立法會 Legislative Council

LC Paper No. CB(1)1217/14-15

(These minutes have been seen by the Administration)

Ref : CB1/BC/7/14

Bills Committee on Bankruptcy (Amendment) Bill 2015

Minutes of the second meeting on Tuesday, 7 July 2015, at 10:45 am in Conference Room 3 of the Legislative Council Complex

Members present	 Hon CHAN Kam-lam, SBS, JP (Chairman) Hon WONG Ting-kwong, SBS, JP Hon Starry LEE Wai-king, JP Hon Paul TSE Wai-chun, JP Hon NG Leung-sing, SBS, JP Hon Kenneth LEUNG Hon Dennis KWOK Hon Christopher CHEUNG Wah-fung, SBS, JP Hon TANG Ka-piu
Member absent	: Hon Albert HO Chun-yan
Public officers attending	 Agenda Item II Mr Paul WONG Yan-yin Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 6 Ms Teresa WONG Siu-wan, JP Official Receiver Ms Fiona LEE Kwan-wai Assistant Official Receiver (Legal Services) 1

Mr Alan CHONG Ka-ning Senior Government Counsel Department of Justice

Attendance invitation	by	: <u>Agenda Item II</u>
		The Law Society of Hong Kong
		Mr Keith HO Chairman of Insolvency Law Committee
		Ms Kally LAM Assistant Director of Practitioners Affairs
		Caritas Family Crisis Line and Education Centre — Debt and Financial Counseling Service
		Ms Pinky YUNG Project Manager
		Hong Kong Institute of Certified Public Accountants
		Mr Stephen BRISCOE Deputy Chairman of Restructuring and Insolvency Faculty Executive Committee
		Mr Peter TISMAN Director of Advocacy & Practice Development
Clerk in atte	ndance	: Ms Annette LAM Chief Council Secretary (1)3
Staff in atten	dance	: Ms Clara TAM Assistant Legal Adviser 9
		Miss Rita YUNG Senior Council Secretary (1)8
		Ms May LEUNG Legislative Assistant (1)3

I.	Confirmation of minutes of meetin (LC Paper No. CB(1)1042/14-15	-	Minutes of meeting held on 2 June 2015)
	The minutes of the meeting held on	2 Ju	ne 2015 were confirmed.
11.	Meeting with deputations and the (File Ref: IB&W/3/1/1/1C(2015)		ministration Legislative Council Brief issued by the Financial Services and the Treasury Bureau
	LC Paper No. CB(3)647/14-15		The Bill
	LC Paper No. LS65/14-15		Legal Service Division Report
	LC Paper No. CB(1)921/14-15(01)		Mark-up copy of the Bill prepared by the Legal Service Division (Restricted to members only)
	LC Paper No. CB(1)921/14-15(02)		PaperonBankruptcy(Amendment)Bill2015preparedbytheLegislativeCouncilSecretariat(background brief)Kernetariat
	LC Paper No. CB(1)921/14-15(03)		Assistant Legal Adviser's letter dated 13 May 2015 to the Administration
	LC Paper No. CB(1)921/14-15(04)		Administration's response to

2. <u>The Bills Committee</u> deliberated (Index of proceedings attached at **Appendix**).

matters raised by the Assistant

Legal Adviser)

Invitation of views from deputations

3. <u>The Bills Committee</u> received views from The Law Society of Hong Kong, Caritas Family Crisis Line and Education Centre — Debt and Financial Counseling Service and Hong Kong Institute of Certified Public Accountants that had attended the meeting. <u>Members</u> noted the written submissions provided by the following three deputations which did not attend the meeting –

- (a) The Hong Kong Association of Banks (LC Paper No. CB(1)1044/14-15(04));
- (b) The DTC Association (LC Paper No. CB(1)1044/14-15(05)); and

(c) Consumer Council (LC Paper No. CB(1)1060/14-15(01)).

4. <u>The Administration</u> was requested to provide a detailed written response to the views expressed by the representatives of the three deputations at the meeting, and the questions and concerns raised in their respective written submissions.

(*Post-meeting note*: The written response provided by the Administration was issued to members vide LC Paper No. CB(1)1146/14-15(01) on 23 July 2015.)

