

Panel on Financial Affairs

List of outstanding items for discussion
(as at 28 November 2013)

**Proposed timing
for discussion at
Panel meeting**

1. Briefing on the work of the Financial Services Development Council ("FSDC")

The Chief Executive made two rounds of appointments on 17 January and 5 April 2013 to FSDC. The Panel received a briefing by the chairman of FSDC on its work at the meeting on 4 February 2013.

January 2014

Since its establishment, FSDC has convened four meetings. The five committees established under FSDC have also held a number of meetings and commenced work on their respective initiatives. FSDC has submitted the first batch of six research reports to the Government for consideration. The reports were also released to the public on 18 November 2013.

2. Briefing on the legislative proposal to provide an enabling environment for the introduction of an uncertificated securities regime

The Administration will brief the Panel on the legislative proposal to provide an enabling environment for the introduction of an uncertificated securities regime, which aims to upgrade the infrastructure and enhance the quality of the securities market in Hong Kong for better investor protection. The Administration plans to introduce the relevant bill into the Legislative Council ("LegCo") in the first half of 2014.

January 2014

3. Proposed retention of supernumerary directorate posts in Financial Services Branch of the Financial Services and the Treasury Bureau

The Administration will consult the Panel on the proposed retention of one Administrative Officer Staff Grade B supernumerary post and one Administrative Officer Staff Grade C supernumerary post up to 31 December 2016 for dealing with legislative exercises on corporate insolvency, auditor regulatory reform, "abscondee" regime under the

January 2014

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Bankruptcy Ordinance (Cap. 6) and other matters. The Administration plans to submit the staffing proposal to the Establishment Subcommittee ("ESC") and the Finance Committee ("FC") in February and May 2014 respectively.

4. 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 ("MPF") intermediaries

The Administration will consult the Panel on the proposed retention of the supernumerary directorate post to oversee all the relevant supervisory and enforcement duties in relation to the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) and Mandatory Provident Fund Schemes (Amendment) Ordinance 2012. The Administration plans to submit the staffing proposal to ESC and FC in February and May 2014 respectively.

January 2014

5. Legislative proposals to enhance the efficiency of the existing tax appeal mechanism

Under the Inland Revenue Ordinance (Cap. 112) ("IRO"), the Board of Review ("the Board") is an independent statutory body responsible for hearing and determining tax appeals. The Administration proposes to amend the IRO to enhance the efficiency of the existing tax appeal mechanism as follows -

January 2014

- (a) to empower the Board to make directions on the practice or procedure relating to the hearing of a tax appeal and to sanction non-compliance;
- (b) to allow taxpayers and the Commissioner of Inland Revenue to appeal directly to the court against the decisions of the Board on questions of law without having to seek the Board's agreement to state a case for the court's consideration; and
- (c) to provide appropriate privileges and immunities to the chairman, deputy chairmen and members of the

Board as well as to witness, party to any proceedings and representative or other person appearing before the Board.

The Administration consulted the Panel in January 2010 on the subject. As subsequently reported by the Administration to the Panel by way of an information note in December 2010, the legislative exercise was put on hold due to a judicial review relating to the case stated procedure. As the Court of Appeal ruled in favour of the Administration in March 2012 and the judicial review has come to an end, the Administration has revived the legislative exercise with a view to introducing an amendment bill into LegCo in May 2014. The Administration has also taken the opportunity to refine the legislative proposals.

6. Development of Dutiable Commodities System in the Customs and Excise Department ("C&ED")

C&ED's existing computer system to support the dutiable commodities related customs operations has been in use for more than 14 years. In order to meet the latest operational needs and to enhance the efficiency in processing dutiable commodities licences and permits, C&ED proposes to develop a new dutiable commodities system and to amend relevant legislation to allow applications for dutiable commodities licences in electronic form. The Administration plans to seek approval from FC on related funding proposal in May 2014 and introduce the relevant legislative amendments into LegCo in March/April 2014.

January 2014

7. Construction of West Kowloon Government Offices

**Proposed timing
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The Administration proposes to construct government office buildings in West Kowloon mainly for reprovisioning:

February 2014

- (a) some government offices currently accommodated in leased premises;
- (b) departments in the Yau Ma Tei Multi-storey Carpark Building for construction of the Central Kowloon Route; and
- (c) some departments in the three government office buildings at the Wan Chai Waterfront.

According to the Administration, the proposal will help alleviate the shortfall of government-owned office premises, reduce government rental expenditure and increase the supply of office space for commercial use. The Administration intends to submit the proposal to the Public Works Subcommittee and FC in February and March 2015 respectively.

8. 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 2014
May 2014

9. Briefing on the latest initiatives to develop the asset management industry

The Administration will brief the Panel on the latest developments relating to developing Hong Kong's asset management industry, including the proposed framework on open-ended fund company, and the proposed extension of profits tax exemption for offshore funds.

