

LC Paper No. CB(1)497/13-14(02) — Administration's response  
dated 6 December 2013 to  
issues raised by Hon  
KWOK Wai-keung on the  
establishment of an  
independent Insurance  
Authority

LC Paper No. CB(1)552/13-14 — Quarterly Report of the  
Securities and Futures  
Commission (July to  
September 2013))

2. Members noted the information papers issued since the last regular meeting held on 2 December 2013.

### **III Date of next meeting and items for discussion**

(LC Paper No. CB(1)625/13-14(01) — List of outstanding items for discussion

LC Paper No. CB(1)625/13-14(02) — List of follow-up actions)

#### Items for discussion at the regular meeting in February 2014

3. Members agreed to discuss the following three items proposed by the Administration at the next regular meeting scheduled for 7 February 2014:

- (a) Briefing on the work of Hong Kong Monetary Authority ("HKMA");
- (b) Construction of West Kowloon Government Offices; and
- (c) Budget of Securities and Futures Commission ("SFC") for the financial year of 2014 – 2015.

4. Members further agreed that the regular meeting in February 2014 should start at 10:00 am so as to allow sufficient time for discussion of the above three items.

#### Issues relating to counterfeit banknotes

5. While noting that Mr SIN Chung-kai would raise an urgent oral question on the subject of 2003 series \$1,000 counterfeit banknotes at the Council meeting of 8 January 2014, Mr WONG Kwok-hing considered that the Panel should hold a special meeting to discuss related issues. Mr CHAN Kam-lam pointed out that banknote counterfeiting happened in Hong Kong from time to time, and expressed concern that holding a special meeting to discuss the matter might arouse unnecessary public anxiety about the situation. He considered it more appropriate for members to discuss the matter with HKMA when the latter briefed members on its work at the regular meeting of the Panel in February 2014.

6. Mr SIN Chung-kai said that he had no objection to holding a special Panel meeting to discuss the subject, and suggested inviting representatives

from the Financial Services and the Treasury Bureau ("FSTB"), HKMA and the Police to the meeting to brief members on measures for tackling the problem. Mr SIN considered that the Administration should also advise on the legal basis, if any, for retailers refusing to accept \$1,000 banknotes (or certain series of such banknotes) from customers during transactions in light of the counterfeiting incident.

7. The Chairman suggested that the Administration be requested to provide a paper setting out the follow-up actions taken or to be taken to deal with the counterfeiting problem and address members' concerns. As the Panel had scheduled a special meeting on 29 January 2014 to receive a briefing by the Secretary for Financial Services and the Treasury on the relevant policy initiatives in the Chief Executive ("CE")'s 2014 Policy Address, the Chairman said that members could make use of the opportunity to follow up with the Administration on the subject. Members agreed.

#### **IV Briefing on the work of the Financial Services Development Council**

(LC Paper No. CB(1)625/13-14(03) — Paper provided by the Financial Services Development Council

LC Paper No. CB(1)625/13-14(04) — Letter dated 11 December 2013 from Hon Dennis KWOK on issues relating to open-ended investment company and tax exemption to offshore private equity funds (English version only)

LC Paper No. CB(1)625/13-14(05) — Background brief on the establishment of the Financial Services Development Council prepared by the Legislative Council Secretariat)

#### Briefing

8. With the aid of a powerpoint presentation (LC Paper No. CB(1)625/13-14(03)), the Chairman, Financial Services Development Council ("C/FSDC") briefed members on the work progress of FSDC, including the recommendations in the first batch of six reports submitted to the Government in November 2013 and FSDC's engagement and promotion work, as well as the way forward of FSDC.

#### Disclosure

9. Mr Kenneth LEUNG declared that some members of FSDC were his colleagues in the law firm he worked for. Mr CHAN Kin-por disclosed that some members of a company to which he was an adviser were members of FSDC's committees. The Chairman disclosed that some members of the company she worked for were members of FSDC's committees.

#### Discussion

10. Mr CHAN Kam-lam, Mr SIN Chung-kai, Mr CHAN Kin-por, Mr Kenneth LEUNG, Mr NG Leung-sing and Mr Christopher CHEUNG commended FSDC's efforts in completing six research reports with detailed and solid recommendations within just one year since its establishment. Mr CHAN Kin-por pointed out that FSDC's research reports had provided useful suggestions for the development of the financial services industry in Hong Kong which had been subject to increasing regulation in the recent years.

#### *Advancing the development of Hong Kong as an offshore Renminbi centre and capturing market opportunities from the Mainland*

11. Mr WONG Kwok-hing pointed out that Hong Kong's status as a primer offshore Renminbi ("RMB") centre was facing increasing competition from other places such as Singapore and Taiwan, and establishment of the Shanghai Free Trade Zone ("FTZ") might also challenge Hong Kong's position in offshore RMB business. He enquired about FSDC's views and suggested timetable for advancing Hong Kong's development as an offshore RMB centre.

12. Mr CHAN Kam-lam opined that FSDC should put forth forward-looking recommendations on how Hong Kong should develop its offshore RMB business in light of full liberalization of the Mainland's capital accounts and full convertibility of RMB in the long run as these developments would have adverse impact on Hong Kong's competitiveness as an offshore RMB centre. Dr LAM Tai-fai said that it would take a long time for RMB to become freely convertible, and Hong Kong should continue to advance its offshore RMB business in the meantime. Otherwise, other cities could seize

the opportunity and bypass Hong Kong in the development of offshore RMB business.

13. C/FSDC said that, given Hong Kong's unique relationship with the Mainland, it was well-placed to develop into an offshore RMB centre. For instance, currently about 80% of RMB trade settlement was conducted through banks in Hong Kong. Nonetheless, competition from other financial centres in RMB business could not be underestimated, including London which was well-established in Europe as a global foreign exchange and financial products trading centre, and a major provider of RMB services to clients in the region. It was important for Hong Kong to enhance and diversify its RMB business in order to maintain its competitiveness vis-à-vis other offshore RMB centres. In this connection, FSDC would adopt a forward-looking approach to continue with its study on how offshore RMB business in Hong Kong could be further strengthened and expanded.

