

立法會
Legislative Council

LC Paper No. CB(1)962/14-15
(These minutes have been seen
by the Administration)

Ref : CB1/PL/FA/1

Panel on Financial Affairs

Minutes of meeting
held on Monday, 13 April 2015 at 10:45 am
in Conference Room 2 of the Legislative Council Complex

Members present : Hon CHAN Kin-por, BBS, JP (Chairman)
Hon Christopher CHEUNG Wah-fung, SBS, JP
(Deputy Chairman)
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 Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Starry LEE Wai-king, JP
Hon Mrs Regina IP LAU Suk-ye, 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

Members absent : Hon Albert HO Chun-yan
Hon Ronny TONG Ka-wah, SC

Public officers attending : Agenda item IV

Ms Joyce HO
Principal Assistant Secretary for Financial Services
and the Treasury (Financial Services) 1

Agenda item V

Mr Andrew WONG, JP
Permanent Secretary for Financial Services and the
Treasury (Financial Services)

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

Mr Andrew WU
Head/Secretariat
Financial Services Development Council

Attendance by invitation : Agenda item IV

Mr James SHIPTON
Executive Director, Intermediaries
Securities and Futures Commission

Mr Andrew YOUNG
Chief Counsel, Legal Services
Securities and Futures Commission

Ms Clara CHIU
Associate Director, Intermediaries Supervision,
Intermediaries
Securities and Futures Commission

Mr Derek SHEK
Director, Licensing, Intermediaries
Securities and Futures Commission

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

Staff in attendance : Mr YICK Wing-kin
Assistant Legal Adviser 8

Ms Angel SHEK
Senior Council Secretary (1)4

Miss Sharon LO
Senior Council Secretary (1)9

Ms Sharon CHAN
Legislative Assistant (1)4

Action

I. Confirmation of minutes of meeting and matters arising

(LC Paper No. CB(1)697/14-15 — Minutes of the meeting on
5 January 2015)

The minutes of the meeting held on 5 January 2015 were confirmed.

II. Information papers issued since last meeting

(LC Paper No. CB(1)645/14-15(01) — Administration's letter dated
12 March 2015 on
"Consultation Conclusions
on Mandatory Provident
Fund Core Fund – Providing
Better Investment Solutions
for MPF Members"

LC Paper No. CB(1)689/14-15(01) — Administration's response
dated 26 March 2015 on
issues relating to HSBC
Holdings Plc. raised by Hon
WONG Kwok-hing

LC Paper No. CB(1)710/14-15(01) — Letter dated 30 March 2015 from Hon Dennis KWOK on issues relating to Hong Kong's participation in the Asian Infrastructure Investment Bank (English version only))

2. Members noted the information papers issued since the last regular meeting held on 2 March 2015.

III. Date of next meeting and items for discussion

(LC Paper No. CB(1)696/14-15(01) — List of outstanding items for discussion)

3. Members agreed to discuss the following items proposed by the Administration at the next regular meeting scheduled for 4 May 2015:

- (a) Briefing on the work of the Hong Kong Monetary Authority;
- (b) Annual briefing on the work of the Financial Reporting Council; and
- (c) Deposit Protection Scheme (Amendment) Bill 2015.

4. Members further agreed that the next regular meeting on 4 May 2015 should start at 9:30 am so as to allow sufficient time for discussion of the above three items.

IV. Securities and Futures (Amendment) Bill 2015

(LC Paper No. CB(1)696/14-15(02) — Administration's paper on "Legislative Proposals to Allow the Securities and Futures Commission to Provide Supervisory Assistance to Regulators Outside Hong Kong and to Refine Certain Provisions in the Securities and Futures Ordinance")

Briefing by the Administration

5. At the invitation of the Chairman, the Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 1 ("PAS(FS)1") briefed members on the legislative proposals to allow the Securities and Futures Commission ("SFC") to provide supervisory assistance to regulators outside Hong Kong and to refine certain provisions in the Securities and Futures Ordinance (Cap. 571) ("SFO").

