

**立法會**  
**Legislative Council**

LC Paper No. CB(1)252/18-19  
(These minutes have been seen  
by the Administration)

Ref : CB1/SS/14/17

**Subcommittee on Proposed Resolution under Section 3(1)  
of the Loans Ordinance (Cap. 61)**

**Minutes of third meeting held on  
Friday, 5 October 2018, at 9:15 am  
in Conference Room 2A of the Legislative Council Complex**

**Members present** : Ir Dr Hon LO Wai-kwok, SBS, MH, JP (Chairman)  
Hon James TO Kun-sun  
Hon WONG Ting-kwong, GBS, JP  
Hon CHAN Kin-por, GBS, JP  
Hon Frankie YICK Chi-ming, SBS, JP  
Hon WU Chi-wai, MH  
Hon YIU Si-wing, BBS  
Hon CHAN Chi-chuen  
Hon Kenneth LEUNG  
Hon KWOK Wai-keung, JP  
Dr Hon Elizabeth QUAT, BBS, JP  
Hon CHU Hoi-dick  
Dr Hon Junius HO Kwan-yiu, JP  
Hon HO Kai-ming  
Hon Holden CHOW Ho-ding  
Hon CHAN Chun-ying, JP  
Hon Tanya CHAN  
Hon HUI Chi-fung  
Dr Hon CHENG Chung-tai  
Hon AU Nok-hin  
Hon Vincent CHENG Wing-shun, MH

**Members absent** : Hon Abraham SHEK Lai-him, GBS, JP  
Hon Paul TSE Wai-chun, JP  
Hon Dennis KWOK Wing-hang  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
Dr Hon Fernando CHEUNG Chiu-hung  
Hon CHEUNG Kwok-kwan, JP  
Hon LUK Chung-hung, JP

**Public Officers attending** : Agenda item I

Financial Services and the Treasury Bureau

Mr Joseph CHAN, JP  
Under Secretary for Financial Services and the Treasury

Ms Estrella CHEUNG  
Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 3

Hong Kong Monetary Authority

Mr Enoch FUNG  
Head (Market Development), External Department

Mr Kenneth HUI  
Senior Manager, Market Development Division,  
External Department

Department of Justice

Miss Celia HO  
Government Counsel

Environmental Protection Department

Mr Davie KAN  
Acting Assistant Director  
(Cross-Boundary & International)

**Clerk in attendance** : Mr Derek LO  
Chief Council Secretary (1)5

**Staff in attendance** : Mr Timothy TSO  
Senior Assistant Legal Adviser 1

Ms Anki NG  
Council Secretary (1)5

Ms Michelle NIEN  
Legislative Assistant (1)5

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Action

**I. Meeting with the Administration**

(LC Paper No. CB(1)1296/17-18(01) — Letter dated 19 July 2018 from Hon CHU Hoi-dick (Chinese version only)

LC Paper No. CB(1)1316/17-18(01) — List of follow-up actions arising from the meeting on 19 July 2018

LC Paper No. CB(1)1316/17-18(02) — Administration's written response to issues raised at the meeting on 19 July 2018

LC Paper Nos. CB(1)1345/17-18(01) and (02) — Letters from Hon AU Nok-hin dated 10 and 15 August 2018 (Chinese version only)

LC Paper No. CB(1)1355/17-18(01) — Administration's response to the matters raised in Hon AU Nok-hin's letter of 15 August 2018

LC Paper No. CB(1)1377/17-18(01) — Letter from Hon CHU Hoi-dick dated 4 September 2018 (Chinese version only)

- LC Paper No. CB(1)1394/17-18(01) — Draft amendments to the Proposed Resolution proposed by Hon CHU Hoi-dick
- LC Paper No. CB(1)1394/17-18(03) — Draft amendment to the Proposed Resolution proposed by Hon AU Nok-hin on 13 September 2018
- LC Paper No. CB(1)1425/17-18(01) — Administration's response to questions and issues raised and amendments proposed
- LC Paper No. CB(1)1394/17-18(02) — Assistant Legal Adviser's letter dated 11 September 2018 to the Administration
- LC Paper No. CB(1)1427/17-18(01) — Administration's response to Assistant Legal Adviser's letter dated 11 September 2018)