14. Mr WONG Kwok-hing expressed concern about the inconvenience of the daily conversion/withdrawal limit of RMB 20,000 on customers and business activities. He enquired whether FSDC had studied the timeframe for abolishing the limit. C/FSDC said that lifting the limit would certainly help increase RMB liquidity and spur the development of RMB-denominated financial products in Hong Kong. FSDC had already recommended that the Government, in particular HKMA, should continue to liaise with the relevant authorities of the Mainland in reviewing the matter. It was noted that the initial response from the Central Government was positive.

15. Mr CHAN Kin-por enquired whether FSDC would study and recommend strategies for Hong Kong to meet the challenges posed by the development of FTZs in Shanghai and Guangdong Province. Dr LAM Tai-fai considered that the Administration/FSDC should assess the impact of rapid development in Shanghai on Hong Kong. C/FSDC agreed that Hong Kong needed to enhance its edges in order to compete with other international financial centres. FSDC would continue to keep in view the development of FTZs in Shanghai and the Guangdong Province, and study their impacts on Hong Kong when implementation details of the relevant FTZs were available.

16. Mr SIN Chung-kai observed that some of the recommendations put forward in FSDC's reports could not be pursued without necessary policy support in the Mainland. For instance, the launch of the suggested pilot scheme on Qianhai qualified domestic institutional investors in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone ("Qianhai Cooperation Zone") for accelerating Hong Kong's development as an offshore RMB centre was dependent on the relevant Mainland regulators. Mr SIN



expressed concern about how FSDC's recommendations if accepted by the Administration could be put into implementation.

17. C/FSDC said that FSDC's recommendations for enhancing the development of offshore RMB business in Hong Kong were categorized into three parts, namely the Government, the Mainland authorities, and the local financial services industry. The Under Secretary for Financial Services and the Treasury ("USFST") said that the Administration would study FSDC's recommendations and consult the industry on the way forward. For proposals requiring policy changes in the Mainland, the Administration would explore feasibility of the proposals with the relevant Mainland authorities. For instance, the development of the Qianhai Cooperation Zone had been a subject in the ongoing cross-border discussion of Hong Kong/Shenzhen and Hong Kong/Guangdong financial cooperation. He highlighted that FSDC had organized a Seminar on Opportunities and Challenges of Qianhai's Financial Development in July 2013 which provided opportunity for the industry to interact and exchange views with Shenzhen officials involved in Qianhai development.

18. Referring to FSDC's research report entitled "Strengthening Hong Kong as a Leading Global International Financial Centre", Mr Albert HO agreed with FSDC's recommendation that Hong Kong should aim to capture market opportunities from the Mainland by taking up the role of the preferred centre of inward and outward investments into and from the Mainland market. On the other hand, he considered that it was equally important for Hong Kong as an international financial centre to ensure proper regulation of its financial activities. Mr HO sought FSDC's views on how to strike a proper balance between leveraging on Mainland opportunities in developing Hong Kong's financial services and maintaining financial stability and regulatory standards as he had observed that local financial regulators had encountered difficulties in their investigations of alleged market misconduct of State-owned corporations listed in Hong Kong due to political pressure from the Mainland authorities.

19. C/FSDC said that Hong Kong's regulatory regime was sound in general and enforcement had been taken effectively by the relevant regulators (e.g. SFC, the Commercial Crime Bureau of the Hong Kong Police Force and the Independent Commission Against Corruption). She stressed that all listed entities in Hong Kong, irrespective of their place of incorporation or their status as State-owned enterprises or otherwise, were required to comply with the Listing Rules and other relevant regulatory requirements.

20. Mr Christopher CHEUNG said that the small and medium-sized securities firms were among those parties which supported the establishment of

FSDC in the hope that FSDC would study measures to improve the business environment for small and medium-sized enterprises ("SMEs") in the financial services sector enabling them to operate under a level-playing field with the large enterprises, and help SMEs to access the Mainland market. The securities industry was however disappointed that FSDC's research reports had not included such recommendations for timely consideration by CE for drawing up the 2014 Policy Agenda. Dr LAM Tai-fai concurred that it was necessary for the Administration to assist SMEs to access the Mainland market. Mr NG Leung-sing emphasized the need to balance the interests of companies of different sizes in developing the financial services industry.

21. C/FSDC said that FSDC was aware of the needs and interests of SMEs. FSDC had highlighted the need to "research into policies that support small and medium financial institutions" in the report entitled "Development and Reform of Mainland China's Financial Sector and the Strengthening and Enhancement of Hong Kong's Pivotal Role as a Financial Centre". She stressed that FSDC recognized the contributions of SMEs in the development of the financial services industry in Hong Kong. Notwithstanding this, FSDC was essentially tasked to work for the interests of the financial services sector as a whole and not a particular group of industry players. She added that expansion of business opportunities in the Mainland would certainly benefit the financial services sector across the board. It was important for industry players, including SMEs, to keep their mode of operation abreast of the needs and developments of industry. C/FSDC further said that FSDC had been engaging the industry through a bottom-up approach and would study views and suggestions raised by its members which included representatives from SME securities firms. In the next stage of work, FSDC would gauge the industry's views on ways to enhance human capital for future development of Hong Kong financial services sector. Enhancement in human capital and manpower training would benefit SME firms which might encounter resources constraints in this area.

*Incentives for enhancing the development of financial services*

22. Mr Kenneth LEUNG noted that some of FSDC's recommendations, such as those related to real estate investment trusts ("REITs") and private equity ("PE") funds, involved tax concessions. He enquired whether these recommendations had taken into account the simple tax regime and the principle of a territorial basis of taxation adopted by Hong Kong, and whether FSDC had consulted the Treasury Branch of FSTB in making the relevant recommendations. Mr LEUNG considered that FSDC should also study the means to alleviate the high business costs in terms of manpower training, development in information technology infrastructures and office rentals on enterprises which might impede the development of financial services in Hong Kong. Referring to the policy of Singapore exempting reinsurers from profits

tax for their business of reinsurance of offshore risks, Mr CHAN Kin-por enquired whether the Administration would consider introducing similar tax concessions and other initiatives to facilitate the development of reinsurance business in Hong Kong.