Discussion

Safeguards on information disclosure when providing supervisory assistance to regulators outside Hong Kong

6. Mr Christopher CHEUNG enquired whether SFC would adopt the existing mechanism and procedures for providing enforcement assistance in the present proposal for providing assistance to regulators outside Hong Kong on non-enforcement related matters. He stressed the need to guard against collection and disclosure of excessive information as this might adversely affect the operation of licensed corporations ("LCs") regulated by SFC and the reputation of Hong Kong as an international financial centre. Mr CHEUNG suggested that the Administration and SFC should enhance the existing safeguards on information exchange, such as subject the disclosure of information by SFC to regulators outside Hong Kong to approval by the Financial Secretary or the Secretary for Financial Services and the Treasury. While supporting enhancement in cross-border supervisory cooperation in principle, Mr Andrew LEUNG shared Mr CHEUNG's concern on the need for the Administration to exercise caution in obtaining and disclosing information when providing supervisory assistance to regulators outside Hong Kong.

7. The Executive Director, Intermediaries, SFC ("ED(I)/SFC") stressed that SFC was mindful of the need to avoid obtaining excessive information or disclosing information without adequate safeguards. Under the legislative proposals, SFC could provide supervisory assistance only where the assistance would enable a regulator outside Hong Kong to ascertain the risks to, or a risk which might affect, the financial stability of the jurisdiction of that regulator; or compliance with legal/regulatory requirements that it administered in relation to an LC regulated by both SFC and the regulator outside Hong Kong; or a related corporation of a LC regulated by SFC where the related corporation was regulated by the regulator outside Hong Kong. He said that a number of existing safeguards would be codified into SFO through the proposed legislative amendments, including, among others, the requirement that SFC had to be satisfied that it was desirable or expedient that the assistance be provided in the interest of the investing public or in the public

interest; and that the regulator outside Hong Kong performed a similar function and was subject to adequate secrecy provisions. The legislative proposals also required written statements from the requesting regulator to SFC confirming that it had not been, and would not be, able to obtain the information by any other reasonable means; and that without the requested information, the regulator would be unable to determine compliance with legal/regulatory requirements under its administration. In addition, the proposals required written undertakings which cover, among other things, safeguards in relation to usage and disclosure of the requested information (particularly the information could not be used in legal proceedings).

8. Mr Dennis KWOK said that the legal profession had expressed concerns about how SFC would ascertain and confirm that a regulator outside Hong Kong had not been able to obtain the requested information by other reasonable means and the purposes of the regulator in obtaining the information, in considering whether to provide the assistance to the regulator. He requested the Administration and SFC to address the above concerns and specify the relevant conditions/requirements explicitly in the legislative amendments.

9. The Chief Counsel, Legal Services, SFC ("CC/SFC") advised that apart from providing the undertakings mentioned above, the requesting regulator would need to set out in its application the reasons for seeking assistance from SFC. SFC would, in the light of its supervisory experience and past requests for supervisory assistance received, duly consider whether the request was justified and necessary in the supervisory context of the requesting regulator.

10. Mr Dennis KWOK expressed concerns that regulators outside Hong Kong might breach their undertakings given to SFC and use the provided information to pursue legal proceedings and remedies such as derivative suits and class actions in their jurisdictions. He asked if the legislative proposals would incorporate provisions on the rights to claim privilege against self-incrimination and legal professional privilege ("LPP") in respect of the information provided by SFC to regulators outside Hong Kong. As there were differences in the legal systems and regulatory regimes of Hong Kong and the Mainland or other jurisdictions, he enquired how SFC would ensure that these rights could be protected if there was no mutual recognition of such rights by the regulators of the jurisdictions concerned.

11. CC/SFC advised that the existing provision under SFO which provided that nothing in SFO affected any claim to LPP would apply to the provision of assistance to regulators outside Hong Kong on non-enforcement related matters. On the privilege against self-incrimination, the existing section

186(6) of SFO provided that where a person claimed this in relation to any explanation or answer to a question SFC was not permitted to give that information to a regulator outside Hong Kong for use in criminal proceedings against the person in the jurisdiction of that regulator. The current legislative proposals would include explicit provisions for a requesting regulator to give written undertakings to the effect that it would not use the information in any proceedings unless with SFC's prior consent. CC/SFC said that SFC would take into account the views gathered during public consultation, including comments from the legal profession, in finalizing the legislative amendments. ED(I)/SFC supplemented that if an overseas regulator intended to use the information obtained from SFC under supervisory cooperation in legal proceedings, it had to make a separate application to SFC. In this case, a different set of legal protections and safeguards under SFO would apply.

