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Establishment Subcommittee of the Finance Committee

Minutes of the 6th meeting
held in Conference Room 1 of Legislative Council Complex
on Wednesday, 5 May 2021 at 8:30 am

Members present:

Hon Mrs Regina IP LAU Suk-ye, GBS, JP (Chairman)
Hon YIU Si-wing, BBS (Deputy Chairman)
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Steven HO Chun-yin, BBS
Hon KWOK Wai-keung, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, GBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Jimmy NG Wing-ka, BBS, JP
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon YUNG Hoi-yan, JP
Dr Hon Pierre CHAN
Hon CHAN Chun-ying, JP
Hon Tony TSE Wai-chuen, BBS, JP

Public Officers attending:

Mr Raistlin LAU Chun, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mrs Angelina CHEUNG FUNG Wing-ping, JP	Deputy Secretary for the Civil Service 1
Ms May CHAN Wing-shiu, JP	Deputy Secretary for Financial Services and the Treasury (Financial Services) 1
Ms Eureka CHEUNG-yi	Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 5
Mr YIP Wan-lung	Assistant Commissioner of Police (Crime)
Ms LAM Man-han	Chief Superintendent of Police (Narcotics Bureau)
Mr SIN Chor-ka	Chief Inspector of Police (Money Laundering and Terrorist Financing Risk Assessment Unit)(Narcotics Bureau)
Mr Aaron LIU Kong-cheung, JP	Deputy Secretary for Financial Services and the Treasury (Financial Services) 2
Miss Cheryl CHOW Ho-kiu	Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) Mandatory Provident Fund Reform Planning Department
Mr Vic YAU Cheuk-hang, JP	Deputy Secretary for Development (Planning and Lands) 1
Ms Louisa YAN Mei-ling	Principal Assistant Secretary for Development (Planning and Lands) 2

Clerk in attendance:

Ms Connie SZETO Chief Council Secretary (1)4

Staff in attendance:

Miss Judy YEE Council Secretary (1)4
Ms Alice CHEUNG Senior Legislative Assistant (1)1

Ms Sharon CHAN
Ms Haley CHEUNG

Legislative Assistant (1)4
Legislative Assistant (1)10

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The Chairman drew members' attention to the information paper ECI(2021-22)1, which set out the latest changes in the directorate establishment approved since 2002 and the changes to the directorate establishment in relation to the five items on the agenda. She then reminded members that in accordance with Rule 83A of the Rules of Procedure ("RoP"), they should disclose the nature of any direct or indirect pecuniary interest relating to the item under discussion at the meeting before they spoke on the item. She also drew members' attention to RoP 84 on voting in case of direct pecuniary interest.

EC(2020-21)5 Proposed creation of one supernumerary post of Chief Superintendent of Police (PPS 55) in the Hong Kong Police Force with immediate effect upon approval of the Finance Committee for five years to head the Financial Intelligence and Investigation Bureau to be established under the Crime Wing, with a view to strengthening Hong Kong's capability in combating money laundering and terrorist financing in accordance with the recommendations of the Financial Action Task Force

2. The Chairman remarked that the staffing proposal was to create one supernumerary post of Chief Superintendent of Police ("CSP") (PPS 55), to be designated as CSP Financial Intelligence and Investigation Bureau ("FIIB"), in the Hong Kong Police Force ("HKPF") with immediate effect upon approval of the Finance Committee ("FC") for five years to head FIIB to be established under the Crime Wing, with a view to strengthening Hong Kong's capability in combating money laundering and terrorist financing ("ML/TF") in accordance with the recommendations of the Financial Action Task Force ("FATF").

3. The Chairman pointed out that the Panel on Financial Affairs had discussed this staffing proposal on 9 April 2021. Members in general supported submission of the proposal to the Establishment Subcommittee ("ESC") for consideration. As ongoing efforts were required for collection of intelligence on, investigation of and prosecution against ML/TF, some members asked whether consideration would be given to

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making the supernumerary CSP FIIB post permanent. Members opined in general that the proposed FIIB should step up efforts on collection of intelligence and investigation of fraudulent crowdfunding activities. However, individual members were concerned that fundraising and crowdfunding activities organized by political parties might be affected. Given the significant increase in cases of investment frauds in recent years, members urged HKPF to reinforce the combat against deception, as well as raising the public's anti-deception awareness through stepped up efforts on publicity and education.

Discussion

Establishment and division of work for investigation of money laundering and terrorist financing-related crimes

4. Mr Martin LIAO expressed support for the staffing proposal; he asked about the detailed division of work between the National Security Department and FIIB in combating TF in the future.

5. Mr YIU Si-wing enquired about the detailed division of work within HKPF for investigating different modus operandi of ML crimes subsequent to the establishment of FIIB. Mr YIU noted that in addition to redeploying non-directorate support from the Narcotics Bureau ("NB") (i.e. the Financial Investigation Division ("FID"), Joint Financial Intelligence Unit ("JFIU") and Headquarters (Financial Investigation) ("HQ(FI)") under NB), there would be 59 additional posts in FIIB. He enquired if the annual budget of HKPF covered the expenditure incurred by those new posts.