1st quarter of 2014

10. Budget of Securities and Futures Commission ("SFC") for the financial year of 2014 – 2015

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In line with the usual practice, SFC will brief the Panel on its budget for the coming financial year in February or March. 1st quarter of 2014

11. Consultation on MPF fund choice and fee control

The Administration will consult the Panel on the proposals on MPF fund choice and fee control. 1st quarter of 2014

12. Mandatory Provident Fund Schemes (Amendment) Bill 2014

The Administration will consult the Panel on the legislative proposals on withdrawal of MPF benefits and other initiatives to enhance the MPF system, including measures to facilitate trustees' compliance with statutory obligations to provide greater scope for MPF fee reduction. The Administration plans to introduce the relevant legislative proposals into LegCo in the second half of the 2013-2014 legislative session. 1st / 2nd quarter of 2014

13. 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. June 2014

14. Annual briefing on the work of the Financial Reporting Council ("FRC")

In line with the usual practice, FRC will brief the Panel on the work of FRC in the past year and the work plan for the year ahead. 2nd quarter of 2014

15. Proposed legislation for the regulatory regime for stored value facilities and retail payment systems

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The Administration proposes to amend the Clearing and Settlement Systems Ordinance (Cap. 548) in order to establish a new regulatory regime for stored value facilities and retail payment systems with a view to enhancing protection for users as well as the safety and soundness of retail payment products and services in Hong Kong. The Administration plans to introduce the relevant legislative proposals into LegCo in the second half of the 2013-2014 legislative session.

2nd quarter of 2014

16. Proposed amendment of the Banking (Capital) Rules and Banking (Disclosure) Rules and the making of a set of Banking (Liquidity) Rules

The Administration proposes to amend the Banking (Capital) Rules and Banking (Disclosure) Rules to introduce the Basel III capital buffers and higher capital requirements for banks designated as systemically important either globally or domestically, and to introduce a set of Banking (Liquidity) Rules to implement the Basel III liquidity requirements. The Administration plans to introduce the relevant legislative amendments and proposal into LegCo in the 2014-2015 legislative session.

2nd quarter of 2014

17. Consultation conclusions of corporate insolvency law improvement exercise

The subject was last discussed at the Panel on 3 May 2013. The Administration has completed a public consultation in July 2013 and would like to brief members on the consultation conclusions and the timetable of the legislative exercise. The Administration plans to introduce the relevant legislative proposals into LegCo in the 2014-2015 legislative session.

2nd quarter of 2014

18. Consultation on auditor regulatory reform

The Administration will brief the Panel on the consultation on legislative proposals to enhance the independence of

2nd quarter of 2014

the auditor regulatory regime. The Administration plans to introduce the relevant legislative proposals into LegCo in the 2014-2015 legislative session.

19. Review of abscondee regime under the Bankruptcy Ordinance (Cap. 6)

The Administration will brief the Panel on the review of the "abscondee" regime (i.e. bankrupts who have left Hong Kong and cannot be contacted) under the Bankruptcy Ordinance (Cap. 6) and possible options to improve the regime.

2nd quarter of 2014

20. Duration of lunch break under the extended trading hours of Hong Kong securities market

Since 7 March 2011, Hong Kong Exchanges and Clearing Limited ("HKEx") has implemented a two-phase extension of the trading hours of its securities and derivatives market by 1.5 hour to increase the overlap of the trading hours with the Mainland's and to strengthen the competitiveness of HKEx with its regional competitors. Under the extended trading hours, the morning trading session was advanced by 30 minutes. The lunch break was shortened from two to 1.5 hours with effect from 7 March 2011 and further shortened to one hour from 5 March 2012.

To be confirmed

At the meeting on 16 October 2012, Hon Christopher CHEUNG expressed concern on the impact of the shortened lunch break on market practitioners and suggested that the Panel should discuss the issue in due course. The Administration has been invited to provide an information paper on the matter.

At the meeting on 4 November 2013, Hon WONG Kwok-hing reiterated the concern of practitioners of the securities industry about the impact of extended trading hours on their operation and suggested scheduling a discussion on the subject at the regular meeting.

The Administration has provided an information paper prepared by HKEx on extension of trading hours in the securities market, which was circulated to members on 20 November 2013 (LC Paper No. CB(1)356/13-14(01)).

21. Arrangement for offsetting Severance Payment or Long Service Payment under the MPF system ("the SP/LSP offsetting arrangement")

In their joint letter dated 3 October 2013 and addressed to the Panel Chairman, Hon TANG Ka-piu and Hon KWOK Wai-keung (both are non-Panel Members), proposed the Panel to discuss issues relating to the SP/LSP offsetting arrangement.

To be confirmed

At the meeting held on 10 October 2013, members noted that the Panel on Manpower was considering a member's request to discuss the above subject. The Panel might consider holding a joint discussion on the subject with the Panel on Manpower.

22. Briefing on the work of the Financial Dispute Resolution Centre

The Financial Dispute Resolution Centre Limited was set up in November 2011 as a non-profit making company limited by guarantee acting as an independent organization to assist financial institutions and their individual customers in resolving monetary disputes through mediation and arbitration. Its set-up costs and operating costs in the first three years commencing from January 2012 were provided by the Administration, HKMA and SFC. The Financial Dispute Resolution Centre ("FDRC") formally commenced operation in June 2012.

To be confirmed

At the work plan meeting of the Panel held on 30 October 2013, the Chairman suggested that the Administration should report to the Panel the work of FDRC. Hon Christopher CHEUNG expressed concerns about the future funding arrangement of FDRC and possible cost burden on the financial industry, as well as the present arrangement for FDRC to report even successfully

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resolved cases to SFC/HKMA, on which the regulators might take disciplinary actions against issues of non-compliance by the financial institutions concerned.

According to the Administration, it is reviewing the future mode of funding for FDRC. The Administration is requested to brief the Panel on the work of FDRC and its funding arrangement when appropriate.

Council Business Division 1
Legislative Council Secretariat
28 November 2013