

立法會
Legislative Council

LC Paper No. CB(4)507/14-15
(These minutes have been seen
by the Administration)

Ref : CB4/SS/2/14

**Subcommittee on Electronic Transactions Ordinance
(Amendment of Schedule 1) Order 2014**

**Minutes of the first meeting
held on Friday, 2 January 2015, at 2:30 pm
in Conference Room 2A of the Legislative Council Complex**

Members present : Hon Andrew LEUNG Kwan-yuen, GBS, JP (Chairman)
Hon NG Leung-sing, SBS, JP
Hon YIU Si-wing
Hon SIN Chung-kai, SBS, JP
Dr Hon CHIANG Lai-wan, JP

Members absent : Hon WONG Ting-kwong, SBS, JP
Hon Charles Peter MOK, JP
Dr Hon Elizabeth QUAT, JP

Public officers attending : Agenda item II
Commerce and Economic Development Bureau

Miss Joey LAM, JP
Deputy Government Chief Information Officer
(Policy and Community)

Mr Dominic KWONG
Chief Systems Manager (Industry Facilitation)

Financial Services and the Treasury Bureau

Ms Jenny LEE
Acting Principal Assistant Secretary for Financial
Services & the Treasury (Financial Services)

Hong Kong Monetary Authority

Mr Esmond LEE, JP
Executive Director (Financial Infrastructure)

Mr Shu-Pui LI
Head (Financial Infrastructure Development)

Mr Clarence HUI
Senior Manager (Financial Infrastructure
Development Division)

Department of Justice

Mr Jonathan LUK
Government Counsel

Clerk in attendance : Ms YUE Tin-po
Chief Council Secretary (4)3

Staff in attendance : Mr Kelvin LEE
Assistant Legal Adviser 1

Mr Joey LO
Senior Council Secretary (4)3

Action

I. Election of Chairman

Hon Andrew LEUNG Kwan-yuen was elected Chairman of the
Subcommittee.

II. Meeting with the Administration

- L.N. 141 of 2014 -- Electronic Transactions Ordinance (Amendment of Schedule 1) Order 2014 (L.N. 141 of 2014)
- Ref: GCIO 107/4/3 XXIV -- Legislative Council Brief on Electronic Transactions Ordinance (Amendment of Schedule 1) Order 2014 issued by the Office of the Government Chief Information Officer, Commerce and Economic Development Bureau in November 2014
- LC Paper No. LS18/14-15 -- Legal Service Division Report
- LC Paper No. CB(4)250/14-15(01) -- Paper on Electronic Transactions Ordinance (Amendment of Schedule 1) Order 2014 prepared by the Legislative Council Secretariat (Background brief)
- LC Paper No. CB(4)269/14-15(01) -- Power-point presentation material on Electronic Transactions Ordinance (Amendment of Schedule 1) Order 2014 provided by the Administration (Chinese version only. Tabled at the meeting and subsequently issued vide email on 5 January 2015)

Discussion

2. The Subcommittee deliberated (Index of proceedings attached at **Appendix**).

Follow-up actions to be taken by the Administration

3. The Administration was requested to provide the following information:

- (a) the comparison between the proposed system for the clearance of e-cheques in Hong Kong and the clearing system used in the United States involving the use of the image files of paper-based cheques;
- (b) the legal basis under the Clearing and Settlement Systems Ordinance (Cap. 584) requiring the use of the same technical standard to create the image file of the e-cheque by local banks;
- (c) the legal basis under the Bills of Exchange Ordinance (Cap. 19) justifying the clearing of e-cheques on the next working day;
- (d) the channels for members of the public who were unfamiliar with the use of e-cheques to seek assistance;
- (e) the number of Internet banking accounts which were created and in use in the banking system of Hong Kong; and
- (f) a response to the issues regarding the Amendment Order raised in the email dated 2 January 2015 from Hon Charles Peter MOK (issued to members vide LC Paper No. CB(4)312/14-15(02) on 5 January 2015).

(Post-meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(4)312/14-15(03) on 5 January 2015.)

Legislative timetable

4. The Subcommittee completed its scrutiny work. Members generally supported the Electronic Transactions Ordinance (Amendment of Schedule 1) Order 2014. Members noted that the scrutiny period of the subsidiary legislation had been extended to 21 January 2015 by resolution of the Council on 10 December 2014. The Chairman said that subject to members' views on the Administration's response in respect of paragraph 3 (a) to (f), he would provide a report of the deliberations of the Subcommittee to the House Committee on 9 January 2015. The Chairman also reminded that the deadline for giving notice of motion to amend the subsidiary legislation was 14 January 2015.