*Other relevant papers*

- (LC Paper No. CB(1)1248/17-18(01) — List of follow-up actions arising from the meeting on 9 July 2018
- LC Paper No. CB(1)1245/17-18(01) — Joint letter from Hon CHU Hoi-dick and Hon AU Nok-hin dated 9 July 2018 (Chinese version only)
- LC Paper No. CB(1)1260/17-18(01) — Letter from Hon WU Chi-wai dated 12 July 2018 (Chinese version only)
- LC Paper No. CB(1)1248/17-18(02) — Administration's response to the follow-up questions and issues raised

File Ref: B&M/3/1/4C

— Legislative Council Brief

LC Paper No. LS71/17-18

— Legal Service Division  
Report)

The Subcommittee deliberated (index of proceedings in the **Appendix**).

Proposed amendments

2. The Subcommittee considered the amendments to the Proposed Resolution proposed by members, seven of which were from Mr CHU Hoi-dick and one from Mr AU Nok-hin (set out in LC Paper Nos. CB(1)1394/17-18(01) and (03) respectively). After deliberations, the Chairman proposed and put to vote one by one the questions on the proposed amendments. All the proposed amendments were negatived. The Chairman declared that the Subcommittee would not move any of the proposed amendments on behalf of the member concerned.

Follow-up actions to be taken by the Administration

3. The Administration was requested to take the following actions to address members' concerns –

- (a) provide information in support of the Administration's stance that the ordinary meaning of "credit facility" included "revolving credit facility";
- (b) with respect to the legislative intent of section 3(1) of the Loans Ordinance (Cap. 61) which was enacted in 1975, provide information which supported the Administration's stance that it could not be the intention of the Legislative Council to prohibit the Government to issue bonds from time to time in a revolving nature, e.g. the speech of the relevant Government official during the legislative process;
- (c) explain why the Proposed Resolution was to be made under section 3(1) of the Loans Ordinance (Cap. 61) instead of under the Loans (Government Bonds) Ordinance (Cap. 64); and
- (d) provide information on whether the Administration had reviewed/would review Cap. 61 and Cap. 64, given that paragraph 21 of the Report of the Subcommittee on proposed

resolution under Section 3(1) of the Loans Ordinance (by way of issuance of Government Bonds) [LC Paper No. CB(1)1839/03-04 submitted to the House Committee on 14 May 2004] stated the Administration's agreement to that Subcommittee's suggestion that it should take steps to review whether any parts of Cap. 61 and Cap. 64 had become obsolete or outdated having regard to the market situation.

*(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(1)30/18-19(02) on 12 October 2018.)*

Legislative timetable

4. The Subcommittee noted that the Administration intended to give fresh notice to move the Proposed Resolution in accordance with Rule 29(1) of the Rules of Procedure at the Legislative Council meeting of 31 October 2018. The Chairman said that as such, he aimed to provide a verbal report on the deliberations of the Subcommittee to the House Committee at its meeting on 12 October 2018 and the deadline for giving notice of motion to amend the Proposed Resolution would be 24 October 2018.

*(Post-meeting note: Members were notified on 9 October 2018 vide LC Paper No. CB(1)1439/17-18 that the Administration planned to move the Proposed Resolution at the Council meeting of 14 November 2018 and the Chairman would report the deliberations of the Subcommittee to the House Committee on 26 October 2018.)*

**II. Any other business**

5. There being no other business, the meeting ended at 11:18 am.

## Appendix

**Proceedings of third meeting of the  
Subcommittee on Proposed Resolution under Section 3(1) of the Loans Ordinance  
(Cap. 61)  
on Friday, 5 October 2018, at 9:15 am  
in Conference Room 2A of the Legislative Council Complex**

Time marker	Speaker	Subject(s)	Action required
<b>Agenda item I – Meeting with the Administration</b>			
000350 – 000735	Chairman	Briefing by the Chairman	
000736 – 000815	Chairman Mr CHU Hoi-dick	Enquiries by Mr CHU Hoi-dick about meeting procedure	
000816 – 001304	Chairman Administration	<p>The Administration gave a consolidated response to members' questions and proposed amendments to the proposed resolution under section 3(1) of the Loans Ordinance (Cap. 61) ("the Proposed Resolution") –</p> <p>(a) green finance was a new but rapidly expanding area of financial activities. There were different international organizations issuing green bond guidelines and standards ("the Guidelines/Standards"). These organizations frequently updated the Guidelines/Standards as the market evolved. Listing of eligible project categories, instead of a definition of "green" projects, was commonly adopted in these Guidelines/Standards;</p> <p>(b) as a market development initiative, the Government Green Bond Programme ("the Programme") should have a scope with sufficient flexibility so that it could evolve with the market globally and foster the opportunities brought by the development of green finance. The Administration considered it necessary and justified to adopt a practical approach by making clear the policy intention but without attempting to define "green" or "environmental benefits" in the resolution so that it would not inadvertently undermine the development potential in green finance. The Administration did not support the amendments to the Proposed Resolution proposed by members of the Subcommittee;</p>	

