

## Panel on Financial Affairs

### List of outstanding items for discussion (as at 30 October 2014)

	<b>Proposed timing for discussion at Panel meeting</b>
<p><b>1. Briefing by the Financial Secretary ("FS") on Hong Kong's latest overall economic situation</b></p> <p>The Panel has invited FS to brief the Panel and all other Legislative Council ("LegCo") Members on macro economic issues on a regular basis since mid-1999. Such briefings are normally held in June and December each year.</p>	<p>December 2014 June 2015</p>
<p><b>2. 2015-2016 Budget consultation</b></p> <p>FS will consult LegCo on the 2015-2016 Budget.</p>	<p>December 2014</p>
<p><b>3. Proposed Revision of Fees and Charges for Services under the Purview of the Customs and Excise Department ("C&amp;ED")</b></p> <p>In line with the "user pays" principle, it is the Administration's policy that fees and charges for public services should in general be set at levels sufficient to recover the full cost of providing the services. Based on the outcome of the latest costing review, the Administration proposes to adjust 20 items of fees and charges under the purview of C&amp;ED. The proposed adjustment rate ranges from 10% to 20%. The Administration plans to introduce the relevant legislative proposals into LegCo in February 2015.</p>	<p>December 2014</p>
<p><b>4. Proposed implementation of the first phase of the over-the-counter ("OTC") derivative regulatory regime in Hong Kong</b></p> <p>The Administration would seek members' views on the first phase implementation of the Securities and Futures (Amendment) Ordinance 2014 and the legislative proposal for the proposed Securities and Futures (OTC Derivatives Transactions – Reporting and Record</p>	<p>December 2014</p>

Keeping) Rules. The proposal is to implement commitments made by the G20 Leaders to reform the OTC derivative market. The Administration aims to introduce the relevant legislative proposals into LegCo in the first half of the 2014-2015 legislative session.

**5. Proposed extension of profits tax exemption for offshore funds to private equity funds**

The Administration would seek members' views on the proposal to amend the Inland Revenue Ordinance to extend the profits tax exemption for offshore funds to private equity funds, which is an initiative announced by FS in the 2013-2014 Budget to attract more private equity funds to operate in Hong Kong. The Administration aims to introduce the relevant legislative proposals into LegCo in the second half of the 2014-2015 legislative session.

January 2015

**6. Proposal for staffing support to implement regulatory reforms for the insurance industry**

The Administration plans to submit the following proposal –

January 2015

- (a) retention of one Administrative Officer Staff Grade C supernumerary post up to 31 December 2017 to complete the legislative and related work for the Insurance Companies (Amendment) Bill 2014;
- (b) retention of a supernumerary directorate post in the Office of the Commissioner of Insurance ("OCI") of the Financial Services Branch up to 30 September 2016 to ensure a seamless transfer of regulatory powers from OCI to the independent Insurance Authority ("IA"); and
- (c) creation of a Preparatory Team to help set up the IA, to manage transitional issues and to support its initial operation.

The Administration plans to submit the staffing proposal to the Establishment Subcommittee and the Finance

Committee ("FC") in January and February 2015 respectively.

**7. Second stage of public consultation on establishing an effective resolution regime for financial institutions in Hong Kong**

According to the Administration, the establishment of resolution regime is one of the international regulatory reform initiatives which aim to enhance the resilience and stability of the financial system, following the recent financial crisis. As a member jurisdiction of the Financial Stability Board and a major financial centre, it is incumbent upon Hong Kong to meet the new international standards set out in the "Key Attributes of Effective Resolution Regimes for Financial Institutions" promulgated in November 2011.

January 2015

The Administration launched the first stage of public consultation from January to April 2014 and sought views from the public and the financial services industry on the initial thinking for establishing a resolution regime in Hong Kong. Taking into account the responses to the first stage of public consultation, the second stage of public consultation will include more details and specifics on the operation of the proposed regime.

Subject to the outcomes of the public consultation, the Administration will seek to introduce the relevant legislative proposals into LegCo by 2015.

**8. Updates on Financial Services Development Council ("FSDC")**

Since its establishment in January 2013, FSDC has released ten reports. FSDC will provide updates on its work progress during 2014, following its briefings to the Panel on 4 February 2013 and 6 January 2014.