Scrutiny of the Bankruptcy (Amendment) Bill 2015

5. <u>The Chairman</u> concluded that the Bills Committee had completed scrutiny of the Bankruptcy (Amendment) Bill 2015 ("the Bill"). <u>Members</u> noted that the Administration would not propose any Committee Stage amendment ("CSA") to the Bill. The Bills Committee would report its deliberations to the House Committee ("HC") after the start of the 2015-2016 legislative session in October 2015. <u>The Administration</u> would advise the Bills Committee on the proposed date for resumption of the Second Reading debate on the Bill in due course.

(*Post-meeting note*: Members were informed of the following legislative timetable of the Bill vide LC Paper No. CB(1)1094/14-15 on 14 July 2015 -

- (a) the Administration intended to resume the Second Reading debate on the Bill at the Council meeting of 4 November 2015;
- (b) the Chairman would report the deliberations of the Bills Committee to the HC at its meeting on 23 October 2015; and
- (c) the deadline for giving notice to move CSAs, if any, to the Bill was 26 October 2015.)

III. Any other business

6. There being no other business, the meeting ended at 12:40 pm.

Council Business Division 1 Legislative Council Secretariat 31 August 2015

Appendix

Proceedings of the second meeting of the Bills Committee on Bankruptcy (Amendment) Bill 2015 on Tuesday, 7 July 2015, at 10:45 am in Conference Room 3 of the Legislative Council Complex

Time marker	Speaker	Subject(s)	Action required	
Agenda It	Agenda Item I – Confirmation of minutes of meeting			
000125 – 000303	Chairman	Confirmation of minutes of meeting held on 2 June 2015		
Agenda It	Agenda Item II – Meeting with deputations and the Administration			
000304 – 000505	Chairman	Opening remarks		
000506 – 000601	Mr Keith HO, The Law Society of Hong Kong	Presentation of views as set out in submission (LC Paper No. CB(1)1044/14-15(01))		
000602 – 000800	Ms Pinky YUNG, Caritas Family Crisis Line and Education Centre — Debt and Financial Counseling Service	Presentation of views as set out in submission (LC Paper No. CB(1)1044/14-15(02))		
000801 - 001242	Mr Stephen BRISCOE, Hong Kong Institute of Certified Public Accountants	Presentation of views as set out in submission (LC Paper No. CB(1)1044/14-15(03))		
001243 – 002210	Chairman Administration	 The Administration's response to deputations' views – (a) before making a non-commencement order, the court must be satisfied that the bankrupt's failure to attend the initial interview, or to provide the trustee-in-bankrupt ("TIB") at the initial interview with all the information concerning the bankrupt's affairs, dealings and property as reasonably required by the TIB, had prejudiced the administration of the bankrupt's estate; (b) the bankrupt was entitled to make a representation for the court to determine whether or not there was sufficient cause for making a 		

Time marker	Speaker	Subject(s)	Action required
		non-commencement order, e.g. the bankrupt might provide reasonable explanation to account for his/her failure to attend the initial interview or provide the requisite information as requested by the TIB;	
		 (c) the information to be provided by the bankrupt at the initial interview must be reasonably requested by the TIB. Before the implementation of the proposed new arrangements, the Official Receiver's Office ("ORO") would update its website and publications to provide information on the new arrangements and the relevant requirements; 	
		(d) the meaning of "initial interview" was provided for in the proposed section 30AB(1)(a). The initial interview referred to the first meeting between a bankrupt and the TIB on a day appointed by the latter for the administration of the bankrupt's estate, at which the bankrupt should provide the TIB with the information requested. The initial interview would not include adjourned or subsequent interviews to follow up the information or documentation provided, or that the bankrupt was unable to provide at the first meeting;	
		 (e) if a bankrupt failed to fulfill his/her obligation to co-operate with the TIB after the initial interview, the TIB might apply to the court to object to the automatic discharge of the bankrupt under the objection regime (section 30A(3) and (4) of the Bankruptcy Ordinance (Cap. 6) ("BO")); and 	
		(f) under the proposed new arrangements, the TIB might, within six months after the date of the bankruptcy order against a bankrupt, apply to the court for a non-commencement order. The court, on application by the TIB, might exercise discretion to specify a longer period for which the TIB might apply for a non-commencement order. Before the expiry of the extended period, the TIB was permitted to apply to the court for further extension of the deadline for submitting an application for a non-commencement order.	
002211 – 002237	Chairman	Conclusion of meeting with deputations	