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
		<p>(c) only public works projects ("PWPs") that were approved by the Finance Committee of the Legislative Council ("LegCo") ("FC") under the existing mechanism might be considered to be included under the Programme. The Programme and the Proposed Resolution would not affect the existing mechanism in approving PWPs;</p> <p>(d) section 3(1) of the Loans Ordinance (Cap. 61) ("the Ordinance") provided the power for LegCo to authorize borrowing by the Government in terms of the amount or amounts and the purposes of such borrowing. It did not cover the power to authorize expenditure by the Government. As such, the amendments to the Proposed Resolution proposed by members on matters other than the amount and the purposes of such borrowing fell outside the scope of the power and authority conferred on LegCo under section 3(1) of the Ordinance;</p> <p>(e) the amendments proposed by members to set a valid period of authorization would give rise to uncertainties as to whether the Government was authorized to launch the Programme intended to be on an on-going basis. This might be inconsistent with the objectives of the Programme to promote the development of green finance in Hong Kong and to signify the Government's support for sustainable development and determination to combat climate change, and might also affect global investors' confidence in the development of green finance in Hong Kong; and</p> <p>(f) regarding the cost of issuance and the authority to expend money raised under the Proposed Resolution, the resolution on the Capital Works Reserve Fund (Cap. 2A) allowed sums borrowed under a resolution of LegCo made under section 3(1) of the Ordinance to be credited to the Capital Works Reserve Fund ("CWRF") where the resolution so stipulated. Cap. 2A also permitted the expense of money from CWRF for the purposes of PWPs, and expressly authorized the Government to expend money from CWRF to repay the principal, interest and expenses incurred in relation to sums borrowed under section 3 of the Ordinance and credited to CWRF. The existing provisions of Cap. 2A were adequate for implementing the Programme.</p>	



<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
001305 – 002737	Chairman Mr CHU Hoi-dick Administration Senior Assistant Legal Adviser 1 ("SALA1")	<p>Mr CHU Hoi-dick expressed concern –</p> <p>(a) about the wordings of the Proposed Resolution which might be inconsistent with the provision of section 3(1) of the Ordinance. According to the Administration, the cumulative total value of the bonds issued under the Programme might exceed HK\$100 billion so long as the outstanding amount under the Programme did not exceed HK\$100 billion at any time, as stated in the Administration's reply dated 3 October 2018 [LC Paper No. CB(1)1427/17-18(01)]; and</p> <p>(b) whether the term "borrow" included the power to draw upon a revolving credit facility.</p> <p>The Administration advised that –</p> <p>(a) the Proposed Resolution stated that the Government be authorized to borrow "sums not exceeding in total HK\$100 billion or equivalent, being the maximum amount of all borrowings made under this paragraph that may be outstanding by way of principal at any time";</p> <p>(b) similar wordings were used in a resolution made in 2013 under the Ordinance authorizing the Government to borrow sums not exceeding HK\$200 billion;</p> <p>(c) according to section 2 of the Ordinance, "borrow" included the power to draw upon a credit facility, and one of the most common types of credit facility was revolving credit facility. According to the Cambridge Dictionary, "revolving credit facility" meant "an arrangement between a bank and a business that allows the business to borrow a particular amount of money, and then to borrow more money if part of the original loan was paid back";</p> <p>(d) section 3 of the Ordinance authorized the Government to borrow on such terms as might be agreed between the Government and any person. If the Government wished to obtain a revolving credit facility, the revolving nature of the credit facility in the sense that when part of the loan was paid off, the Government could borrow again was in effect one of</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>the terms of the facility. Hence, section 3 could be construed as authorizing the Government to obtain a revolving credit facility provided that the maximum amount and purposes of the credit facility was approved by LegCo; and</p> <p>(e) given that section 3 of the Ordinance allowed the Government to obtain revolving credit facilities from a bank or more than one bank, it could not have been the legislative intent to prohibit the Government to issue bonds from time to time in a revolving nature.</p> <p>SALA1 advised that –</p> <p>(a) the matter depended on the interpretation of section 3(1) of the Ordinance. The Proposed Resolution stipulated that the Government be authorized to borrow sums not exceeding in total HK\$100 billion or equivalent, being the maximum amount that might be outstanding by way of principal at any time. It was the Administration's stance that such borrowings could include a revolving credit facility for re-borrowing if part of the original loan was paid back; and</p> <p>(b) the Legal Adviser to the Subcommittee had in paragraph 3(a) of her letter dated 11 September 2018 [LC Paper No. CB(1)1394/17-18(02)] requested the Administration to clarify whether and how the borrowing arrangement proposed in the Proposed Resolution fell within the definition of "borrow" for the purposes of section 2 of the Ordinance. As the term "credit facility" was not defined in the Ordinance or in the Interpretation and General Clauses Ordinance (Cap. 1), the ordinary meaning of the term as defined in dictionaries could serve as reference for interpretation.</p> <p>The Administration was requested to provide information in support of its stance that the ordinary meaning of "credit facility" included "revolving credit facility", and with respect to the legislative intent of section 3(1) of the Ordinance which was enacted in 1975, whether it was the intention of LegCo to prohibit the Government to issue bonds from time to time in a revolving nature.</p>	<p>The Administration to follow up as stated in paragraph 3(a) and (b) of the minutes.</p>