23. C/FSDC advised that the tax concessions recommended in FSDC's research reports had taken into account the industry's views about providing tax incentives for REITs and attracting PE funds to Hong Kong, and tax issues which warranted clarification by the Inland Revenue Department ("IRD"). In this regard, FSDC had exchanged views with IRD and the Treasury Branch. Apart from taxation matters, FSDC would continue to study other issues in the financial services industry, including development of human capital. USFST supplemented that the Administration would consider FSDC's tax proposals carefully having regard to their potential impact on Hong Kong's taxation regime and benefits to the local financial services industry. The Administration would consult the Panel on the proposals where appropriate.

24. As regards proposals to introduce a legal and regulatory framework for the operation of open-ended investment companies ("OEICs") in Hong Kong, and to provide tax exemptions and put in place anti-avoidance measures for PE funds, Mr Dennis KWOK expressed concern that FSDC's recommendations lacked details and a concrete implementation timetable. USFST said that the relevant recommendations were related to measures announced in the 2013-2014 Budget. The Administration's plan was to conduct public consultation on the OEIC proposals in the first quarter of 2014, and to consult the Panel on the proposed tax exemptions and anti-avoidance measures on PE funds in the same quarter after further consultation with the industry. In reply to Mr KWOK's enquiry about the scope of legislative amendments in both proposals, USFST said that the Administration and SFC were still considering the legislative approach for regulation of OEICs. The proposal to exempt income of offshore PE funds (including income relating to acquisition/selling of overseas non-listed companies) from profits tax would involve amendments to section 16 of the Inland Revenue Ordinance (Cap. 112) ("IRO"). He supplemented that, subject to the outcome of consultation, the profits tax exemptions in question for offshore PE funds would be applicable to limited liability partnerships.

#### *Resources of FSDC*

25. Mr NG Leung-sing expressed concern about adequacy of resources for FSDC in carrying out its engagement and promotion work, given that its existing staff members were deployed/seconded from FSTB, HKMA, SFC and the Hong Kong Trade Development Council. C/FSDC and USFST explained that, under the current arrangement, the operating costs for FSDC, including

expenses for engagement and promotion, were absorbed through deployment of existing resources from within the Government, whereas the cost for the seconded staff would be borne by the organizations they came from. This arrangement would be maintained for the initial three years of FSDC's operation up to 2015. The Administration would review the arrangement as appropriate having regard to the needs and development of FSDC. C/FSDC added that, apart from government resources, FSDC also relied heavily on the expertise and networks of its members to bring its work to fruition.

*Timeframe for implementation of FSDC's recommendations*

26. The Chairman sought information from the Administration on the timeframe for taking forward the various recommendations of FSDC in view of the industry's aspiration for early implementation of the relevant proposals. Mr NG Leung-sing suggested that FSDC should set objective targets (e.g. percentage of growth in the gross domestic product and creation of jobs in the financial services sector) for delivering the recommendations in the research reports.

27. USEST said that, as the recommendations in question would have implications on the taxation and regulatory regimes in Hong Kong, it would take time for the Administration to consider them carefully, with a view to striking a proper balance between financial stability and development. At the request of members, the Administration undertook to update the Panel as soon as possible on the Government's response to the recommendations put forward in FSDC's research reports, including –

- (a) the recommendations which the Government would take forward or consider further, the initial plans of the Government and the relevant timetables in this regard; and
- (b) the recommendations which the Government considered not appropriate for pursuing and the reasons concerned.

Motion

28. The Chairman informed the meeting that Mr Kenneth LEUNG had put forward a motion on this item, the wordings of which were tabled at the meeting as follows –

"鑑於金融發展局是在財經事務及庫務局下的一個諮詢架構，其現在職能並不直接涉及金融政策的制訂及落實執行，因此本委員會動議政府把金融發展局易名為"金融發展委員會" ("Financial Services Development Commission")."

(Translation)

"That, as the present role and functions of the Financial Services Development Council as an advisory body under the Financial Services and the Treasury Bureau do not directly involve the formulation and implementation of financial policies, this Panel moves that the Government change the name of the Financial Services Development Council to "Financial Services Development Commission"."

29. The Chairman decided that Mr Kenneth LEUNG's proposed motion was directly related to the agenda item. Members had no objection against the Panel dealing with the motion. Upon the Chairman's invitation, Mr Kenneth LEUNG explained that his motion for changing the Chinese name of FSDC from "金融發展局" to "金融發展委員會" aimed to provide greater clarity and minimize public misunderstanding of the role and functions of FSDC as an advisory body of the Government. He had proposed the rendition "Commission" for "委員會" with reference to the name of the Law Reform Commission. Mr LEUNG stressed that by proposing the motion, he had no intention at all in denying FSDC's work and contributions, as well as its recommendations made in the research reports.

30. In response to the proposed motion, USFST said that issues relating to the name of FSDC had been discussed thoroughly at the Panel meeting held in February 2013. He pointed out that the rendition "委員會" might not necessarily imply that the organization in question was advisory in nature, as in the case of SFC (證券及期貨事務監察委員會) which was a regulatory body. C/FSDC supplemented that there was no standardized or established practice within the Government in determining the names of advisory bodies. For instance, the University Grants Committee, which advised the Government on the development and funding needs of higher education institutions, was not a statutory body and adopted the rendition "委員會" in its Chinese name. On the other hand, some advisory bodies to the Government used the rendition "局" in their Chinese names, e.g. the Hong Kong Film Development Council (香港電影發展局) and the Hong Kong Arts Development Council (香港藝術發展局). C/FSDC considered that it might confuse the public if FSDC changed its name at this stage. She pointed out that no problem had arisen from the present name of FSDC.