12. Mr Dennis KWOK enquired about actions SFC could take, including the remedy, if any, to compensate loss incurred by an LC if the regulator in question breached its undertakings to SFC. Mr KWOK envisaged that after the legislative amendments, it was likely to be frequent requests for SFC to provide supervisory assistance by its counterpart in the Mainland, i.e. the China Securities Regulatory Commission ("CSRC"). He was particularly concerned about SFC's follow-up actions if CSRC breached its undertakings to SFC.

13. ED(I)/SFC said that international supervisory cooperation was essentially built on mutual trust and assistance. It would be a grave matter should a regulator breach a memorandum of understanding ("MoU"), undertaking or other arrangement for supervisory or enforcement cooperation. Such a breach might jeopardize the regulator's international reputation and adversely impact on its future dealings with regulators in other jurisdictions.

14. Mr SIN Chung-kai enquired whether SFC would provide assistance to a regulator outside Hong Kong on supervisory matters if the alleged misconduct of the LC or its contravention of the relevant requirements of the regulator was not regarded as misconduct or non-compliance in the Hong Kong regulatory regime. ED(I)/SFC clarified that the legislative proposals were to confer powers on SFC for providing assistance to regulators outside Hong Kong for their supervisory purposes pertaining to the financial security and stability of the jurisdiction concerned, and did not involve investigation into or enforcement against suspected misconduct or criminal offences.

Appeal mechanism

15. Mr Kenneth LEUNG enquired whether SFC would notify an LC of a request for information relating to the LC from a regulator outside Hong Kong,

and whether there would be a mechanism for the LC to appeal against SFC's decision to provide the requested information. Mr SIN Chung-kai considered that the LC in question should be informed of the regulator's request and the scope of information to be disclosed by SFC.

16. Mr Andrew LEUNG suggested that the Administration and SFC should consider putting in place an appeal mechanism, similar to the existing one provided for exchange of tax information under the Inland Revenue Ordinance (Cap. 112), for an LC to appeal against SFC's decision to provide supervisory information in relation to the LC to regulators outside Hong Kong. Mr James TIEN and Mr SIN Chung-kai agreed with Mr LEUNG's suggestion.

17. PAS(FS)1 and ED(I)/SFC said that similar to the existing arrangements under section 180 (in respect of supervisory powers of SFC to ascertain compliance by an intermediary with Hong Kong requirements) and section 186 (in respect of SFC's assistance relating to enforcement-related requests from regulators outside Hong Kong) of SFO, the present legislative proposals did not include an appeal mechanism in relation to SFC's decisions to assist regulators outside Hong Kong in non-enforcement related matters. However, the usual overarching protections, such as preservation of secrecy under section 378 and other SFO provisions pertaining to LPP and privilege against self-incrimination, would apply. Besides, there would be adequate legal safeguards and limitations in the legislative proposals to ensure that information provided by SFC to regulators outside Hong Kong was relevant and confined to the supervisory context of the jurisdictions of the regulator concerned. ED(I)/SFC added that given the narrow and confined scope of information exchangeable under the current proposals, which represented only a modest incremental change to the existing powers of SFC, SFC did not consider it necessary to provide for an appeal mechanism. SFC noted that an appeal mechanism was also not provided in the same context by other jurisdictions.

18. Mr Andrew LEUNG was not convinced of the above explanation provided by the Administration and SFC. He opined that the need to put in place an appeal mechanism for information exchange in question was irrelevant to the existing powers of SFC, comparable existing arrangements under SFO, or the scope of the current legislative amendments. He considered it incumbent upon members to consider a legislative proposal and make suggestions in a holistic manner having regard to the relevant international trends, standards and good practices, including making reference to the appeal mechanism provided for tax information exchange. He urged the Administration and SFC to duly consider members' suggestions with a view to securing their support for the legislative proposals. Mr James TIEN urged the

Administration and SFC to take into account Mr LEUNG's views and suggestions which were supported by Members belonging to the Liberal Party.

19. In the light of members' concerns and suggestions, PAS(FS)1 said that the Administration and SFC would study the tax information exchange regime of Hong Kong and overseas practices in relation to provision of supervisory assistance, and consider the suggested appeal mechanism.