Time marker	Speaker	Subject(s)	Action required
002238 – 002714	Chairman Administration	Briefing on the Administration's response to matters raised by the Assistant Legal Adviser (LC Paper No. CB(1)921/14-15(04)).	
002715 – 003958	Chairman Assistant Legal Adviser 9 ("ALA9") Administration	 ALA9 sought clarification on the following – (a) the justifications for legislating a new mechanism under sections 30AB and 30AC instead of relying on the existing provisions in the BO concerning a bankrupt's unsatisfactory conduct or failure to co-operate in the administration of the bankrupt's estate; 	
		(b) the reasons for introducing a new mechanism of "treating the relevant period as not commencing to run on the date of bankruptcy order" under section 30AB instead of adopting the existing mechanism of "suspending the running of the relevant period" under section 30A(3) of the BO, given that the arrangement of non-commencement order in respect of the running of bankruptcy period was not adopted in other jurisdiction;	
		 (c) the difference between the initial interview under new section 30AB and the interviews to be appointed by the TIB under rule 150(2) of the Bankruptcy Rules (Cap. 6A); and 	
		(d) the status of a bankrupt and the duties of the TIB during the non-commencement period.	
		The Administration responded that –	
		 (a) the initial interview was critical to the TIB's work in the administration of a bankrupt's estate, and a bankrupt's failure to complete the interview would likely cause prejudice to the administration of the bankrupt's estate as the TIB would not have sufficient information and documents to perform his/her duties properly from the outset; 	
		(b) currently, section 26(2) of the BO provided for a general requirement for bankrupts to give certain information and to do acts and things in relation to his/her property as might be reasonably required by the TIB. Rule 150(2) and (3) of the Bankruptcy Rules also provided that the TIB might hold interviews with the bankrupt for the	

Time marker	Speaker	Subject(s)	Action required
		purpose of investigating the bankrupt's affairs. These provisions provided the legal basis for a TIB to request for the initial interview with a bankrupt;	
		(c) as the new arrangements specifically target a bankrupt's failure to complete the initial interview, the Administration considered it more appropriate to put in place a corresponding sanction which was commensurate with the prejudice caused to the administration of the bankrupt's estate (i.e. non-commencement of the relevant period), instead of relying on a general criminal sanction available under section 26(4) of the BO;	
		 (d) the proposed new arrangements in the Bill was introduced to replace the abscondee regime so as to address the constitutionality issues in the light of the Court of Final Appeal's ruling in an earlier court case (Official Receiver & Trustee in Bankruptcy of Chan Wing Hing v Chan Wing Hing (2006) 9 HKCFAR 545); 	
		(e) in the study of bankruptcy regimes in Australia and the United Kingdom, the Administration noted that although these regimes were not identical in all aspects, it was possible that, under those jurisdictions, a bankrupt failing to complete the initial interview would impact on his/her discharge from bankruptcy;	
		 (f) the making of a non-commencement order against a bankrupt only affected the running of the period towards the bankrupt's discharge from bankruptcy as referred to in section 30A of the BO. It did not alter the bankruptcy status of the debtor concerned; 	
		(g) upon appointment as the TIB of a bankruptcy case, the TIB assumed the duties to administer the bankrupt's estate as imposed under the BO until vacation of office. The application for a non-commencement order by the TIB or subsequent making of such an order by the court would not remove the TIB from his/her duties during the period when the non-commencement order was effective; and	
		(h) subject to the enactment of the Bill, the	