31. The Chairman put Mr Kenneth LEUNG's motion to vote. Of the members present, three members voted for the motion and three members voted against it. The Chairman declared that the motion was negatived.

**V Legislative proposal to provide an enabling environment for the introduction of an uncertificated securities regime**

(LC Paper No. CB(1)625/13-14(06) — Administration's paper on "Legislative proposal to provide an enabling environment for the introduction of an uncertificated securities regime"

LC Paper No. CB(1)625/13-14(07) — Background brief on legislative proposal to provide an enabling environment for the introduction of an uncertificated securities regime prepared by the Legislative Council Secretariat)

Briefing by the Administration

32. At the invitation of the Chairman, the Deputy Secretary for Financial Services and the Treasury (Financial Services)1 ("DS(FS)1") and the Senior Director (Supervision of Markets), SFC briefed members on the background and details of the legislative proposal to provide an enabling environment for the introduction of an uncertificated securities market. Members noted that implementation of this initiative would necessitate legislative amendments involving mainly the Securities and Futures Ordinance (Cap. 571) ("SFO"), the new Companies Ordinance (Cap. 622) and the Stamp Duty Ordinance ("SDO"), and the making of subsidiary legislation subsequently.

*(Post-meeting note: The notes of the powerpoint presentation (LC Paper No. CB(1)680/13-14(01)) were issued to members vide Lotus Notes e-mail on 6 January 2014.)*

Discussion

*Timeframe and prescribed securities for implementing a fully uncertificated securities market*

33. Mr WONG Kwok-hing enquired about the forecast timeframe for the existing paper-based system to continue to operate before complete transition to a fully uncertificated securities market in Hong Kong. Noting that the proposed uncertificated regime would apply only to shares of Hong Kong incorporated companies listed on the Stock Exchange of Hong Kong ("SEHK") at the initial stage, Mr WONG sought the timeframe to expand the coverage to shares of companies incorporated in other jurisdictions which accounted for the majority (i.e. about 70%) of the listed companies in Hong Kong.

34. While expressing support for the initiative to implement an uncertificated securities market in Hong Kong, Mr Andrew LEUNG expressed grave concern that the proposal of implementing the initiative in phases with the initial focus on just the few Hong Kong incorporated companies could hardly achieve market efficiency and cost-effectiveness, in particular as most of the newly listed companies were incorporated outside Hong Kong. Referring to the experiences of the United Kingdom ("UK") and Australia, Mr LEUNG urged the Administration to put forth a concrete timetable for expanding the regime to cover shares of non-Hong Kong incorporated companies listed in Hong Kong, especially the blue chips companies in view of their larger trading volumes. The Chairman enquired whether new companies seeking listing in Hong Kong, irrespective of their places of incorporation, would be required to provide the option of uncertificated securities to subscribers.

35. DS(FS)1 said that as the proposed uncertificated securities regime was a new initiative, the Administration considered it appropriate to take it forward in a progressive manner with implementation of a dual system during the transition. Consideration would be given to implementing a fully uncertificated regime in Hong Kong taking into account, among others, experience in operating the dual system, market readiness, and investors' adaptation to holding their shares in an uncertificated form. As regards the types of shares to be covered under the uncertificated securities regime, DS(FS)1 said that as Hong Kong incorporated companies were governed by Hong Kong law, the Government would be in a better position to initiate necessary amendments to such laws to include these shares under the regime. The uncertificated securities regime would be expanded to cover shares of companies incorporated under other jurisdictions as and when the necessary approvals or laws of such jurisdictions were in place. To this end, the Administration/SFC would discuss with the relevant authorities of other jurisdictions, such as the Mainland, in parallel when proceeding with the current legislative exercise in Hong Kong with the objective of covering companies from as many jurisdictions as possible when the new regime started to operate. The Executive Director (Supervision of Markets), SFC

("ED(SM)/SFC") supplemented that the timeframe for expanding the scope of "prescribed securities" to be accepted into the uncertificated securities regime to cover shares of companies incorporated under other jurisdictions could not be determined at this stage because it was beyond the control of the Government whether and when the necessary approvals or law amendments of other jurisdictions would be given or take place.

36. Mr Kenneth LEUNG enquired about problems envisaged in the implementation of an uncertificated securities regime in light of overseas experiences. DS(FS)1 said that different jurisdictions had unique experiences in implementing the uncertificated securities initiative. Their uncertificated securities regimes had been developed having regard to their backgrounds and unique circumstances. As observed, the securities market of Australia was able to implement a fully paperless system relatively earlier (i.e. since 1999) and the securities market in Taiwan had become fully uncertificated by 2011 with a transitional period. The UK's securities market, however, was still operating a dual system despite the introduction of uncertificated securities since 1996. As for the stock market of the Mainland, it was already operating under an uncertificated securities environment without going through any transitional arrangements because there was no pre-existing paper-based regime. Indeed, the pace of transition would largely depend on the acceptance of investors in using the uncertificated securities mode. Besides, there would be interface issues relating to the operation of new systems and procedures for clearing and settlement of securities under the uncertificated securities regime, as well as compilation of members registers for the companies concerned. She said that the Administration would study experiences of other jurisdictions in working out details of the uncertificated securities regime.

*Cost impact of and incentives for implementing the proposed regime*

37. Mr SIN Chung-kai said that Members belonging to the Democratic Party supported the initiative and urged the Administration to introduce the relevant legislative amendments as early as possible. He considered that the Administration should provide incentives to encourage investors to hold their shares in an uncertificated form. It was important that the fees to be charged should not be higher than those of the existing paper-based regime. While introduction of an uncertificated securities regime would inevitably incur additional capital costs in respect of system enhancement, he believed that there would be benefits over time and room for fee reduction in the medium to long term. The Chairman enquired which parties would be responsible for making investment in the new systems.