Mutual assistance in cross-border supervisory cooperation

20. Mr Kenneth LEUNG asked whether SFC would need to enter into a supervisory protocol or an MoU with a regulator outside Hong Kong before exercising the new powers conferred on it under the legislative proposals. Mr WONG Kwok-hing enquired if SFC would, before providing assistance to the requesting regulator, consider whether the regulator was able and willing to provide reciprocal assistance to Hong Kong; and if so, whether such a requirement would be incorporated in the legislative amendments.

21. ED(I)/SFC said that following the financial crisis in 2008, it was a priority for regulators of various jurisdictions to foster closer enforcement and supervisory cooperation by entering into MoUs, protocols and other arrangements in accordance with the new global standards on exchange of information. While SFC had entered into a range of MoUs with overseas counterparts over time, most of these MoUs did not fully cover supervisory matters. Part of the proposed legislative amendments was meant to enable SFC to enter into supervisory MoUs or protocols with overseas counterparts on the basis of international standards and reciprocity. Reciprocity was in line with the existing requirement under section 186(4) of SFO that SFC had to take into account whether the overseas regulator would be able and willing to provide reciprocal assistance when considering whether to provide assistance to a regulator outside Hong Kong in enforcement matters. ED(I)/SFC also pointed out that pursuant to section 6 of SFO, SFC shall make efficient use of its resources in performing its functions. It was therefore in the best interests of SFC to enter into MoU arrangements to ensure reciprocity and avoid excessive use of resources for providing supervisory assistance to regulators outside Hong Kong. As the Hong Kong securities and futures markets were among the most open markets in the world, it was essential to ensure reciprocal supervisory assistance such that SFC would have similar powers to request information from regulators outside Hong Kong in non-enforcement related matters. ED(I)/SFC emphasized that SFC would not exercise its powers to assist a regulator outside Hong Kong in supervisory matters unless it had entered into a relevant MoU or equivalent protocol with the regulator.

22. Mr SIN Chung-kai enquired whether the supervisory MoUs/protocols SFC would enter into with other regulators would be bilateral or multilateral. ED(I)/SFC advised that it was likely that SFC would enter into a number of bilateral MoUs with regulators outside Hong Kong for supervisory purposes, which might be superseded or supplemented by the master type of multilateral MoU of the International Organization of Securities Commissions at some point of time in the future.

23. Given that a lot of the companies listed on the Stock Exchange of Hong Kong were incorporated in the Mainland, and the increasing access to the Mainland securities markets (such as under the Shanghai-Hong Kong Stock Connect) by Hong Kong investors, Mr SIN Chung-kai expressed concern as to how SFC would ensure reciprocity in supervisory cooperation with the Mainland, in particular when it requested information from CSRC relating to misconduct of Mainland companies listed in Hong Kong. He enquired whether SFC had plans to sign an MoU with CSRC and the details, if any. ED(I)/SFC reiterated that the scope of the current legislative proposals covered supervisory cooperation in respect of LCs that were regulated by both SFC and the regulator outside Hong Kong, and did not cover listed companies.

Access to confidential information on Mainland incorporated entities

24. Mr Kenneth LEUNG enquired whether the proposed legislative amendments might facilitate Hong Kong auditors to access confidential information held by Mainland auditors in respect of Mainland incorporated entities when performing audits for listed parent companies, including the audit working papers of Mainland auditors engaged by the Mainland entities concerned. Noting that SFC was involved in some litigation cases over related issues (e.g. the Ernst and Young case), Mr LEUNG requested SFC to provide updates on the latest development, and issue relevant guidelines to the industry on the matter.

25. CC/SFC said that SFC had been engaging in discussions with CSRC on cases relating to access to working papers of Mainland auditors though he was not able to disclose any details. Notwithstanding that certain issues had been clarified by the Ernst and Young case, discussions were still going on. He assured members that SFC would follow up on any necessary administrative measures when appropriate.

Conclusion

26. Concluding the discussion, the Chairman said that Panel members had no objection to the Administration's plan to introduce the proposed legislative amendments into the Legislative Council in mid 2015.