6. Ms Tony TSE expressed support for this staffing proposal; he asked about the division of work among various divisions under the Crime Wing regarding investigation of frauds, and how the Police would handle cases of suspicious business conduct reported by members of the public.

7. Noting the significant increase in the number of cases on suspicious ML-related transactions reported to the Police, the Chairman enquired about the detailed division of work regarding investigation of these cases and frauds (telephone deception in particular) and how application of information technologies ("IT") (e.g. using supercomputers for case investigation and training) could facilitate investigation.

8. In response, Assistant Commissioner of Police (Crime) ("ACP(Crime)") remarked that depending on the elements involved in the ML and fraud cases, the Crime Wing would appoint suitable divisions under its purview to conduct investigations. He stressed that each

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division under the Crime Wing had been working closely on collection of evidence and exchange of intelligence. He pointed out that ML cases in general involved predicate offences which would be followed up by the National Security Department should they endangered national security. If the predicate offences were related to general crimes or TF, FIIB would take over the investigation. If other fraud cases, for instance, online shopping scams and telephone deception, etc., involved ML, the cases would be followed up by FIIB, while cases involving huge payments to fraudsters would be handled by the Crime Units. Generally speaking, fraud cases would be handled by bureaux such as the Commercial Crime Bureau ("CCB") and the Cyber Security and Technology Crime Bureau depending on the specific details of cases.

9. Regarding intelligence in relation to suspicious commercial conduct, ACP(Crime) remarked that the Police would record details of relevant reports and case-specific intelligence for follow-up actions to be taken regardless whether there were monetary losses. Relevant intelligence would be analyzed by the Police for crime prevention or conduct of investigation of similar cases (e.g. the operation of syndicates).

10. Regarding the establishment of FIIB, ACP(Crime) advised that the financial investigation, intelligence development and risk assessment functions performed by NB regarding drug trafficking-related ML activities had been extended to cover efforts on combating TF and weapons proliferation financing activities. Given the significant increase in the duties and workload of NB, HKPF suggested detaching FID, JFIU and HQ(FI) from NB for consolidation into FIIB. As a result, some 160 officers at FIIB would be redeployed from NB. HKPF had set aside sufficient funding in the 2021-2022 budget to cover the expenditure incurred by the 59 additional posts.

11. Regarding application of IT in investigation work, ACP(Crime) advised that the current computer system of the Police had been in use for over 10 years. HKPF planned to seek funding from the Legislative Council ("LegCo") to build a next-generation computer system equipped with artificial intelligence, big data and analysis software to assist with detection of suspicious transactions related to ML or other crimes. Besides, to improve the ability of detecting financial intelligence-related cases, HKPF would organize local and overseas financial intelligence and investigation programmes every year to share experience and knowledge with local and overseas partners. Officers were also sent overseas to receive relevant training.

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12. Ms YUNG Hoi-yan expressed support for this staffing proposal and enquired about the collaboration between the Police and the banking sector regarding financial investigation and recovering assets involved in crimes. Ms YUNG was concerned that under Police's investigation of ML-related cases, citizens might have their assets frozen for a certain period of time. She enquired about the time required by the police for such investigation of cases in general.

13. In response, ACP(Crime) advised that the Anti-Deception Coordination Centre established under CCB had been keeping contact with the banking sector in investigating fraud cases to intercept transfer of illegal funds out of the banking system as well as transfer of crime proceeds as soon as possible. In addition, the Police would conduct public-private partnerships to share with banks the development trend and the *modus operandi* of fraud and ML cases. He added that the relevant existing legislation had empowered the Police to seek related intelligence from banks during investigations of financial intelligence-related cases. FIIB would study, where necessary, whether there was a need to review such existing legislation to step up the combat against ML.

14. Regarding freezing of assets during investigations, ACP(Crime) advised that if the Police had come to the knowledge that proceeds of fraud cases were deposited in an individual account, the bank would be required to stop handling such proceeds, with a view to assisting Police's investigation. Persons whose assets were subject to a restraint order could remove the restraints through legal procedures. He added that the time required for removing the restraints on assets depended on the progress of investigation of the cases concerned and other legal procedures.

15. Regarding the progress of Police's investigation on fraud cases, ACP(Crime) remarked that the Anti-Deception Coordination Centre under CCB was responsible for handling various types of commercial fraud cases. The progress of investigation depended on factors, for instance, the transfer of proceeds related to commercial crimes and whether the Police had collected evidence and intelligence on the commercial crimes concerned. In general, if the relevant proceeds remained in a bank or financial institution, interception of transferring such proceeds could be completed on the same date the victims reported the case the earliest.