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
002738 – 002832	Chairman	The Chairman's summary on the Administration's responses regarding the objectives for implementing the Programme in previous meetings	
002833 – 002946	Chairman Mr CHU Hoi-dick	<p>Mr CHU Hoi-dick concurred that the Administration should provide more information on the legislative intent of section 3(1) of the Ordinance enacted in 1975.</p> <p>Mr CHU's enquiries about how his proposed amendments to the Proposed Resolution would be dealt with at the meeting.</p>	
002947 – 003536	Chairman Mr AU Nok-hin Administration	<p>Regarding the legislative intent of the Ordinance, Mr AU Nok-hin said that –</p> <p>(a) due to the economic situation in 1975, the then Government was considering raising funds onshore and offshore. In the then Financial Secretary ("FS")'s speech in moving the Loans Bill 1975 ("the Bill") in 1975, it was said, among others, that the Bill would provide legal authority for borrowing from offshore sources subject to the approval by resolution of LegCo; and</p> <p>(b) two pieces of legislation were subsequently enacted in 1975: the Ordinance and the Loans (Government Bonds) Ordinance (Cap. 64). He enquired whether the Government should seek authorization under the Ordinance or Cap.64.</p> <p>The Chairman observed that the Ordinance did not prohibit the Government from raising funds by way of borrowings on a revolving basis.</p> <p>The Administration advised that –</p> <p>(a) the Ordinance did not specify the manner of borrowings, i.e. whether borrowing could be made once or more than one time;</p> <p>(b) the amounts and the purposes of borrowings under the Proposed Resolution would be subject to the approval by LegCo; and</p> <p>(c) section 4(1) of the Ordinance permitted the Government's borrowing by instruments including bonds under the Ordinance.</p>	

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
003537 – 004144	Chairman Dr CHENG Chung-tai Administration	<p>Dr CHENG Chung-tai considered that the Proposed Resolution was worded to circumvent LegCo's scrutiny of the Government's issuance of bonds and enquired about the following –</p> <ul style="list-style-type: none"> <li>(a) if the Proposed Resolution was approved by LegCo, whether LegCo had the authority to scrutinize individual issuance of bonds under the Programme in the future;</li> <li>(b) whether there would be any ceiling on the total issuance amount and expiry of the authorization; and</li> <li>(c) given that there was no definition of green bonds under the Proposed Resolution or the Ordinance, whether LegCo could impose any restraint on the issuance of green bonds under the Programme.</li> </ul> <p>The Administration and the Hong Kong Monetary Authority ("HKMA") replied as follows –</p> <ul style="list-style-type: none"> <li>(a) the Government was seeking LegCo's authorization by way of a resolution under section 3(1) of the Ordinance to borrow sums not exceeding in total HK\$100 billion or equivalent, being the maximum amount that may be outstanding by way of principal at any time for the purpose specified in the resolution. The total cumulative amount of borrowings might exceed HK\$100 billion so long as the outstanding amount did not exceed HK\$100 billion at any time;</li> <li>(b) the number and terms of issuances under the Programme would be determined by the Government after taking into account the prevailing market conditions;</li> <li>(c) all PWPs were required to be approved by FC and scrutinized by LegCo under the existing arrangements. The Programme would only provide financing for certain PWPs approved by FC;</li> <li>(d) in 2013, LegCo authorized the Government by a similar resolution under section 3 of the Ordinance to borrow in a similar manner to implement the Government Bond Programme to issue government bonds from time to time including inflation linked retail bonds and silver bonds;</li> </ul>	