38. Mr Christopher CHEUNG said that securities firms in general considered that the proposal would enhance investor protection and investors'



choice but they were concerned about increase in business costs arising from investment in new system infrastructures and provision of additional services to clients, in particular during the transitional period when the dual system was in place. Mr CHEUNG considered that the Administration should assess the cost impact on the securities trade and minimize the cost burden on the industry.

39. ED(SM)/SFC said that both the Hong Kong Securities Clearing Company Limited ("HKSCC") and the share registrars would need to establish new system infrastructures under their respective purviews in order to tie in with implementation of the uncertificated securities regime, and bear the costs involved. While the costs for HKSCC or share registrars might be lowered with benefits gained as a result of enhancement in market efficiency and competitiveness in the Hong Kong market thus conducive to growth in business, market development would essentially hinge on the extent of acceptance of the model by market participants. In any case, the fees of HKSCC (i.e. the operator of the uncertificated securities system) would be subject to SFC's approval. As provided under SFO, SFC would decide whether or not to approve a fee having regard to, amongst others, the level of fee imposed by similar bodies outside Hong Kong for the same or similar matter. On the fees to be charged by individual share registrars, it was expected that they would be driven by market forces to acceptable levels. ED(SM)/SFC said that SFC would work with HKSCC and share registrars to enhance understanding of market participants on the setting of fees.

40. DS(FS)1 said that the Administration/SFC would communicate with the securities industry on details for implementing the uncertificated securities regime including the relevant system requirements, and strive to reduce the costs on the trade. She assured members that SFC would play a gate-keeping role with regard to the fee schedules to be set by HKSCC and the Federation of Share Registrars Limited.

41. Noting that the \$5 fixed rate stamp duty would no longer be chargeable on the instrument of transfer in respect of any sale or purchase of the prescribed shares under the uncertificated securities regime, Mr Kenneth LEUNG sought clarification about whether the fixed stamp duty would continue to apply to non-listed companies. ED(SM)/SFC said that under the uncertificated securities regime, the fixed rate stamp duty would no longer be chargeable for listed securities because the securities in question might be transferred without an instrument of transfer in certain circumstances. However, the fixed rate stamp duty would continue to apply to shares of non-listed companies because instruments of transfer would still be required. As regards the ad valorem stamp duty on transfers of shares under the uncertificated securities regime, he said that this would not be affected. While the ad valorem stamp duty would

continue to be collected electronically through SEHK for all on-Exchange transfers, it was proposed that SDO be amended to enable the setting up of a new stamping arrangement for the collection of ad valorem stamp duty for off-Exchange transfers of securities in uncertificated form.

*Regulation of securities brokers and share registrars*

42. In reply to Mr Kenneth LEUNG, DS(FS)1 and ED(SM)/SFC advised that the proposed regime would not entail changes to the regulation of securities brokers although they would need to adjust their services. For instance, securities brokers had to make arrangements under the uncertificated securities regime for changing the names of holders of securities accounts according to their clients' instructions, and attending shareholder meetings on behalf of clients where applicable. On the other hand, share registrars would be more directly and robustly regulated by SFC after they had assumed the new roles and responsibilities in the uncertificated environment. ED(SM)/SFC added that HKSCC and the Federation of Share Registrars Limited would launch educational programmes to familiarize market participants with the proposed regime.

Conclusion

43. The Chairman concluded that members did not object to the Administration introducing the relevant bill into the Legislative Council ("LegCo") in the second quarter of 2014.

**VI Proposed retention of supernumerary directorate posts in Financial Services Branch of the Financial Services and the Treasury Bureau**

(LC Paper No. CB(1)625/13-14(08) — Administration's paper on "Retention of two supernumerary directorate posts in Financial Services Branch of the Financial Services and the Treasury Bureau to spearhead legislative initiatives relating to corporate insolvency, auditor regulatory reform, bankruptcy administration, the new Companies

Ordinance (Cap. 622) and the reformed trust law"

LC Paper No. CB(1)625/13-14(09) — Background brief on retention of two supernumerary directorate posts in Financial Services Branch of the Financial Services and the Treasury Bureau prepared by the Legislative Council Secretariat)

### Briefing by the Administration

44. At the invitation of the Chairman, the Deputy Secretary for Financial Services and the Treasury (Financial Services)<sup>3</sup> ("DS(FS)3") briefed members on the Administration's proposal to retain two supernumerary directorate posts in the Financial Services Branch ("FSB") of FSTB until 31 December 2016 for taking forward the legislative exercises on corporate insolvency, the corporate rescue procedure ("CRP"), auditor regulatory reform, "abscondee" regime under the Bankruptcy Ordinance (Cap. 6) as well as other matters.

### Discussion

45. Mr SIN Chung-kai expressed support for the staffing proposal. The Chairman enquired about the progress and timetable for taking forward the legislative proposals to introduce a statutory CRP in Hong Kong.

46. DS(FS)3 advised that the Administration conducted a public consultation in late 2009 on the conceptual framework and some specific issues relating to CRP. Taking into account comments received, the Administration was reviewing certain key issues, as well as considering other matters in detail which were not discussed in the previous consultation. The current plan was to develop a package of detailed legislative proposals for further engagement with stakeholders in 2014. The Administration planned to brief the Panel in mid-2014 on the consultation conclusions on the legislative proposals for improving the corporate insolvency law, together with the detailed legislative proposals for introducing CRP. Subject to the outcome of the stakeholders' engagement, the Administration would consider including provisions on CRP in the same amendment bill for improving the corporate insolvency law. In the event that the stakeholders could not reach a consensus on the proposed CRP regime and further deliberation was required, the legislative exercise for introducing CRP would be taken forward separately.

47. The Chairman enquired about the timetable for taking forward the auditor regulatory reform and requested the Administration to address the views and concerns raised by the audit profession and business sector on the reform. DS(FS)3 advised that the reform proposals involved stakeholders from different sectors, including the audit profession, listed companies, relevant financial regulators and the investing public. The Administration planned to put forward a package of reform proposals for public consultation in around the second quarter of 2014. Subject to the outcome of the consultation, the Administration would prepare detailed legislative proposals with a view to introducing the legislative proposals into LegCo in the 2014-2015 legislative session.