Duties of Financial Intelligence and Investigation Bureau

16. Mr WONG Ting-kwong remarked that the Democratic Alliance for the Betterment and Progress of Hong Kong, to which he belonged, supported this staffing proposal. Given the increase in ML cases and the growing complexity of the *modus operandi* of such crimes in recent years,

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he opined that consideration should be given to making permanent the supernumerary CSP post in FIIB in the future to sustain the efforts in combating ML crimes. He also enquired about how crowdfunding activities were being regulated.

17. Mr WONG Kwok-kin remarked that the Hong Kong Federation of Trade Unions, to which he belonged, supported this staffing proposal; he agreed that consideration should be given to making permanent the supernumerary CSP post in the future. Mr WONG enquired about the effectiveness of the existing legislation in regulating suspected participation of the banking sector (foreign investment banks in particular) in ML activities. He also agreed that consideration should be given to reviewing the regulation on crowdfunding activities.

18. Ms Elizabeth QUAT expressed support for this staffing proposal and agreed that consideration should be given to making permanent the supernumerary CSP post in the long run. Ms QUAT pointed out that ML took on various forms in recent years, which could be conducted through crowdfunding, use of cryptocurrencies or smuggling of endangered species. She was of the view that the Administration should expand the scope of investigation of ML and enhance regulation on crowdfunding.

19. Mr SHIU Ka-fai expressed support for this staffing proposal. He pointed out that the source and purposes of the proceeds from some crowdfunding activities in recent years were suspicious, and opined that law enforcement agencies should enhance regulation in this aspect. Regarding persons or organizations giving donations or making available their addresses for correspondence purposes, he asked about the potential liabilities in the event that the proceeds were found to be used for illegal purposes.

20. While expressing support for the staffing proposal, Mr Steven HO was concerned about the possibility that some crowdfunding or commercial activities were being used for ML. He asked how the newly-established FIIB and holder of the proposed supernumerary CSP post would respond to the ever-changing *modus operandi* of ML, and whether consideration would be given to enhancing the vetting procedures on applications for organizing crowdfunding activities in public places.

21. In response, Deputy Secretary for Financial Services and the Treasury (Financial Services) 1 ("DS(FS)1") remarked that creation of the proposed CSP post was of great importance to the Administration's efforts in combating ML and TF in the future. The Administration noted that during the discussion of this staffing proposal at Panel meeting, many members suggested that consideration should be given to making

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permanent the supernumerary post to tie in with the long-term efforts in combating ML. As announced in the Policy Address 2020, the Government had critically scrutinized and reviewed individual directorate staffing proposals originally planned for submission to LegCo in the 2020-2021 legislative session. At the current stage, the CSP post was proposed to be created on a supernumerary basis for five years. The Administration would review the long-term needs for the post in due course.

22. Regarding regulation on crowdfunding activities, DS(FS)1 said that crowdfunding, conducted online or in public places, was not against the law, and crowdfunding was not subject to regulation. However, if there were illegal activities in connection with a crowdfunding initiative, or if the proceeds so generated were used for illegal purposes, law enforcement agencies were empowered under existing legislation to investigate the relevant crowdfunding activities and prosecute the parties concerned.

23. ACP(Crime) remarked that the Police would conduct investigation on crowdfunding activities that were found to be suspicious, for example, on cases where the proceeds from a crowdfunding initiative were used for purposes other than those related to the claimed purposes, or cases involving embezzlement by an individual. Investigations on crowdfunding activities suspected to be involved in ML, which were currently undertaken by FID, would become the responsibility of the newly-established FIIB. Apart from enforcement actions, the Police had been conducting public education to advise the public and members from different sectors to get to know the crowdfunding organizations and the purposes of crowdfunding activities before taking part in such activities. There could be legal liabilities for persons or organizations who knowingly took part in crowdfunding activities that might involve illegal conducts.

24. On combating cases of ML with different *modus operandi*, ACP(Crime) advised that despite the ever-changing *modus operandi* involved in ML, transfer of the relevant proceeds was usually completed via banks or other facets of Hong Kong's financial system. Suspicious transaction reports ("STRs") had to be filed with the Police by banks or other financial institutions upon identification of suspicious transactions. The Police would analyze the information contained in STRs and collect relevant evidence. Investigations on cases suspected to be involved in ML or suspicious inflow of capital from overseas, which were currently undertaken by FID, would be taken over by FIIB after its establishment. If other predicate offences were involved in connection with a ML case (e.g. smuggling of endangered species), that particular part of the case would be taken up by a relevant division under the Crime Wing.

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25. Mr Martin LIAO noted that cryptocurrencies were being regulated in some countries to prevent relevant ML activities. He enquired whether the proposed FIIB had any plans to undertake relevant work.

26. In response, DS(FS)1 advised that follow up actions would be taken by the Securities and Futures Commission against activities involving the use of cryptocurrencies which were in violation of the Securities and Futures Ordinance (Cap. 571). But cases of suspected ML activities involving the use of cryptocurrencies would also be handled by the Police. APC(Crime) added that the Cyber Security and Technology Crime Bureau had been liaising with industry experts to better understand the mode of operation and transaction process of cryptocurrencies. The Police were capable of tracking the transfer of cryptocurrencies and intercept relevant transactions in a timely manner.