III. Any other business

5. There being no other business, the meeting ended at 4:14 pm.

Council Business Division 4
Legislative Council Secretariat
17 February 2015

**Proceedings of the first meeting of
Subcommittee on Electronic Transactions Ordinance
(Amendment of Schedule 1) Order 2014
on Friday, 2 January 2015, at 2:30 pm
in Conference Room 2A of the Legislative Council Complex**

Time marker	Speaker	Subject(s)	Action required
Agenda item I – Election of Chairman			
000100– 000224	Mr NG Leung-sing Mr Andrew LEUNG Kwan-yuen Dr CHIANG Lai-wan Mr SIN Chung-kai Mr YIU Si-wing	Election of Chairman	
Agenda item II – Meeting with the Administration			
000225 – 001421	Chairman Administration	Briefing by the Administration	
001422 – 002330	Chairman Dr CHIANG Lai-wan Administration	<p>Noting that Hong Kong would be the first to implement e-cheque in the world, Ms Ann CHIANG expressed concern whether stringent measures would be put in place to ensure the security of the process in view of the prevalence of Internet hacking activities.</p> <p>The Administration advised that with the use of encryption, digital signature and the public key infrastructure technology, e-cheque would be much safer than the traditional paper cheque as alteration of any information on an e-cheque, be it payee name, payment amount or time stamp, could be detected and traced. Any attempt to tamper an e-cheque would make it invalid. Moreover, e-cheque would contain minimal sensitive information and did not require the payees to disclose their bank account information to the payers. The payees could choose any one of their bank accounts to deposit e-cheque. Unlike paper cheques, e-cheque was issued through the paying bank's internet banking system which maintained electronic records of all e-cheques issued, thus enabling the paying bank to verify the correctness of the information of deposited e-cheque. The launch of e-cheque in Hong Kong as a safe and efficient means of payment would further entrench Hong Kong's status as an international finance centre.</p>	

Time marker	Speaker	Subject(s)	Action required
002331 – 003750	Chairman Mr SIN Chung-kai Administration	<p>Mr SIN Chung-kai's enquiry and the Administration's response on the proposed system for the clearance of e-cheques in Hong Kong vis-à-vis the clearing system used in the United States involving the use of the image files of paper cheques.</p> <p>The Administration advised that unlike the situation in overseas countries such as the United States, the banking industry fully supported the implementation of e-cheque. As a start, the use of e-cheque would be launched within Hong Kong only. Nevertheless, the Administration would explore the possibility of expanding the coverage of e-cheque in international transactions in the future.</p> <p>Mr SIN Chung-kai's enquiry and the Administration's response on the proposed operating model of e-cheque.</p>	The Administration to follow up as per paragraph 3(a) of the minutes.
003751 – 005609	Chairman Mr YIU Si-wing Administration	Mr YIU Si-wing's enquiry and the Administration's response on the possibility of real-time crediting of e-cheques.	The Administration to follow up as per paragraph 3(c) of the minutes.
005610 – 010623	Chairman Mr NG Leung-sing Administration	<p>Mr NG Leung-sing expressed support as a member of the banking industry for the launch of e-cheque. He enquired about the anticipated savings to the industry in launching the e-cheque and whether it would lead to redundancy by the industry.</p> <p>The Administration advised that the cost of processing a paper cheque was \$15 and the annual cost involved in handling paper-based cheques for the banking industry as a whole was \$1.7 billion. Such cost could be saved with the launch of e-cheque. It was anticipated that a portion of the transactions involving paper-based cheques would be replaced by e-cheques, but total replacement was not intended or envisaged. Findings from consultation with the industry revealed that redundancy was not anticipated as the manpower saved could be deployed to other business areas for service improvement purposes.</p> <p>Discussion on the launching time of e-cheque and the associated public education campaign.</p>	

Time marker	Speaker	Subject(s)	Action required
010624 – 011515	Chairman Dr CHIANG Lai-wan Administration	<p>Dr CHIANG Lai-wan's enquiry and the Administration's response on the impact of the launch of e-cheque on the number of Internet banking accounts in the banking system of Hong Kong.</p> <p>Dr CHIANG enquired if e-cheque would be launched on a limited scale for business-to-business or business-to-customer transactions only in the early stage of implementation to test the market response.</p> <p>The Administration advised that confining e-cheque to designated types of transactions would hinder its promotion and future development.</p> <p>Discussion on the stop payment procedure involving e-cheque.</p>	The Administration to follow up as per paragraph 3(e) of the minutes.
011516 – 013944	Chairman Mr SIN Chung-kai Dr CHIANG Lai-wan Administration	<p>Mr SIN Chung-kai's enquiry and the Administration's response on the need to require the use of the same technical standard to create the image file of e-cheque by local banks.</p> <p>Discussion on channels for members of the public who were unfamiliar with the use of e-cheques to seek assistance.</p>	The Administration to follow up as per paragraph 3(b), (d) and (f) of the minutes.
013945 – 014020	Chairman Administration	<p><u>Examination of provisions of the Amendment Order</u></p> <p><u>Section 1</u></p>	
014021 – 014100	Chairman Administration	<p><u>Section 2</u></p>	
014101 – 014415	Chairman Administration ALA	<p><u>Section 3</u></p> <p>Discussion on the need for a Chinese term of "not negotiable".</p>	
Agenda item III – Any other business			
014416– 014430	Chairman Administration	Members agreed that it was unnecessary to invite public views on the Amendment Order.	
014431 – 014526	Chairman Administration	Legislative timetable	