Time marker	Speaker	Subject(s)	Action required
		Administration would carry out the necessary preparation work for the implementation of the new arrangements, including publicity and public education for members of the public and briefings for private insolvency practitioners.	
003959 – 004508	Chairman Mr NG Leung-sing Administration	Mr NG Leung-sing enquired whether the Administration had any plan to publicize the new arrangements and educate the public on risk management and the effects of bankruptcy, in view of the recent volatile performance of the stock market and the potential interest rate reversal and asset price adjustment.	
		 The Administration responded that – (a) the Investor Education Centre and some non-governmental organizations ("NGOs"), in collaboration with the ORO, had all along been organizing activities to educate the public on the proper attitudes towards debt management. The ORO also organized seminars on bankruptcy for secondary school students; and (b) the Administration would provide relevant information on the proposed new arrangements to NGOs where necessary to facilitate their 	
	<i>clause examination o</i> LC Paper No. CB(3)6		
	-	pared by the Legal Service Division (LC Paper No. CB(1)921/14-15(01))]
004509 – 005137	Chairman Mr Kenneth LEUNG Administration	Long title Mr Kenneth LEUNG sought clarification on the drafting practice in respect of the long title of a bill. The Administration responded that –	
		(a) the long title of a bill set out the purposes of the bill in general terms, and put the reader on notice as to the purpose or subject matter of the proposed legislation;(b) while giving fair notice of the subject matter of the bill, the long title was usually drafted not in	
		details but might include some reference to facilitate the readers to understand what the bill	

Time marker	Speaker	Subject(s)	Action required
		aimed to achieve. Generally, technical terms would not be used in a long title; and	
		(c) the explanatory memorandum to the bill also stated the object and contents of the bill in non-technical language to help the readers understand the bill.	
005138 – 005209	Chairman Administration	Part 1 – Preliminary	
003207	Administration	Clause 1 – Short title and commencement	
		Members raised no question.	
005210 – 005305	Chairman Administration	Part 2 – Amendments to Bankruptcy Ordinance	
005505	Administration	Clause 2 – to amend Bankruptcy Ordinance	
		<u>Clause 3 – to amend section 2 (interpretation)</u>	
		Members raised no question.	
005306 - 010341	Chairman ALA9 Administration	<u>Clause 4 – to amend section 30A (discharge from</u> <u>bankruptcy)</u>	
		Proposed new section 30A(4A)	
		ALA9 sought clarification on the difference in application between the objection to the automatic discharge of a bankrupt on specified grounds under the existing section 30A(3) and (4) and the proposed new arrangements.	
		The Administration responded that –	
		 (a) if a bankrupt failed to attend the initial interview, or had attended the initial interview but failed to provide at the initial interview all the information concerning the bankrupt's affairs, dealings and property as reasonably required by the TIB and thus prejudiced the administration of the bankrupt's estate, the TIB might – 	
		 (i) within six months after the date of the bankruptcy order against a bankrupt, apply to the court for a non-commencement order such that the relevant period for the bankrupt was treated as not commencing to run on the date of the bankruptcy order. The court might extend the deadline of six 	

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		 months on application by the TIB; or (ii) apply to the court to object to the automatic discharge of the bankrupt on specified grounds set out in section 30A(4), e.g. that the bankrupt had failed to co-operate in the administration of the bankrupt's estate, in which case the court might make an order to suspend the running of the relevant period for up to four years for first-time bankrupts (or up to three years for repeat bankrupts). (b) where the court had determined the TIB's application and, as a result, made a non-commencement order against a bankrupt or otherwise, the matters in respect of the bankrupt's failure to complete that initial interview as referred to in the application might not form the basis for any grounds for a subsequent objection to the discharge of the bankrupt. 	
010342 - 010932	Chairman ALA9 Administration	 <u>Clause 5 – to add sections 30AB and 30AC</u> <i>Proposed new section 30AB – Non-commencement of relevant period: trustee's application</i> ALA9 enquired whether the bankrupt must attend the initial interview in person, but not via other means such as video conferencing. The Administration responded that – (a) the bankrupt was required to attend the initial interview in person and produce his/her proof of identity to the TIB for the purpose of verifying his/her identity; and (b) if the bankrupt was unable to attend the initial interview in person within six months after the date of the bankruptcy order (e.g. he/she was being hospitalized), the TIB might apply to the court for a longer period for the TIB to apply for a non-commencement order ("extension application"). 	
010933 – 011452	Chairman Mr Kenneth LEUNG Administration	<u>Clause 5 – to add sections 30AB and 30AC</u> <i>Proposed new section 30AB(4)(b)</i>	