Cross-border collaboration to combat crimes

27. Mr YIU Si-wing enquired about the collaboration between Hong Kong and international organizations on combating ML subsequent to the implementation of "The Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region" ("the National Security Law").

28. Noting the suspension of mutual legal assistance agreements between Hong Kong and some countries since the implementation of the National Security Law, the Chairman enquired if that would affect Police's efforts in collecting and exchanging intelligence about cross-border crimes.

29. Mr Holden CHOW expressed support for this staffing proposal to increase the manpower of HKPF in combating ML (especially illegal crowdfunding). He enquired about the details of HKPF's investigation on fraud cases involving foreign persons or overseas funds, including its collaborations with other jurisdictions.

30. In response, DS(FS)1 remarked that the Administration had been fulfilling international obligations in combating ML and TF. Besides, extensive legal mechanisms, including conventions, legal mutual assistance agreements and memorandum of understanding with international and regional organizations were in place for taking forward anti-ML and TF initiatives. The Administration continued to foster collaborations with other jurisdictions regarding mutual legal assistance agreements and surrender of fugitive offenders in a pro-active manner.

31. APC(Crime) remarked that suspension of mutual legal assistance agreements with Hong Kong by some countries had minimal impact on

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collaborations for combating cross-border crimes. The Police had been collaborating with law enforcement agencies of the Mainland and other jurisdictions under cross-border collaboration mechanisms for investigation of cross-border commercial crimes. The Police also collaborated with international financial intelligence organizations for the exchange of intelligence.

Voting on the item

32. There being no further questions from members, the Chairman put the item to vote. All the members present were in favour of this proposal. The Chairman declared that the Subcommittee agreed to recommend the item to FC for approval. No members requested that the item be voted on separately at the relevant FC meeting.

EC(2020-21)13 Proposed retention of one supernumerary post of Administrative Officer Staff Grade C (D2) in the Financial Services Branch of the Financial Services and the Treasury Bureau for three years from 22 June 2021 or with immediate effect upon approval by the Finance Committee, whichever is later to continue to provide necessary policy input and support to various reform measures of the Mandatory Provident Fund System

33. The Chairman remarked that the staffing proposal was to retain one post of Administrative Officer Staff Grade C (D2), designated as Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) Mandatory Provident Fund Reform ("PAS(FS)MPF Reform") in the Financial Services Branch ("FSB") of the Financial Services and the Treasury Bureau ("FSTB") for three years from 22 June 2021 or with immediate effect upon approval by FC, whichever was later, to continue to provide necessary policy input and support to various reform measures of the Mandatory Provident Fund ("MPF") System.

34. The Chairman pointed out that the Panel on Financial Affairs had discussed this staffing proposal at its meeting on 9 April 2021. Members in general supported submission of the staffing proposal to ESC for consideration. Members agreed that reform measures to be taken forward by PAS(FS)MPF Reform, especially the development of the eMPF Platform Project ("the eMPF Project"), could effectively enhance the operational efficiency of the MPF scheme and reduce administration costs to the benefits of scheme members. Members urged the Administration to expedite the software and hardware development of the eMPF Platform,

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ensure MPF trustees' orderly and smooth transition to the eMPF Platform, and formulate initiatives for scheme members to be benefited directly from cost reduction. Furthermore, some members stressed that the Administration should continue to maintain close contact with the industry on the fee-setting mechanism of the eMPF Platform and the transitional arrangements.

Discussion

Major duties and responsibilities of the proposed Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) Mandatory Provident Fund Reform post

35. Mr Christopher CHEUNG noted that at the time when the proposed PAS(FS)MPF Reform post was created on 22 June 2018 with FC's approval, the post holder was mainly responsible for: (a) policy and legislative matters relating to the Default Investment Strategy ("DIS") including the mechanism for reviewing the fee cap level; and (b) legislative matters in relation to the abolition of using employers' mandatory contributions under the MPF System to offset severance payment and long service payment ("the offsetting arrangement"). He enquired about the work progress and effectiveness of efforts in connection with the aforesaid duties. Furthermore, Mr CHEUNG remarked that public confidence in the MPF System had been affected given its "high fees and low returns", which had remained a problem with the System since its implementation. He asked that if approval was given to the staffing proposal, how PAS(FS)MPF Reform would enhance public confidence in the MPF System, particularly in relation to protection given to scheme members with regard to reasonable returns and reduced fees.