February 2015

**9. Briefing on the work of Hong Kong Monetary Authority ("HKMA")**

**Proposed timing  
for discussion at  
Panel meeting**

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 2015  
May 2015

**10. Budget of Securities and Futures Commission ("SFC") for the financial year of 2015-2016**

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

February or  
March 2015

**11. Review of the adjustment mechanism for the Minimum and Maximum Relevant Income levels ("Adjustment Mechanism") for Mandatory Provident Fund ("MPF") mandatory contributions**

The Administration will consult the Panel on proposals for reviewing the Adjustment Mechanism.

March 2015

The Mandatory Provident Fund Schemes Authority ("MPFA") promised in 2011 to the Subcommittee on Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 2) Notice 2011 and the Subcommittee on Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 3) Notice 2011 to conduct a comprehensive review of the Adjustment Mechanism when the effect of the Statutory Minimum Wage became clearer. MPFA subsequently submitted its proposal to the Administration in 2014 for consideration.

**12. Proposed amendments to the Securities and Futures Ordinance ("SFO") to enable supervisory cooperation with regulators outside Hong Kong and to refine certain technical provisions in the Ordinance**

The Administration would seek members' views on the proposal to amend SFO to enable supervisory cooperation with regulators outside Hong Kong and to refine certain technical provisions in SFO to enhance regulatory certainty and reduce compliance cost, etc. The Administration aims to introduce the relevant legislative proposals into LegCo in the second half of the 2014-2015

1<sup>st</sup> quarter of 2015

legislative session.

**13. Briefing on the work of the Financial Dispute Resolution Centre ("FDRC")**

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 FDRC formally commenced operation in June 2012.

1<sup>st</sup> quarter of 2015

At the work plan meeting of the Panel held on 30 October 2013, Hon Starry LEE 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 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.

The Administration will brief the Panel on the work of FRDC and its funding arrangement in the first quarter of 2015.

**14. Consultation conclusions of proposals to improve the regulatory regime for listed entity auditors**

The Administration last briefed the Panel on proposals to improve the regulatory regime for listed entity auditors

1st half of 2015

**Proposed timing  
for discussion at  
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on 7 July 2014. The public consultation ended on 19 September 2014. The Administration will brief the Panel on the consultation conclusions and the next step. The Administration aims to introduce the relevant legislative proposals into LegCo in the 2015-2016 legislative session.

**15. Inland Revenue Tower in Kai Tak Development Area – Part 1 – pre-construction consultancy services**

The Administration has committed to vacating the three government office buildings at Wan Chai waterfront (i.e. Revenue Tower, Immigration Tower and Wanchai Tower), with a view to releasing more prime office space to the market. In this regard, the Administration proposes to build a new Inland Revenue Tower at Site 1D3 in the Kai Tak Development Area and to engage a consultant to undertake pre-construction work for the new building. The Administration intends to submit the proposal to the Public Works Subcommittee and FC in May 2015 and June 2015 respectively.

April or  
May 2015

**16. 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.

2<sup>nd</sup> quarter of 2015

**17. Briefing on consultation results and the way forward on MPF Core Fund**

The Administration will brief the Panel on the public consultation results and the way forward regarding the introduction of a Core Fund with fee control and a long term investment strategy to balance investment risk and return, as the default fund of each MPF scheme.

2<sup>nd</sup> quarter of 2015

The Administration and MPFA briefed the Panel on the consultation in July 2014 and completed the three-month public consultation on 30 September 2014. The Administration aims to introduce the relevant legislative proposals into LegCo in the 2015-2016 legislative

session.

**18. Impact of the "Occupy Central" movement on Hong Kong's financial systems and markets.**

At the meeting on 9 October 2014, some members including Hon WONG Kwok-hing, Hon Starry LEE and Hon NG Leung-sing expressed concern about the impact arising from the Occupy Central movement on the overall economy, in particular financial stability and operation of the banking and financial markets. The Panel requested the Administration to provide a briefing on related issues.

To be confirmed

HKMA will brief the Panel on the impact arising from the Occupy Central movement on financial stability and operation of the banking and financial markets, during the regular briefing on the work of HKMA at the meeting of 3 November 2014. The Panel would also seek to discuss with FS the impact of the movement on the overall economic situation during the regular briefing on Hong Kong's latest economic situation at the meeting of 1 December 2014.

**19. Updates on Shanghai-Hong Kong Stock Connect ("S-HK SC")**

The Panel received a briefing on the establishment of S-HK SC at the meeting held on 9 June 2014.

To be confirmed

At the work plan meeting of the Panel on 20 October 2014, Hon Christopher CHEUNG requested the Administration to update the Panel on the development of the initiative.

**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

To be confirmed

**Proposed timing  
for discussion at  
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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.

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 a 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)).

Council Business Division 1  
Legislative Council Secretariat  
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