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		<p>(e) the objectives of the Programme as mentioned in the Explanatory Note of the Proposed Resolution were clear, i.e. to promote green finance in Hong Kong through a green bond issuance programme, which would provide funding for green public works projects of the Government; and</p> <p>(f) every issuance under the Programme would comply with the issuance framework that aligned with the Guidelines/Standards. The Government might also engage independent external reviewers to verify and/or certify alignment of issuance framework with the Guidelines/Standards.</p>	
004145 – 004702	Chairman Mr CHAN Chun-ying Administration	<p>Mr CHAN Chun-ying expressed views that –</p> <p>(a) it was a common understanding among banks in Hong Kong that the term "credit facilities" included "term loan facilities" and "revolving loan facilities". The ceiling of a credit facility and whether the credit facility was of a revolving nature would be determined and agreed between the bank and the borrower;</p> <p>(b) the term "guaranteed line of credit" as referred to in the then FS's speech when moving the Bill in 1975 had the same meaning as the term "credit facility". That the term "credit facility" included "revolving credit facility" was a common understanding in the banking industry; and</p> <p>(c) under the Small and Medium Enterprises Financing Guarantee Scheme which required approval by LegCo for the Government to provide a loan guarantee commitment of up to HK\$100 billion, a "revolving credit" arrangement was adopted so that after an enterprise had paid off a certain loan amount, such amount within the facility would be available again for borrowing by the same and/other enterprises. By the same token, the issuance of bonds under the Programme with a similar effect of revolving credit facility under the Proposed Resolution was appropriate.</p> <p>The Administration reiterated that the Proposed Resolution, in view of its objective, was presented in a way similar to previous resolutions made under section</p>	

Time marker	Speaker	Subject(s)	Action required
		3(1) of the Ordinance, with the latest one being the resolution for implementing the Government Bond Programme in 2013.	
004703 – 004915	Chairman Mr WU Chi-wai Administration	<p>Mr WU Chi-wai sought confirmation that only PWPs approved by FC with environmental benefits under the existing mechanism and aligned with Guidelines/Standards would be included and financed under the Programme.</p> <p>The Administration confirmed Mr WU's understanding.</p>	
004916 – 005529	Chairman Mr Kenneth LEUNG Mr WU Chi-wai Administration	<p>Mr Kenneth LEUNG sought explanation on the guidelines and standards to be adopted for green bond issuance under the Programme and the alignment of issuance frameworks with the Guidelines/Standards widely accepted by global investors. He also enquired about how the Government would choose which set(s) of the Standards/Guidelines to be adopted for particular issuances.</p> <p>The Administration advised that currently, there were different guidelines and standards widely accepted by global investors such as the Green Bond Principles and the Climate Bonds Standard promulgated by the International Capital Market Association and the Climate Bonds Initiative respectively. Apart from the certification service offered by the Hong Kong Quality Assurance Agent ("HKQAA"), the Government might engage external reviewers to verify and/or certify the alignment of issuance frameworks with other Guidelines/Standards. The Government would consult arranger on the Guidelines/Standards to be adopted for a particular issuance taking into account the prevailing market conditions and the investors' preference.</p> <p>Mr WU Chi-wai enquired whether the Government would indicate that a PWP with environmental benefits would be included under the Programme when seeking approval from FC under the existing mechanism.</p> <p>The Administration advised that it might not be practical to do so. Whether a PWP approved by FC with environmental benefits would be included in a particular issuance under the Programme would depend on a number of factors such as the cashflow of the project, market appetite, etc.</p>	