36. Deputy Secretary for Financial Services and the Treasury (Financial Services) 2 ("DS(FS)2") advised that when the PAS(FS)MPF Reform post was created in 2018, its major duty was to handle policy and legislative work relating to the eMPF Platform, including the design and development of the Platform. Other responsibilities included policy and legislative matters relating to the long-term financial sustainability of the Mandatory Provident Fund Schemes Authority ("MPFA"), the review of the DIS fee cap, and assisting with legislative matters relating to the abolition of the offsetting arrangement. He stressed that while the Labour and Welfare Bureau ("LWB") was responsible for taking forward policy and legislative matters relating to the abolition of the offsetting arrangement, the eMPF Platform would support collection of data on employers, employees, contributions, withdrawal of monies from accounts, etc. under the offsetting arrangement to facilitate LWB's management of employers' designated saving accounts ("DSAs") in the future. Regarding the eMPF

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Platform initiative, DS(FS)2 advised that the project had made good progress over the past three years, which included formulating the common standards and technical specifications for the scheme administration functions to be performed by the eMPF Platform in collaboration with the industry, completing the tender exercise for the eMPF Platform, awarding the contract to develop and operate the eMPF Platform in January 2021, securing the approval of LegCo for the first-stage legislative amendments to the Mandatory Provident Fund Schemes Ordinance ("MPFSO") in July 2020 to empower MPFA to set up a wholly-owned subsidiary company to take charge of the eMPF Project, and establishing the wholly-owned subsidiary, namely the eMPF Platform Company ("the Company") in March 2021.

37. On DIS, DS(FS)2 advised that the Government had undertaken to review the statutory fee caps on the DIS funds three years after the introduction of DIS, with a view to further lowering the DIS fees. The Administration had been reviewing relevant data with MPFA, so that the relevant legislative amendment exercises and the second-stage legislative amendments for the eMPF Project would be introduced to LegCo together. He added that at present, around 2.4 million MPF accounts had opted for DIS funds. The annualized rates of return of the Core Accumulation Fund and Age 65 Plus Fund under DIS stood at 8.3% and 4.6% respectively, which outperformed other mixed asset funds of the same type.

38. Mr Tony TSE pointed out that holder of the proposed supernumerary post would mainly be responsible for taking forward the eMPF Project, including project development work, contract management, discussion with the industry on the implementation details and transitional arrangements, legislative work, and operation of the Company, with a view to enabling the eMPF Platform to come into full operation in 2025. Other duties of the post included working out the eligibility and implementation details of the Government's initiative to pay 5% MPF contributions for low-income persons, which would not be in force until after the eMPF Platform had come into full operation. Given that the aforesaid two initiatives would not be fully implemented until 2025, he enquired about the justifications for retaining the supernumerary post for only three years.

39. DS(FS)2 reiterated that the Administration aimed to complete the hardware and software development of the eMPF Platform by the end of 2022 and start the transition of 14 MPF trustees in batches starting from 2023, with a view to enabling the eMPF Platform to come into full operation in 2025. The tasks in the next three years, including the second-stage legislative amendments and the implementation of the eMPF Project, would be critical to the success of the Project. As a result, the Administration proposed to extend the supernumerary post for three years

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for maintaining the provision of necessary policy advice and support for the eMPF Project. Subject to the progress of various areas of work, the Administration would review the need for retaining the post towards the expiry of the three-year extension period.

40. Mr YIU Si-wing asked why the proposal for retaining the supernumerary post of PAS(FS)MPF Reform had not been put forward until now. He also asked about the manpower and deployment arrangement of non-directorate officers providing support to the holder of the supernumerary post.

41. DS(FS)2 advised that the post of PAS(FS)MPF Reform would lapse by the end of June 2021. If ESC's endorsement and FC's approval would be given to this staffing proposal, the relevant post could be extended for three years prior to the expiry of the post. He added that the post holder would continue to be supported by four non-directorate civil servants.

42. Mr POON Siu-ping requested the Administration to explain the working relationship between the supernumerary post holder and the Company.

43. In reply, DS(FS)2 said that the Company was a wholly-owned subsidiary set up by MPFA with approval of the Financial Secretary, which would operate the eMPF Platform as a public utility. The Government played an important role in the governance of the Company in areas such as appointment of the Chairperson, directors and Chief Executive Officer, approval of the annual budgets, work plans and fee-charging matters in relation to the eMPF Project, and participation in the Board of Directors ("BoD"), etc. PAS(FS) MPF Reform would help ensure that the corporate objectives and planning of the Company align with the policy objectives of the eMPF Platform and operate in the interest of the public. PAS(FS)MPF Reform would also be responsible for providing policy support to the governance matters and monitoring the operation of the Company.

The eMPF Platform Project

44. Mr YIU Si-wing and Mr Holden CHOW noted the total cumulative quantifiable cost savings to scheme members, which, according to the latest projection, could range from \$30 billion to \$40 billion in 10 years after full implementation of the eMPF Platform. Mr YIU requested the Administration to illustrate details of the potential cost savings, in particular how scheme members would benefit from such savings. Mr CHOW asked how the Administration could ensure that scheme members would benefit from such savings. He suggested that subsequent to full implementation of the eMPF Platform, MPF trustees should be

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required to provide details on the savings of their operational cost as well as information on fee reduction, to make sure that scheme members would benefit directly from the cost savings brought forth from the implementation of the eMPF Platform.