Time marker	Speaker	Subject(s)	Action required
		Mr Kenneth LEUNG sought elaboration on the drafting style of placing the phrase "if the court has specified a longer period under subsection (3)" in parentheses.	
		The Administration responded that the parentheses was used to specify a certain condition (i.e. "if the court has specified a longer period under subsection (3)") for the "longer period" mentioned after the parentheses so as to facilitate the readers' understanding.	
		Proposed new section 30AB(5)	
		Mr Kenneth LEUNG enquired about the rationale for setting 1 November 2016 as the commencement date of the proposed new arrangements.	
		The Administration responded that taking into account that the ORO's need of around nine to ten months' lead time to carry out the necessary preparation work for the implementation of the new arrangements, including the adjustment to the computer systems of the ORO, and on the assumption that the Bill would be enacted around end 2015, it was proposed that the new arrangements would commence operation on 1 November 2016.	
		In response to Mr Kenneth LEUNG's concern about possible delay in the preparation of the computer systems, the Administration responded that the ORO had already started the initial preparation work. If the computer systems were not ready by 1 November 2016, the cases could be processed manually in the interim.	
011453 – 011706	Chairman Administration	Clause 5 – to add sections 30AB and 30AC	
011700	Administration	Proposed new section $30AB(1)(c)$	
		The Chairman sought elaboration on the conditions for the application for a non-commencement order on the ground that "the administration of the bankrupt's estate was prejudiced".	
		The Administration responded that –	
		 (a) no particular grounds or conditions were specified on how a bankrupt's failure to complete the initial interview would cause prejudice to the 	

Time marker	Speaker	Subject(s)	Action required
		administration of the bankrupt's estate. It was the TIB's decision on whether such failure had prejudiced the administration of the bankrupt's estate and to justify the application for an non-commencement order, having regard to the specific circumstances of individual cases; and	
		(b) whether or not to make a non-commencement order would be at the full discretion of the court, having regard to the specific circumstances of individual cases.	
011707 -	Chairman	Clause 5 – to add sections 30AB and 30AC	
012231	ALA9 Administration	Proposed new section 30AB – Non-commencement of relevant period: trustee's application	
		ALA9's views and enquiries –	
		(a) the term "initial interview" used in the proposed new section 30AB was not defined in the Bill nor did it appear in the BO;	
		(b) whether a bankrupt was required to attend an initial interview with the TIB under the existing regime;	
		 (c) expressed concern that the length of the non-commencement of the relevant period might be unduly prolonged and therefore caused unfairness to a bankrupt since there was no limit on the length of non-commencement period the court might order and the number of times that the TIB might apply for an extension; 	
		(d) whether a prescribed form would be provided in the Bill for extension application by the TIB; and	
		(e) whether a bankrupt could contest the TIB's extension application.	
		The Administration responded that –	
		 (a) the requirement related to attending the "initial interview" and a bankrupt's obligations were already clearly provided for in the proposed section 30AB(1)(a). It appeared that readers would not have difficulties in understanding the meaning of the "initial interview"; 	

Time marker	Speaker	Subject(s)	Action required
		 (b) currently, a bankrupt had the duties to provide information concerning his/her affairs, dealings and property, and to attend interviews with the TIB for the purpose of investigating the bankrupt's affairs; (c) the court would be provided with discretionary power in determining whether to allow extension applications and specify a longer period for the TIB to apply for a non-commencement order, having regard to the circumstances of individual cases; (d) no standardized forms would be designed for the extension applications since there might be various grounds for such applications; and (e) the extension applications were inter partes applications. 	
012232 -	Chairman		
012232 - 013024	Chairman Mr NG Leung-sing Administration	 <u>Clause 5 – to add sections 30AB and 30AC</u> Proposed new section 30AC – Non-commencement of relevant period: court order and trustee's notice Proposed new section 30AC(3) Mr NG Leung-sing sought clarification on the 14-day requirement for the filing of a notice with the Registrar of the High Court relating to the commencement of the running of the relevant period. The Administration responded that – (a) the 14-day period was set to allow appropriate time for the TIB to carry out the relevant procedures and prepare the notice. On the other hand, that period should not be unduly long to ensure fairness to the bankrupt; and (b) the TIB must file a notice within 14 days after a bankrupt had complied with the commencement term(s) specified by the court in the non-commencement order; and (c) the "relevant period" would commence to run on the date on which the commencement term(s) were complied with and not the date of filing of the notice. 	