V. Updates on Financial Services Development Council

(LC Paper No. CB(1)696/14-15(03) — Paper provided by the Financial Services Development Council

LC Paper No. CB(1)696/14-15(04) — Updated background brief on Financial Services Development Council prepared by the Legislative Council Secretariat)

Briefing by the Financial Services Development Council

27. With the aid of a powerpoint presentation (LC Paper No. CB(1)696/14-15(03)), the Chairman, Financial Services Development Council ("C/FSDC") briefed members on the work progress of FSDC, including the seven reports released since 2014, FSDC's engagement activities and human capital initiatives, as well as FSDC's work plan for 2015-2016.

Discussion

28. The Chairman informed members that Mr Kenneth LEUNG had handed in a motion urging FSDC to change its Chinese name. He said that he would handle Mr LEUNG's motion after members' discussion on the item.

29. Mr WONG Kwok-hing, Mrs Regina IP, Mr NG Leung-sing and Ms Starry LEE commended FSDC's efforts and contributions in conducting studies and providing concrete recommendations to the Government in its research reports with a view to enhancing the future development of the Hong Kong financial markets and financial services industry.

Resources arrangement and mode of operation of FSDC

30. Mr Dennis KWOK enquired if there was plan to review FSDC's resources arrangement and mode of operation, in particular whether consideration would be given to turn FSDC into a statutory body.

31. Mr NG Leung-sing suggested that the Government should work out plans for taking forward the recommendations of FSDC in a proper and timely manner for promoting the development of the local financial services industry, which in turn would create more jobs and bring more economic benefits for Hong Kong and ensure the cost-effectiveness of resources allocated for the work of FSDC, which included conducting studies, launching promotional activities and helping nurture human capital for the financial services industry.

32. C/FSDC and the Permanent Secretary for Financial Services and the Treasury (Financial Services) ("PS(FS)") said that the financial and manpower arrangements for FSDC would be reviewed after the first three years of its operation in year 2016. PS(FS) added that currently the expenditure of FSDC was mainly used for conducting research and activities to further promote Hong Kong as an international financial centre. The Administration would conduct a review on the future resources arrangement and mode of operation of FSDC in the light of its operational experience in the past three years. It was not expected that there would be significant changes. C/FSDC advised that currently there was no plan to develop FSDC into a statutory body as it was not envisaged that the roles and functions would change even it took on a new status.

FSDC's work plan for 2015-16

33. Mr Kenneth LEUNG declared that Mr Mark SHIPMAN, a member of FSDC, was his current colleague. He suggested that FSDC should consider arranging briefings for Legislative Council Members in separate occasions on the key findings of its research reports to enable Members to better understand its work and proposals given to the Government. C/FSDC took note of the suggestion and agreed to follow up.

34. Noting that FSDC was studying initiatives to promote green finance and green banking, Mr Kenneth LEUNG asked why these initiatives had not been included in its work plan for 2015-2016. C/FSDC explained that some of the work initiatives including green finance were still in a preliminary stage of discussion by FSDC and pending further feasibility study before they could be incorporated in the work plan. In this connection, Mr LEUNG urged FSDC to commence a study on green finance in Hong Kong as he considered development in this area would offer opportunities for Hong Kong in the work of the Asian Infrastructure Investment Bank ("AIIB"). He expressed interest in participating in FSDC's work on this initiative. C/FSDC thanked Mr LEUNG for his support and said that FSDC would liaise with Mr LEUNG further on the subject.

35. Regarding FSDC's work on promoting the local financial services industry and the related initiatives for 2015-2016, Mr James TIEN commented that FSDC should step up its efforts in arranging promotional activities as he considered that the current work in collaborating with other bodies such as the Hong Kong Trade Development Council was inadequate. C/FSDC took note of the comment.

Development of human capital for the financial services industry

36. Given Hong Kong's status as an international financial centre, and increasing integration between the financial markets in Hong Kong and the Mainland and hence the likely impact on the Hong Kong market resulting from policy changes and market developments in the Mainland, Mr James TIEN enquired whether FSDC's work in nurturing human capital for the Hong Kong financial services industry should focus on attracting Mainland talents knowledgeable in the Mainland market or overseas talents with international perspective and familiar with international regulatory standards and practices to Hong Kong.