45. DS(FS)2 advised that since its inception, the MPF System had largely been operated on paper-based transactions in a decentralized landscape involving 14 trustees and 12 different administration platforms of different standards. This had contributed to the high administration costs of the MPF System. Through standardization, streamlining and automation of administration processes, the eMPF Platform would facilitate MPF trustees in discharging scheme administrative duties and promote the handling of MPF transactions by electronic means. It was envisaged that under the eMPF Platform, cost savings could be achieved through enhanced operational efficiency and optimized economy of scale, thereby creating room for fee reduction for the benefit of scheme members. The latest projection was that the total cumulative quantifiable cost savings to scheme members could range from \$30 billion to \$40 billion in 10 years. He further remarked that in order for cost savings to be passed on to scheme members, two statutory requirements would be introduced in the second-stage legislative amendments in respect of the eMPF Platform. First, it would be stipulated that no fee on scheme administration exceeding the eMPF Platform fee payable by trustees to the Company could be charged, whether in whole or in part, to the scheme, a constituent fund of the scheme, or a member of the scheme. Second, with the lowering of administration costs following the implementation of the eMPF Platform, there should be corresponding reduction in the topline fees of MPF schemes. The Administration and MPFA would continue to engage in discussions with the industry on the fee-setting mechanism of the eMPF Platform, transitional arrangements, etc. to ensure a smooth transition of MPF schemes into the eMPF Platform.

46. Regarding disclosure of information, DS(FS)2 remarked that MPF trustees were required to provide information to MPFA on all MPF schemes and funds, including the fees of the funds, on a regular basis. Subsequent to the implementation of the eMPF Platform, information relating to fee adjustment would be reflected in the information provided by the trustees and included in the updated scheme documents. He added that the eMPF Platform, available online and in a mobile app, would be a one-stop portal for scheme members to manage their MPF accounts and access real time information on MPF schemes and funds provided by trustees, including details on the fees of funds. These measures would enhance the transparency of MPF fund information for scheme members' reference and comparison, for the purpose of managing their MPF investments and making investment decisions.

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Abolition of the offsetting arrangement

47. Mr POON Siu-ping noted that the Government planned to abolish the offsetting arrangement in tandem with the full implementation of the eMPF Platform in 2025. Expressing concerns on an overlong transitional period from the completion of the development of the eMPF Platform by 2022 to its full implementation in 2025, he urged the Administration to expedite the progress in taking forward the eMPF Project with a view to abolishing the offsetting arrangement for protection of employees' interests as soon as possible.

48. DS(FS)2 remarked that LWB was taking forward at full steam the preparatory work for abolishing the offsetting arrangement, including drafting a relevant bill, formulating operational arrangements, and developing an information technology system for employers' DSAs. Regarding the transitional arrangements for the eMPF Project, DS(FS)2 pointed out that currently there were about 4.5 million scheme members with about 10.3 million accounts, holding assets of over \$1.17 trillion and annual gross contributions amounting to \$80 billion which were invested in 27 MPF schemes administered by 14 trustees using 12 administration platforms. As such, trustees taking part in the eMPF Platform would have to undertake a massive amount of work on data standardization and data migration, the difficulty and complexity of which could not be underestimated. Having communicated with IT experts and the industry, the Administration considered it necessary to adopt a phased migration approach for seamless transition of the schemes' administration and to ensure that the day-to-day operation of the MPF System would not be interrupted.

Government's initiative to pay 5% MPF contributions for low-income earners

49. Mr Tony TSE asked why the government's initiative to pay 5% MPF contributions for low-income earners could not be implemented until the eMPF Platform were fully implemented in 2025.

50. DS(FS)2 advised that the initiative was one of the 10 livelihood initiatives to enhance the support for grassroots and underprivileged people announced by the Chief Executive in January 2020. It would pay the 5% MPF contributions for employees and self-employers whose monthly income was less than the minimum relevant income level of MPF system and were exempted from making mandatory contributions. Given that many employees had multiple employers or multiple MPF accounts, it was difficult in the current decentralized management landscape to consolidate

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effectively scheme members' information in relation to their relevant monthly incomes. Therefore, the proposed initiative would be implemented subsequent to the full implementation of the eMPF Platform in around 2025 when all trustees, their schemes and the data of their scheme members had been migrated to the centralized electronic platform.

51. Mr Holden Chow pointed out that through the eMPF Platform, the Administration would collect relevant data for identification of low-income earners and ascertaining whether their monthly relevant incomes were lower than the minimum relevant income level. He opined that the Administration should make optimal use of the eMPF Platform to facilitate the implementation of supportive measures relating to people's livelihood in the future.

52. Noting Mr Chow's opinions, DS(FS)2 stressed that the eMPF Platform was an occupation-based system and the Administration would adopt an open attitude regarding its further applications in the future.