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013025 – 013303	Chairman ALA9 Administration	Clause 5 – to add sections 30AB and 30AC	
		Proposed new section 30AC(2)	
		ALA9 sought examples of the term(s) that the bankrupt must comply with before the "relevant period" was to commence to run, as well as any other term(s) that the court might specify.	
		The Administration responded that –	
		(a) when applying for a non-commencement order, the TIB should propose in the relevant form for the court's determination the term(s) that the bankrupt must comply with before the "relevant period" was to commence to run; and	
		(b) the court might specify any other terms that it considered appropriate, such as the bankrupt must notify the TIB of any change in his/her address or occupation.	
013304 – 013543	Chairman Administration	Clause 6 – to amend section 30B (early discharge of bankrupt)	
		Members raised no question.	
013544 -	Chairman Administration	Part 3 – Amendments to Bankruptcy Rules	
014205		Clause 7 – to amend Bankruptcy Rules	
		<u>Clause 8 – to amend rule 5 (matters to be heard in court)</u>	
		<u>Clause 9 – to amend rule 89 (lifting of suspension of discharge)</u>	
		Clause 10 – to add rules 89A and 89B	
		<u>Clause 11 – to amend rule 91 (report or affidavit of trustee)</u>	
		Members raised no question.	
014206 -	Chairman	Clause 10 – to add rules 89A and 89B	
014312	ALA9 Administration	Proposed new rule 89A – Application for non-commencement order	

Time marker	Speaker	Subject(s)	Action required
		ALA9 enquired about the justifications for various time limits set for the TIB and the bankrupt in relation to the application process of the non-commencement order, as well as the fee payable to the court on an application for a non-commencement order.	
		The Administration responded that –	
		 (a) the relevant time limits in relation the application process of the non-commencement order were set with reference to the time limits for existing procedures in the BO; and 	
		 (b) clause 15 to amend the Schedule specified a fee of \$528 for each application for a non-commencement order under section 30AB. 	
014313 – 015007	Chairman Administration	Part 4 – Amendments to Bankruptcy (Forms) Rules	
		Clause 12 – to amend Bankruptcy (Forms) Rules	
		Clause 13 – to amend Schedule (forms)	
		Members raised no question.	
015008 – 015107	Chairman Administration	Part 5 – Amendments to Bankruptcy (Fees and Percentages) Order	
		<u>Clause 14 – to amend Bankruptcy (Fees and</u> <u>Percentages) Order</u>	
		Clause 15- to amend Schedule	
		Members raised no question.	
015108 – 015350	Chairman ALA9 Administration	ALA9 referred to the suggestion of the Hong Kong Institute of Certified Public Accountants that the initial interview should be expanded and defined to include adjourned or subsequent interviews to follow up information or documentation provided, or that the bankrupt was unable to provide at the first meeting. ALA9 enquired whether the Administration would consider defining "initial interview" in the Bill to avoid doubt.	
		The Administration responded that the meaning of "initial interview" was provided for in the proposed section 30AB(1)(a). The initial interview was the first meeting between a bankrupt and the TIB on a day	

Time marker	Speaker	Subject(s)	Action required
		appointed by the latter for the administration of the bankrupt's estate, at which the bankrupt should provide the TIB with information concerning his/her affairs, dealings and property. The Administration considered that the meaning of "initial interview" had been clearly set out in the Bill.	
015351 – 015434	Chairman Mr NG Leung-sing Administration	In response to Mr NG Leung-sing's enquiry about the fee of \$528 for each application for non-commencement order, the Administration responded that the fee was set to recover the cost of the provision of service by the court.	
015435 – 015645	Chairman ALA9 Administration	The Bills Committee completed the scrutiny of the Bill. Closing remarks	

Council Business Division 1 Legislative Council Secretariat 31 August 2015