37. Mr Christopher CHEUNG and Mr CHAN Kam-lam agreed that enhancing human capital was essential to the future development of the financial services industry. Emphasizing the need to focus resources to nurture local talents and prepare existing practitioners to meet future challenges of the financial services sector in particular the rapid development in financial technologies, Mr CHEUNG enquired if FSDC would consider collaborating with the Education Bureau to develop relevant curriculum and programmes for training local financial experts and setting up a task force to co-ordinate the work in this area. Mr CHAN commented that the Administration should consider relaxing the restriction on enterprises in recruiting financial experts from the Mainland and overseas so as to meet the present gap in manpower supply in the financial services industry. In parallel, he considered that FSDC should enhance communication with local universities in developing relevant curriculum and programmes to meet future manpower needs of the Hong Kong financial services industry.

38. Ms Starry LEE observed that there was a mismatch in the demand and supply of manpower in the local financial services industry, in particular there was a lack of local talents in filling high-end professional positions. She stressed the need to provide training to young people working in the industry to upgrade their professional knowledge and capabilities, as well as to enhance their understanding of the career opportunities in the middle and back office positions in the industry. She enquired about the work of FSDC in collaborating with the universities in these areas.

39. Mr Kenneth LEUNG highlighted the need to assist local graduates to gain practical working experience with international financial institutions. Mrs Regina IP sought the views of FSDC on the types of talents most required by the Hong Kong financial services industry, and the plans of the Government and FSDC to enhance the provision of training for local graduates and exiting industry practitioners.

40. C/FSDC said that to enhance Hong Kong's competitiveness as an international financial centre, apart from continuous development in Hong Kong's financial infrastructure, it was also essential to upgrade the software by engaging international talents in addition to Mainland talents. She also recognized the need to nurture local graduates which was among the key areas of FSDC's current work and its work plan for 2015-2016. Given that FSDC was only an advisory body, it was not in a position to develop relevant curriculum or programmes and course materials for the financial services industry. That said, if FSDC was invited by the relevant training institutions or local universities to review their programme contents, FSDC would be delighted to do so and provide its inputs as appropriate from an industry's perspective. PS(FS) supplemented that the Government also attached great importance to nurturing local talents in meeting the needs and continuous development of the Hong Kong financial market. He added that in the 2015-2016 Budget, the Financial Secretary had already allocated \$100 million for running a three-year pilot scheme for the development of human capital, initially for the insurance and the wealth and asset management sectors.

41. As regards the qualifications and qualities of personnel required for the financial services industry, C/FSDC said that feedbacks from the employers had indicated concerns about the English standard of local graduates and lack of international perspective as compared to overseas and Mainland graduates. This might explain why international financial institutions preferred overseas or Mainland graduates to local graduates in their recruitment, especially for the high-end professional positions. On the other hand, it had been observed that the local graduates were not well aware of the job opportunities in the financial services industry. In order to enhance graduates' understanding of the career options and prospects in the financial services industry, in particular the jobs and duties of middle and back office positions available, FSDC would continue to arrange career talks at universities in the coming year to provide graduates with more information in the industry and the jobs offered as well as how they should prepare themselves for seeking jobs in the industry.

Development of the Hong Kong financial market and investor protection

42. Mr WONG Kwok-hing expressed concern that the increasing number of fraudulent cases of over-the-counter ("OTC") trading of Loco London gold involving huge amount of losses by both local and Mainland investors had adversely affected Hong Kong's reputation as an international financial centre. He urged FSDC to study measures to tighten the regulation of such activities.

43. C/FSDC said that the regulation of OTC trading of Loco London gold and enforcement actions were the responsibilities of the relevant regulatory bodies and law enforcement agencies. That said, FSDC could consult the

industry and consider conducting studies on regulatory issues and measures to tackle related problems.

44. While appreciating that FSDC's main objective was to promote the development of the Hong Kong financial market and the financial services industry, Mr SIN Chung-kai was of the view that it was equally important to strengthen investor protection, especially with increasing integration of the Hong Kong securities market with those of the Mainland through implementation of Shanghai-Hong Kong Stock Connect ("S-HK SC") and the imminent launch of Shenzhen-Hong Kong Stock Connect ("SZ-HK SC"). Mr SIN enquired about FSDC's initiatives in enhancing protection for Hong Kong investors investing in overseas and Mainland markets .

45. C/FSDC advised that the Investor Education Centre was responsible for investor education in Hong Kong and FSDC currently had no plan to undertake research study in this area. C/FSDC emphasized the need to deliver a clear message to Hong Kong investors in investing overseas that they should be aware of the risks involved and seek to understand the relevant regulatory regimes, including the regulations concerned and investor protection measures available.