### Conclusion

48. The Chairman concluded that members supported the Administration submitting the staffing proposal for consideration of the Establishment Subcommittee ("ESC").

## **VII Proposed retention of a supernumerary directorate post in the Office of the Commissioner of Insurance for enforcing the anti-money laundering regime and regulating relevant mandatory provident fund intermediaries**

(LC Paper No. CB(1)625/13-14(10) — Administration's paper on "Retention of a Supernumerary Directorate Post in the Office of the Commissioner of Insurance of the Financial Services and the Treasury Bureau (Financial Services Branch) for Enforcing the Anti-Money Laundering Regime and Regulating Mandatory Provident Fund Intermediaries"

LC Paper No. CB(1)625/13-14(11) — Background brief on retention of a supernumerary directorate post in the Office of the Commissioner of Insurance

for enforcing the anti-money laundering regime and regulating relevant mandatory provident fund intermediaries prepared by the Legislative Council Secretariat)

### Briefing by the Administration

49. At the invitation of the Chairman, the Deputy Secretary for Financial Services and the Treasury (Financial Services)2 ("DS(FS)2") briefed members on the Administration's proposal to retain a supernumerary directorate post of Assistant Commissioner of Insurance ("ACI") (designated as ACI(Enforcement) ("ACI(E)")) in the Office of the Commissioner of Insurance ("OCI") for about 17 months from 25 May 2014 to 31 October 2015 for enforcing the anti-money laundering ("AML") and counter-terrorist financing ("CTF") regime and regulating mandatory provident fund ("MPF") intermediaries.

### Discussion

#### *Retention of the ACI(E) post*

50. Mr SIN Chung-kai enquired whether the proposed retention period of the ACI(E) post would tie in with the set up of an independent Insurance Authority ("IIA"), and the division of work between the post and the corresponding position in the future IIA. He asked if the Administration would consider further extending the ACI(E) post should there be delay in the establishment of IIA.

51. DS(FS)2 responded that the proposed retention period of the ACI(E) post up to 31 October 2015 had taken into account the establishment of IIA by that time. The enforcement duties currently assumed by ACI(E) in respect of the AML and CTF regulatory regime on insurers and insurance intermediaries (collectively referred to as "insurance institutions") and compliance with conduct requirements by MPF intermediaries from the insurance sector would be taken up by the corresponding position in the IIA in future. The continued need for the post would be reviewed in light of the progress of scrutiny of the relevant bill for the establishment of IIA which was expected to be introduced into LegCo in the first half of 2014.

#### *Anti-money laundering measures*

52. Referring to the Joint Financial Intelligence Unit ("JFIU") Annual Report 2012, Mr Kenneth LEUNG expressed concern about the surge by 32% and 67% in the number of suspicious transaction reports filed by insurance companies to JFIU in 2011 and 2012 respectively. Mr LEUNG enquired about the division of work between ACI(E) and JFIU with regard to AML regulatory functions, and reasons for the increase in the number of suspicious transactions.

53. The Acting Assistant Commissioner of Insurance (Enforcement) ("ACI(E)(Atg)") said that the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) ("AMLO"), which had come into operation since 1 April 2012, stipulated the customer due diligence ("CDD") measures and record-keeping requirements to be undertaken by financial institutions in line with the relevant international standards. The Insurance Authority ("IA") was the relevant authority under AMLO to supervise compliance by insurance institutions with the statutory CDD and record-keeping obligations, including conducting routine inspections on insurance institutions, investigating suspected breaches, issuing guidelines to facilitate compliance, and organizing related publicity and educational activities. As regards JFIU, its main roles included receiving and analyzing reports about suspicious financial activities. On the concern about the rising number of suspicious transaction reports received by JFIU from insurance institutions, in particular since 2012, ACI(E)(Atg) said that this was assessed to be due to the enactment of AMLO imposing statutory obligations on financial institutions (including insurance institutions) to conduct CDD and report suspicious transactions.

54. Mr CHAN Kin-por pointed out that the requirement under the AML and CTF regulatory regime for insurance institutions to report suspicious transactions had adversely affected the conduct of insurance business, in particular insurance products involving small amount of premiums conducted through direct sales. He enquired whether the Administration would make reference to practices of other jurisdictions to set the suspicious transaction reporting threshold at a reasonable amount of premium for the insurance products. For instance, granting exemption from reporting for life insurance policies with monthly premium of \$500 or below so as to minimize the adverse impact on the conduct of insurance business. The Chairman stressed that there should be clear and objective criteria for compliance with the requirements of AMLO by insurance institutions and enforcement action by IA. Mr James TIEN expressed concern whether the current CDD and related reporting requirements under AMLO had exceeded the international AML/CTF standards and thus caused undue compliance burden on small and medium-sized insurance institutions. He considered that a reasonable balance

should be struck between meeting the relevant international requirements and maintaining the commercial viability of the insurance institutions.

55. ACI(E)(Atg) advised that AMLO had specified the CDD requirements with regard to factors such as the transaction amounts. For instance, there were provisions for simplified CDD under certain prescribed circumstances, such as life insurance policies not exceeding the specified annual/single premium amounts. Furthermore, there were special requirements for transactions with relatively higher risk of money laundering, such as non face-to-face transactions where the customers were not physically present for identification purposes.

56. DS(FS)2 said that it had long been a global concern that money launderers and terrorist organizations could make use of insurance policies to move illicit funds undetected, in particular by layering of large amount single premium insurance policies. He stressed that the current CDD requirements were in line with international standards. DS(FS)2 added that FSTB had set up a working group to conduct a territory-wide risk assessment on money laundering/terrorist financing activities in different financial sectors (including the insurance sector). The Administration would take into account the views from the industry and stakeholders in assessing the risks for different financial activities, the latest international requirements, experience in implementing AMLO, impact of the requirements on business operation, etc. The Administration would report the outcome of the review to the Panel around the end of 2014. In reply to the Chairman whether ACI(E) was responsible for taking forward the said review, DS(FS)2 clarified that the review was undertaken by FSTB, with inputs from the relevant regulatory bodies including IA.