Voting on the item

53. There being no further questions from members, the Chairman put the item to vote. All the members present were in favour of this proposal. The Chairman declared that the Subcommittee agreed to recommend the item to FC for approval. No member requested that the item be voted on separately at the relevant FC meeting.

EC(2020-21)14 Proposed creation of one non-civil service position of Head of Invigorating Island South Office (equivalent to the rank of D2) in the Planning and Lands Branch of the Development Bureau with effect from the date of approval of the Finance Committee up to 31 March 2026 to lead a multi-disciplinary team of the Invigorating Island South Office to coordinate with other relevant bureaux/departments to take forward and implement measures under the "Invigorating Island South" initiative

54. The Chairman remarked that the staffing proposal was to create one non-civil service ("NCS") position of Head of Invigorating Island South Office ("IISO") (equivalent to the rank of D2) in the Planning and Lands Branch of the Development Bureau ("DEVB(PLB)"), to be designated as Head of Invigorating Island South Office ("Head of IISO"), with effect from the date of approval of FC up to 31 March 2026, to lead a

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multi-disciplinary team of IISO to coordinate with other relevant bureaux/departments ("B/Ds") to take forward and implement measures under the "Invigorating Island South" ("IIS") initiative.

55. Ir Dr LO Wai-kwok, Chairman of the Panel on Development, reported the salient points of the discussion of the Panel on this staffing proposal at its meeting held on 23 February 2021. He advised that members raised no objection to submission of the staffing proposal to ESC for consideration. Expressing support for engaging an NCS staff member to take up this post, some members opined that the arrangement would enable the Administration to identify a candidate most suitable for the post. Given that the duties of the post included coordination with inter-departmental efforts, and the nature of this role was similar to that of a District Officer, who would be a civil servant, some members enquired whether considerations would be given to engaging a civil servant for this post and whether an NCS staff member would be capable of the relevant work. Members asked whether the Administration would formulate indicators against which the effectiveness of the NCS position would be evaluated. Some members requested that information on the requirements of the proposed post of Head of IISO in terms of experience and professional capabilities be provided in the paper to be submitted to ESC. Ir Dr LO advised that the Administration had responded to the questions and concerns raised by members at the meeting, and that the information requested by members were set out in Enclosure 1 to EC(2020-21)14 submitted to ESC.

Discussion

Invigorating Island South Office and the duties of its head

56. Dr Pierre CHAN asked for details of the work of the Head of IISO regarding exchanges with members of the public and Members in the course of implementation of various projects. He noted that reference had been made to the experience of the Energizing Kowloon East Office ("EKEO") in establishing IISO, and he was of the view that there was room for improvement in some major projects undertaken by EKEO (such as the relocation to government facilities in Kai Tak Development). Dr CHAN asked how the two offices were positioned under DEVB.

57. Mr KWOK Wai-keung opined that apart from improvement of living environment in the southern part of the Hong Kong Island (Island South) (such as improvement of transport ancillary facilities), conservation of cultural heritage resources in the district (such as the fishing village culture) should be among the work targets of IISO too. He asked how IISO would communicate and coordinate with residents of the Southern

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District, related community organizations and government departments for taking forward efforts on improving the transport ancillary facilities and conservation.

58. Mr YIU Si-wing expressed support for the staffing proposal. He asked how the Administration could ensure in the recruitment exercise that the appointee would be capable of handling local affairs, including development of tourist attractions (the Jumbo Floating Restaurant, for instance) and improvement of local transport in Island South. Noting that IISO was currently located in Central, Mr YIU asked whether the Administration had plan to relocate it to Island South.

59. The Chairman noted from Enclosure 1 to the Administration's paper that applicants for the post of the Head of IISO were required to possess, among other things, years of experience in handling town planning, urban design, architectural and/or engineering matters, and experiences in working in or with government B/Ds or other organizations in the public sector. She was concerned whether those requirements would confine candidates to retired civil servants or management staff who had served at organizations in the public sector.

60. Ms YUNG Hoi-yan noted that the staffing establishment of IISO mainly comprised of civil servants but the proposed Head of IISO position was not a civil service post. She expressed concern on how the Head of IISO would work with staff of the office in the future in a coordinated manner.

61. Mr Tony TSE Wai-chuen remarked that he supported in principle the staffing proposal. Considering that the tenure of the Head of IISO exceeded four years, he requested the Administration to provide supplementary information on the future work plan and targets as well as key performance indicators of IISO (covering the promotion of Single Site, Multiple Use strategy in the Southern District, review of local land uses and drafting of a conceptual master plan, etc.) prior to discussion in the relevant FC meeting, to facilitate Members in monitoring the progress of the various projects.