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
005530 – 010424	Chairman Mr AU Nok-hin Administration	<p>The Chairman declared that he was the Chairman of HKQAA.</p> <p>Noting the Report of the Subcommittee on the proposed resolution under section 3(1) of the Ordinance (by way of issuance of Government bonds) in 2004 [LC Paper No. CB(1)1839/03-04 submitted to the House Committee on 14 May 2004] and the difference between the Ordinance and Cap. 64 in the specification of the term "bonds", Mr AU Nok-hin raised the following enquiries –</p> <ul style="list-style-type: none"> <li>(a) the reasons for making the Proposed Resolution under the Ordinance instead of Cap. 64, and whether the Administration had reviewed the two ordinances having regard to the market situation;</li> <li>(b) whether the Ordinance was used for onshore borrowings and Cap. 64 for raising offshore loans; and</li> <li>(c) as the phrase "from time to time" was not defined in the Proposed Resolution or the Ordinance and the two resolutions made in 2004 under section 3 of the Ordinance were for borrowing one-off loans only, whether the authorization of the Government's power to borrow on a revolving basis had been given since the passing of the resolution under the Ordinance in 2009 (i.e. Cap. 61D).</li> </ul> <p>The Administration and HKMA advised that –</p> <ul style="list-style-type: none"> <li>(a) the Government was first authorized to borrow in a revolving nature under the Ordinance in 2009;</li> <li>(b) section 4 of the Ordinance provided the authority for borrowing by way of issuing bonds ;</li> <li>(c) the Government would be the issuer of bonds under the Programme;</li> <li>(d) HKMA would be the implementation agent for the bond issuance under the Programme, and would engage arrangers in Hong Kong for the bond issuance. Arranging activities would be carried out in Hong Kong; and</li> </ul>	

Time marker	Speaker	Subject(s)	Action required
		<p>(e) the Ordinance does not have any restriction on the borrowing location as alleged by Mr AU Nok-hin, and the Ordinance was the appropriate source of legal authority for making the Proposed Resolution.</p>	
010425 – 010940	Chairman Mr HUI Chi-fung Administration	<p>Mr HUI Chi-fung enquired about –</p> <p>(a) how investors could assess project and credit risks and level of return of the projects financed by the Programme if they would only be informed of the Guidelines/Standards that the issuances of the Programme were aligned with; and</p> <p>(b) how the Government would assess market appetite and estimate the amount of issuances under the Programme.</p> <p>The Administration and HKMA advised that –</p> <p>(a) generally, the investment risks of an issuance would be its credit risk. As the Government was the issuer under the Programme, the issuance would bear the credit rating and credit risks of the Government;</p> <p>(b) as the selection of projects for bond issuances would take place after approval of the projects by LegCo and alignment of the issuing framework with the Guidelines/Standards, it would not be practical to specify the projects before the bond issuances. Generally, global investors would accept bonds if their issuance framework was in alignment with the Guidelines/Standards;</p> <p>(c) in accordance with the issuance framework and the relevant Guidelines/Standards, information on projects financed by a particular issuance would be disseminated to investors periodically. Besides, investors might enquire about projects which might be included in the issuance at the roadshows or through the arrangers/reviewers for bond issuances; and</p>	