#### *Regulation of MPF intermediaries*

57. Mr WONG Kwok-hing said that he supported the staffing proposal. He enquired about the number of complaints received by OCI against MPF intermediaries, in particular cases which involved non-compliance with the relevant conduct requirements.

58. ACI(E)(Atg) advised that, since the enactment of the Mandatory Provident Fund Schemes (Amendment) Ordinance 2012 from 1 November 2012 (under which IA assumed the statutory role as the frontline regulator responsible for the supervision and investigation of registered MPF intermediaries whose main line of business was in the insurance sector), OCI had handled over 20 complaints involving about 100 parties, and investigated into around 20 cases of suspected non-compliance, some of which were still

under investigation. OCI would forward the investigation reports to the Mandatory Provident Fund Schemes Authority for consideration of disciplinary implications and sanctions on the MPF intermediaries concerned.

### Conclusion

59. The Chairman concluded that the Panel did not oppose the Administration submitting the staffing proposal for ESC's consideration.

## **VIII Legislative proposals to enhance efficiency of the existing tax appeal mechanism**

(LC Paper No. CB(1)625/13-14(12) — Administration's paper on "Legislative Proposals to Enhance the Efficiency of the Existing Tax Appeal Mechanism"

LC Paper No. CB(1)625/13-14(13) — Background brief on legislative proposals to enhance the efficiency of the existing tax appeal mechanism prepared by the Legislative Council Secretariat)

### Briefing by the Administration

60. At the invitation of the Chairman, the Deputy Secretary for Financial Services and the Treasury (Treasury)<sup>2</sup> ("DS(Tsy)<sup>2</sup>") briefed members on the background and purpose of the following legislative proposals to enhance the existing tax appeal mechanism –

- (a) empowering the Board of Review (Inland Revenue Ordinance) ("BoR") to make directions on the practice or procedure relating to the hearing of a tax appeal and to sanction non-compliance;
- (b) providing privileges and immunities to the chairman, deputy chairmen and members of BoR as well as to witness, party to any proceedings and representative or other person appearing before BoR; and
- (c) allowing taxpayers and the Commissioner of Inland Revenue



("CIR") to appeal directly to the court against the decisions of BoR on questions of law without having BoR to agree to state a case for the court's consideration.

### Declaration of interests

61. Mr Kenneth LEUNG declared that he was an ex-member of BoR and had served BoR for some eight years.

### Discussion

62. Mr Kenneth LEUNG expressed support for the legislative proposals. He said that he was not aware that IRO did not provide privileges and immunities to BoR members when he served as a member of BoR. He considered it necessary for the Administration to inform existing or prospective BoR members on this fact clearly for the time being. Mr LEUNG also observed that the Administration had encountered difficulties in finding BoR members in view of the heavy demand of time and efforts from members in hearing tax appeals.

63. DS(Tsy)2 said that under IRO, not more than 150 members other than the chairman and deputy chairmen could be appointed to BoR and there were 65 members at present. The Administration would continue its efforts to recruit more members to BoR as necessary. The current proposal to provide BoR members with the same privileges and immunities as a judge of the Court of First Instance ("CFI") would help enhance their protection.

64. Mr Kenneth LEUNG enquired whether the Administration had considered the suggestion of the Joint Liaison Committee on Taxation to appoint the chairman of BoR on a full-time basis. Mr SIN Chung-kai opined that given the availability of professionals and retirees with the necessary expertise in the legal and taxation fields, it should be feasible to appoint some BoR members (the chairman and deputy chairmen in particular) on a full-time basis. This arrangement would help enhance the consistency of BoR's decisions and efficiency in handling tax appeals.

65. DS(Tsy)2 said that each hearing panel of BoR comprised three or more members, including the chairman or a deputy chairman of BoR serving as the panel chair. Currently, according to the IRO, the chairman together with 10 deputy chairmen of BoR took up the hearing panel chair on a roster basis to share out the caseload. In view of the reduced number of appeal cases in recent years (i.e. about 50 cases in 2012-2013 compared to some 100 cases in 2008-2009), the caseload should be manageable within the existing manpower resources without undermining efficiency in hearing tax appeals. DS(Tsy)2

supplemented that, in considering the operation of BoR, the Administration had to take into account the independence of BoR, a diversified background of BoR members to tackle different types of tax appeals, and potential difficulty to appoint BoR members on a full-time basis. As observed, apart from the incumbent chairman of BoR who had been appointed to the post for a long time, the current six deputy chairmen had four to six years of service, who were experienced in presiding the hearing panel. Furthermore, the proposal to abolish the case-stated procedure would further enhance the efficiency of the tax appeal mechanism.

66. As regards Mr Kenneth LEUNG's suggestion to increase the honorarium of BoR members, DS(Tsy)2 said that the honorarium payable to BoR members was adjusted with reference to the Composite Consumer Price Index. The level of honorarium and adjustment mechanism was in line with the practices of other boards and committees with comparable functions and workload. The Administration had consulted Mr Kenneth KWOK, the incumbent Chairman of BoR, on the matter, and noted Mr KWOK's view that the current level of honorarium for BoR members was acceptable.

67. Noting that BoR received on average 85 appeal cases per year in the past five years, Mr James TIEN enquired whether the current proposals to enhance the efficiency of the tax appeal mechanism would help shorten the timeframe for handling tax appeals. Mr Kenneth LEUNG enquired about the Administration's assessment of the average time required for the hearing panel chair to deliver in writing the decision of BoR for a tax appeal.