46. Mr CHAN Kam-lam invited FSDC to conduct a feasibility study on shortening the current stock trading and settlement cycle from T+2 to T+1 so as to further enhance the efficiency of the local securities market. C/FSDC took note of the suggestion.

47. Mr WONG Ting-kwong enquired about the potential opportunities and challenges brought by the establishment of various Free Trade Zones ("FTZ") in the Mainland to the Hong Kong financial services industry. He enquired if FSDC would conduct studies on measures Hong Kong should take to prepare for developments including implementation of S-HK SC and SZ-HK SC, and "One Belt One Road", as well as the establishment of various FTZs and AIIB. Regarding the establishment of the Steering Group on Financial Technologies ("Fintech") which was tasked to explore measures to develop Hong Kong into a Fintech hub, Mr WONG enquired about Hong Kong's competitive advantages in developing into a Fintech hub and the challenges ahead in meeting this objective.

48. On the impact of Mainland FTZ on the Hong Kong financial services industry, C/FSDC said that FSDC would continue to monitor the development and it would need to conduct more in-depth studies before coming to a conclusion. FSDC had plans to issue a research report on the impact of Guangdong FTZ on the Hong Kong financial services industry. Regarding the initiative of developing Hong Kong into a Fintech hub, C/FSDC advised that

certain sectors including banking, insurance and securities had been applying information technologies in their businesses, such as large scale application of electronic and computer systems in their daily operations. It was hoped that the Steering Group on Fintech would explore and conduct research on innovative and suitable financial technologies for application by the Hong Kong financial services sector.

49. Mrs Regina IP enquired about Hong Kong's edges in the development of Islamic finance, and FSDC's plans in conducting research on the subject. C/FSDC advised that Islamic finance was introduced to the Hong Kong financial market a few years ago with a view to diversifying the financial instruments available in the Hong Kong market and increasing the width and depth of the local bond market. C/FSDC agreed that Hong Kong had high potentials and was well placed to develop into a centre of Islamic finance in Asia.

Motion

50. 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 –

本委員會要求把"金融發展局"正名為"金融發展委員會"，以更精確地體現其現有功能。其英文名稱"Financial Services Development Council"維持不變。

(Translation)

That, this Panel requests changing the Chinese name of the Financial Services Development Council from "金融發展局" to "金融發展委員會" to better reflect the present functions of the Council. The English name "Financial Services Development Council" remains the same.

51. The Chairman decided that Mr Kenneth LEUNG's motion was directly related to the agenda item. As members had no objection to the Panel proceeding with the motion, the Chairman invited Mr Kenneth LEUNG to speak on his motion.

52. Mr Kenneth LEUNG said that while he considered that FSDC should be turned into a statutory body with executive power in the long term, he opined that it was necessary for FSDC to change its Chinese name to better reflect its current role and functions as an advisory body of the Government.

53. Mr CHAN Kam-lam and Mr WONG Kwok-hing did not support Mr Kenneth LEUNG's motion. They considered that the role of FSDC as an advisory body of the Government was very clear and they noted that many advisory bodies and non-governmental bodies also used the word "局" in their Chinese names. Mrs Regina IP did not support Mr LEUNG's motion. She said that it was inappropriate for LegCo to require FSDC to change its name.

54. C/FSDC and PS(FS) considered it appropriate for FSDC to continue using "局" in its Chinese name and pointed out that the suggested change might create misunderstanding that there might be hidden motives and would cause more confusion to the public.

55. The Chairman put Mr Kenneth LEUNG's motion to vote. Mr LEUNG requested to ring the voting bell and claimed a division of the votes. The voting bell was rung for five minutes. One member voted for and seven members voted against the motion. The voting results were as follows –

For:

Mr Kenneth LEUNG
(1 member)

Against:

Mr Christopher CHEUNG
Mr Abraham SHEK
Mr WONG Ting-kwong
Mrs Regina IP
(7 members)

Mr CHAN Kam-lam
Mr WONG Kwok-hing
Ms Starry LEE

56. The Chairman declared that the motion was negated.

VI Any other business

57. There being no other business, the meeting ended at 12:45 pm.