Time marker	Speaker	Subject(s)	Action required
		(d) the size of a particular issuance under the Programme would depend on the market condition and investor appetite at the time of issuances amongst other factors. The Government was not in the position to provide any estimate on the issuance size for the inaugural issuance.	
010941 – 011200	Chairman	Meeting break	
011201 – 012408	Chairman Mr CHU Hoi-dick Administration	<p>Mr CHU Hoi-dick raised the following concerns/enquiries –</p> <p>(a) the Proposed Resolution did not stipulate that only projects with environmental benefits under the Public Works Programme approved by FC under the existing mechanism could be included in the Programme for raising funds; and</p> <p>(b) as there was not a separate account established under the resolution on CWRF (Cap. 2A) for distinguishing the proceeds from green bond issuance from other proceeds, he expressed that a separate account or subhead should be established under CWRF for tracking and monitoring the proceeds.</p> <p>The Administration advised that –</p> <p>(a) every issuance under the Programme would comply with the issuance framework that aligned with the Guidelines/Standards for green bond issuance in terms of, amongst others, the management of proceeds, and the periodic reporting of project information after issuance;</p> <p>(b) only the amount and purpose of borrowings were subject to approval by LegCo under the Proposed Resolution in accordance with the Ordinance. Expenditure of CWRF was a matter to be dealt with in other context; and</p> <p>(c) all PWPs were subject to FC's approval under the existing mechanism before moneys from CWRF could be expended on the PWPs. It would not be necessary to specify the existing arrangement in the Proposed Resolution again.</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>The Chairman advised that some members had suggested amendments to the Proposed Resolution and raised enquiries whether the amendments should be proposed in the name of the Subcommittee. The Subcommittee would consider such proposed amendments later on at the meeting.</p>	
012409 – 013130	<p>Chairman Dr CHENG Chung-tai Administration</p>	<p>Dr CHENG Chung-tai queried that green bond issuance might give rise to "greenwashing", and funds originally in CWRP would be used for funding green public works projects in the event that proceeds from green bond issuance were unable to cover all the expenses of funding such projects. Dr CHENG sought information on the following –</p> <ul style="list-style-type: none"> <li>(a) linkage, if any, of the Programme with the Belt and Road Initiative and/or the Greater Bay Area Initiative ("the Two Initiatives");</li> <li>(b) the proceeds, if any, from green bond issuance under the Programme that would be used to support projects under the Two Initiatives; and</li> <li>(c) further information about the amount of green bonds issued in the Hong Kong financial market in 2017 and 2018 to illustrate the development of green finance.</li> </ul> <p>The Administration replied as follows –</p> <ul style="list-style-type: none"> <li>(a) proceeds raised from green bond issuance would be credited to CWRP and would only be used for projects with environmental benefits under PWP approved by FC in Hong Kong;</li> <li>(b) in the global market, there had been rapid growth in green bond issuances in recent years. The global issuance amount had been raised from over US\$40 billion in 2015 to over US\$160 billion in 2017. In the first half of 2018, there had been over US\$8 billion of green bond issuances in Hong Kong; and</li> <li>(c) international organizations, including the European Investment Bank, the World Bank and the Asia Development Bank, had started to use the Hong Kong platform for green bond issuances in 2018. These institutions had recognized that Hong Kong had the relevant investors base and advantages for green bond issuances.</li> </ul>	

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
013131 – 013810	Chairman Mr WU Chi-wai Administration	<p>Mr WU Chi-wai expressed concern that the administrative and management costs of green bond projects would generally be higher than normal PWPs. If the PWPs would not be identified as projects under the Programme when seeking approval from FC under the existing mechanism, FC members would not be able to consider and assess whether the relevant costs were reasonable.</p> <p>The Chairman advised that according to his understanding, there was no particular difference between PWPs and projects to be financed by proceeds raised under the Programme in terms of the management costs as elements of sustainable development and environmental protection were included in almost all PWPs.</p> <p>The Administration advised that –</p> <p>(a) PWPs with environmental benefits would be approved by FC before they were selected to be financed by proceeds from green bonds raised under the Programme. Additional charges such as cost for certifying green bond issuing framework would not be included in the project cost; and</p> <p>(b) projects to be selected for green bond issuance under the Programme would already had certain environmental protection and energy saving elements. Additional costs for compliance with the green bond issuing framework, such as reporting costs, would not be included as project costs but costs relating to green bond issuance. Such costs would be included as administrative costs for green bond issuances.</p>	
013811 – 013940	Chairman Mr AU Nok-hin Mr CHU Hoi-dick	Enquiries by Mr AU Nok-hin and Mr CHU Hoi-dick on meeting arrangements.	
013941 – 014529	Chairman Mr AU Nok-hin Administration SALA1	Mr AU Nok-hin sought further clarification on making the Proposed Resolution under the Ordinance instead of Cap. 64, and opined that an "inappropriate legislative tool" had been used for making the Proposed Resolution.	