68. DS(Tsy)2 said that about 50 of the annual 85 cases lodged with BoR in the past five years were settled by BoR during the year. Half of these 50 cases were relatively simple involving assessment of tax penalties. In general, it would take about one to two months after filing of a tax appeal to issue the notice of hearing for a simple case, and the hearing for such case usually lasted for a half to one day. For complex cases usually involving salaries tax and profits tax, as it was necessary to provide adequate time for the appellants (the taxpayers concerned) or CIR to prepare documents and submit them to the other party, it would take relatively longer time (usually about three to four months) to issue the notice of hearing after receipt of a tax appeal. As regards the time for the hearing panel chair to provide written decision on a tax appeal, it would vary from some weeks to several months depending on the complexity of the case.

69. In response to Mr Kenneth LEUNG's enquiry about the annual average number of tax appeal cases that were taken from BoR to CFI, DS(Tsy)2 advised that in the past three years, BoR received seven applications on average each year for stating the case on question of law to CFI. Among these applications,

BoR was convinced that there existed a proper question of law in two cases and hence had stated the two cases for the opinion of CFI.

### Conclusion

70. The Chairman concluded that members did not oppose the Administration introducing the relevant legislative amendments into LegCo in around May 2014.

## **IX Development of Dutiable Commodities System in the Customs and Excise Department**

(LC Paper No. CB(1)625/13-14(14) — Administration's paper on "Development of Dutiable Commodities System of the Customs and Excise Department")

### Briefing by the Administration

71. At the invitation of the Chairman, DS(Tsy)2 and the Principal Assistant Secretary for Financial Services and the Treasury (Revenue) ("PAS(Tsy)(R)") briefed members on the background and purpose of the proposal of the Customs and Excise Department ("C&ED") to extend the current electronic mode of operations for applications for dutiable commodities ("DC") permit to make it applicable to DC licence applications under the Dutiable Commodities Ordinance (Cap. 109) ("DCO"). PAS(Tsy)(R) said that the Administration planned to submit the funding application for developing the related Dutiable Commodities System ("DCS") to the Finance Committee ("FC") in May/June 2014, and table the relevant legislative amendments to the Dutiable Commodities Regulations (Cap. 109A) at LegCo for negative vetting no later than May 2014.

### *Impact on the dutiable commodities trade*

72. Mr SIN Chung-kai expressed concern about the potential impact on the DC trade. He enquired about readiness of the trade in terms of capability of computer facilities for submitting DC licence applications through electronic means, and sought information on the estimated number of DC traders affected by the proposal and the annual number of DC licence applications processed by C&ED.

73. The Assistant Commissioner (Excise and Strategic Support), C&ED ("AC/C&ED") said that in 2013, C&ED processed a total of 1 797 applications relating to DC licensing matters, including 141 applications for new licences, 234 applications for amendment of licence particulars, 1 317 and 105 applications for renewal and cancellation of licence respectively. C&ED had issued letters to the existing 1 700 DC licence holders as well as held meetings with the Dutiable Commodities Customer Liaison Group (comprising the Warehouses/Duty-free Shop Operators/Ship Stores Suppliers Sub-group, Hydrocarbon Oil Sub-group, Tobacco Sub-group and Liquor Sub-group) to consult the trade on the proposal of electronic licensing, and had obtained their support in general for the proposed DCS. AC/C&ED added that the DC permit system had already been operating on a full electronic mode for over 10 years with some 100 000 DC permits issued electronically in 2013. Given that the electronic mode of operation of the DC permit system was widely accepted by the trade, it should have no problem in adapting to the electronic DC licensing system. Indeed, the trade welcomed e-licensing as there would be benefits including saving time and efforts in preparing applications in paper form and submitting the documents to C&ED in person. To provide guidance to DC traders on e-licensing, C&ED would disseminate information to the trade and set up hotlines to answer enquiries.

*Economic benefits of the proposal*

74. Mr CHAN Kam-lam noted that the estimated recurrent expenditure for implementing the proposed DCS was \$5.4 million per year from 2019-2020 onwards (i.e. the system was tentatively scheduled for implementation in January 2017), vis-à-vis an annual savings of \$5.6 million from 2017-2018 onwards. Although the annual savings on balance would be some \$0.2 million only, he considered that the potential economic benefits arising from the proposal should also be taken into account, such as savings in manpower cost, enhanced information management at C&ED, and better integration with the computer systems of other bureaux/departments or relevant Mainland authorities.

75. Referring to paragraph 13 of the Administration's paper (LC Paper CB(1)625/13-14(14)), DS(Tsy)2 advised that the annual savings of \$5.6 million included savings in the maintenance cost of the existing system and notional staff cost savings as a result of reduction of manual efforts and paper work in the licence/permit processing due to the re-engineered workflow. Besides, the proposed DCS would have benefits on the trade in terms of savings in paper consumption and storage space, as well as open new opportunities for trade facilitation. For instance, as DC licence information could be validated electronically with the implementation of e-licensing, the time for traders to

register with the designated Service Providers under Government Electronic Trading Services for permit application, which required licence validation with C&ED, would be shortened from the current five to three working days. DS(Tsy)2 supplemented that the Administration would include more information on the economic benefits of the proposed DCS in the paper to be submitted to FC for seeking funding approval on the proposed DCS.

#### *Other issues*

76. Mr CHAN Kam-lam observed that applications for certain types of licences (e.g. driving licence) were still processed in paper form at present for reasons such as constraints of the computer systems of the departments concerned. Mr CHAN considered that the Government should devise plans to upgrade and achieve compatibility of information technology infrastructures among various departments in providing electronic services to the public. The Administration took note of Mr CHAN's view and suggestion.

#### Conclusion

77. The Chairman concluded that the Panel had no objection to the Administration introducing the relevant legislative amendments into LegCo in around May 2014 for implementing e-licensing and submitting funding application to FC in May/June 2014 for the proposed DCS.

#### **X Any other business**

78. There being no other business, the meeting ended at 12:04 pm.

Council Business Division 1  
Legislative Council Secretariat  
7 May 2014