62. DS(P&L)1/DEVB replied that IISO was under DEVB(PLB) which was responsible for coordinating the work on local planning, facilities building and place-making in Island South. Some projects under the IIS initiative were led by other B/Ds (e.g. proposal for the rebirth of Ocean Park, revitalizing the Jumbo Floating Restaurant, exploring the development of a water sports centre at the rehabilitated Shek O Quarry site, etc.). Upon the establishment of IISO in February 2021, it had exchanged ideas with the Southern District Council and local stakeholders,

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and coordinated local projects taken forward by different government departments, including an initiative to revitalize Staunton Creek Nullah located in Wong Chuk Hang for which studies were being undertaken by the Drainage Services Department. A conceptual master plan setting out the work plan for the following year, including ways to improve the local leisure and living environment, was being prepared by IISO. Upon taking office, the Head of IISO would finalize the conceptual master plan for implementation.

63. Regarding local conservation of Island South, DS(P&L)1/DEVB advised that for the purpose of preserving local cultural heritage and enhancing a sense of identity in the community, the Administration would continue to consult local stakeholders and relevant organizations and consideration would be given to co-organizing activities. Regarding efforts on reviewing the land uses in the Southern District, he advised that works projects being undertaken by IISO could be broadly divided into two categories, namely short-term (such as improvement works on environment, connectivity, pavements, etc.) and medium- to long-term (such as taking forward the Single Site, Multiple Use strategy) works projects. Given that efforts on reviewing government land uses represented a longer-term commitment, the Administration proposed that the tenure of the Head of IISO was about five years to tie in with the time needed for implementation of the works projects. DS(P&L)1/DEVB undertook to provide the supplementary information requested by Mr TSE after the meeting. DS(P&L)1/DEVB added that the Administration planned to relocate IISO to the Southern District from Central to facilitate local liaison and consultation.

(Post-meeting note: The supplementary information provided by the Administration was circulated to members on 24 May 2021 vide LC Paper No. ESC56/20-21(01).)

64. Regarding the entry requirements for the Head of IISO, DS(P&L)1/DEVB advised that the incumbent would lead a multi-disciplinary team of IISO to coordinate with other relevant B/Ds to take forward various measures under the IIS initiative. The position-holder would need to work with stakeholders from different backgrounds including the directorate officers of various B/Ds, District Councils, local stakeholder groups, professional bodies, non-governmental organizations and the private sector. Therefore, the candidate should possess management ability, professional knowledge and communication skills. The entry requirements of the applicants set out by the Administration included, inter alia, possession of years of experience in handling town planning, urban design, architectural and/or engineering matters, which would equip the post holder in reviewing the development

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plans in different areas within Island South. The Administration was of the view that the NCS opening could attract a larger pool of applicants who satisfied the relevant requirements and therefore ensure that the most suitable candidate for the position could be recruited. He advised that the Administration would ensure that the recruitment process would be open, fair and impartial.

65. Regarding EKEO, DS(P&L)1/DEVB replied that the scope of the Energizing Kowloon East initiatives was wider than IIS, and EKEO had a larger establishment than IISO. The Head of EKEO was pitched at a slightly higher rank than that of the Head of IISO. Since its establishment in 2012, EKEO under the Works Branch of DEVB had helped unleash the development potentials of multiple land parcels in East Kowloon, increasing substantially the commercial/office gross floor area in the area, and transformed it into the second core business district. The achievements of EKEO included facilitating the review of government facilities in the Kwun Tong Action Area and Kowloon Bay Action Area; and cooperating with relevant departments in improving the environment and community facilities in East Kowloon (such as the Revitalization of Tsui Ping River, improvements of the local pedestrian environment, public leisure facilities, etc.). EKEO had also taken part in communications and exchanges with LegCo, District Councils and various stakeholders in a pro-active manner.

(At 10:25 am, the Chairman asked if members agreed to extend the meeting by 15 minutes to 10:45 am to conclude discussion of this item. No members raised any objection.)

Streamlining the delivery procedures of development projects

66. Mr SHIU Ka-fai expressed support for the staffing proposal to promote the development in Island South. He asked how the Administration would streamline the current development procedures to expedite the implementation of different projects.

67. In response, DS(P&L)1/DEVB said that a study on streamlining development procedures was being undertaken by DEVB, and a Development Projects Facilitation Office had been established to expedite the implementation of individual private housing projects. On increasing the effectiveness of various measures under the IIS initiative, IISO was established to enhance coordination of the work of all parties involved. Given the level of responsibilities and scope of duties of the position-holder, it was considered appropriate that the proposed post of Head of IISO be pitched at D2 to facilitate discussion of development projects with other directorate officers at various B/Ds for enhanced

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efficiency.

Voting on the item

68. There being no further questions from members, the Chairman put the item to vote. All the members present were in favour of this proposal. The Chairman declared that the Subcommittee agreed to recommend the item to FC for approval.

69. Mr Tony TSE requested that the item be voted on separately at the relevant FC meeting. Subject to the supplementary information to be provided by the Administration, he would consider whether to withdraw this request.

(Post-meeting note: Mr Tony TSE's decision to withdraw the request for separate voting was circulated to members on 25 May 2021 vide LC Paper No. ESC57/20-21.)

70. There being no other business, the meeting ended at 10:46 am.

Council Business Division 1
Legislative Council Secretariat
2 June 2021