Time marker	Speaker	Subject(s)	Action required
		<p>Mr AU enquired about the following –</p> <p>(a) whether the Administration had reviewed/would review the Ordinance and Cap. 64 in respect of obsolete or outdated parts, if any; and</p> <p>(b) given that proceeds from green bonds not yet expended for the purposes of green PWP's under the Programme would be placed with the Exchange Fund for investment purposes, what the arrangement would be if the investment return was unable to cover all the expenses of the green PWP's.</p> <p>The Administration reiterated that –</p> <p>(a) the Ordinance was appropriate for making the Proposed Resolution and the bond issuances under the Programme;</p> <p>(b) section 3 of Cap. 64 only provided for the power to raise loans by issuing bearer bonds, which was not suitable for the bond issuances under the Programme; and</p> <p>(c) information regarding the placing of the proceeds from the green bonds for investment and expending them for green PWP's had been provided in previous responses of the Administration [LC Paper Nos. CB(1)1248/17-18(02) and CB(1)1316/17-18(02)].</p> <p>SALA1 advised that a similar enquiry on whether a resolution should be made under Cap. 64 instead of the Ordinance had also been raised by members of the Subcommittee on proposed resolution under Section 3(1) of the Loans Ordinance (by way of issuance of Government Bonds) in 2004 and recorded in that Subcommittee's Report [LC Paper No. CB(1)1839/03-04 submitted to the House Committee on 14 May 2004]. Paragraph 21 of the Report stated that the Government considered the Ordinance more appropriate in the proposal at the time as the Ordinance allowed the issue of bonds in paperless form while section 3 of Cap. 64 specified that the bonds to be issued should be "bearer bonds".</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>The Administration was requested to –</p> <ul style="list-style-type: none"> <li>(a) explain why the Proposed Resolution was made under section 3(1) of the Ordinance instead of under Cap. 64; and</li> <li>(b) provide information on whether the Administration had reviewed/would review Cap. 61 and Cap. 64, given that paragraph 21 of the above-mentioned Report of the Subcommittee stated the Administration's agreement to that Subcommittee's suggestion that it should take steps to review whether any parts of Cap. 61 and Cap. 64 had become obsolete or outdated having regard to the market situation.</li> </ul>	<p>The Administration to follow up as stated in paragraph 3(c) and (d) of the minutes.</p>
014530 – 015209	Chairman Mr CHU Hoi-dick Administration SALA1	<p>Mr CHU Hoi-dick's enquiry about proposing amendments in the name of the Subcommittee and the Chairman's advice on the deadline for proposing amendments to the Proposed Resolution by members.</p> <p>Mr CHU also sought response on –</p> <ul style="list-style-type: none"> <li>(a) whether the Administration would consider amending the Proposed Resolution to the effect that the Government be authorized to borrow from any person for the purposes of green PWP's as might be approved by FC, as suggested in the letter of the Legal Adviser to the Subcommittee of 11 September 2018 [LC Paper No. CB(1)1394/17-18(02)]; and</li> <li>(b) the difference in the legal effect of expressing the purpose in the text of the Proposed Resolution and its Explanatory Note .</li> </ul> <p>The Administration replied that –</p> <ul style="list-style-type: none"> <li>(a) as all PWP's under CWRP, including the green PWP's to be included in the Programme, were subject to scrutiny and approval by FC under the existing mechanism, it would not be necessary to include such purpose in the Proposed Resolution; and</li> </ul>	

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
		<p>(b) the Administration did not consider it appropriate to set out the purposes in the Proposed Resolution for the purposes of "green public works projects" but leaving the word "green" undefined (because of the absence of a universally accepted definition for "green") as it would cause uncertainty in the scope of the Programme.</p> <p>SALA1 explained the difference in the legal effect of expressing the purpose in the text of the Proposed Resolution and its Explanatory Note and advised that the Explanatory Note was not part of the Proposed Resolution. In the event that there were ambiguities or disputes as to the interpretation of the provisions of the Proposed Resolution and legal proceedings were instituted in future, the court might refer to the relevant materials relating to the Proposed Resolution, including the Explanatory Note, the LegCo Brief and other relevant information, as aids in ascertaining the legislative intent and purpose of the Proposed Resolution.</p>	
015210 – 015955	Chairman Mr CHU Hoi-dick	Amendments I – VII proposed by Mr CHU Hoi-dick (LC Paper No. CB(1)1394/17-18(01))	
015956 – 020310	Chairman Mr AU Nok-hin	Amendment proposed by Mr AU Nok-hin (LC Paper No. CB(1)1394/17-18 (03))	
020311 – 020530	Chairman Administration	Extension of meeting and legislative timetable	
<b>Agenda item II – Any other business</b>			
020531 – 020535	Chairman	Closing remarks	