

立法會
Legislative Council

LC Paper No. FC150/20-21

(These minutes have been
seen by the Administration)

Ref : FC/1/1(1)

Finance Committee of the Legislative Council

Minutes of the 1st meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 23 October 2020, from 3:45 pm to 7:00 pm

Members present:

Hon CHAN Kin-por, GBS, JP (Chairman)
Hon CHAN Chun-ying, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, GBS, JP
Hon Charles Peter MOK, JP

Hon CHAN Han-pan, BBS, JP
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
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 Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon Jimmy NG Wing-ka, BBS, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan, JP
Dr Hon Pierre CHAN
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LUK Chung-hung, JP
Hon LAU Kwok-fan, MH
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Vincent CHENG Wing-shun, MH, JP
Hon Tony TSE Wai-chuen, BBS, JP

[According to the announcement made by the Hong Kong Special Administrative Region Government on 11 November 2020 pursuant to the Decision of the Standing Committee of the National People's Congress on Issues Relating to the Qualification of the Members of the Legislative Council ("LegCo") of the Hong Kong Special

Administrative Region, Kenneth LEUNG, KWOK Ka-ki, Dennis KWOK Wing-hang and Alvin YEUNG were disqualified from being members of LegCo on 30 July 2020.]

Public officers attending:

Ms Alice LAU Yim, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Mr Raistlin LAU Chun, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Miss Jennie CHAN Cheuk-yin	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Sam HUI Chark-shum	Deputy Secretary for Financial Services and the Treasury (Financial Services) 3
Mr TE Chi-wang	Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 6

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

Miss Bowie LAM	Council Secretary (1)1
Miss Queenie LAM	Senior Legislative Assistant (1)2
Mr Frankie WOO	Senior Legislative Assistant (1)3
Miss Mandy POON	Legislative Assistant (1)1
Miss Yannes HO	Legislative Assistant (1)7

Action

The Chairman reminded members of the requirements under Rule 83A and Rule 84 of the Rules of Procedure ("RoP").

**Item 1 — FCR(2020-21)68
RECOMMENDATION OF THE ESTABLISHMENT
SUBCOMMITTEE MADE ON 17 JUNE 2020**

EC(2020-21)4

**HEAD 148 — GOVERNMENT SECRETARIAT:
FINANCIAL SERVICES AND THE TREASURY
BUREAU (FINANCIAL SERVICES BRANCH)**

Subhead 000 Operational expenses

2. The Chairman advised that this item sought the approval of the Finance Committee ("FC") for the recommendation made by the Establishment Subcommittee ("ESC") at its meeting held on 17 June 2020 regarding EC(2020-21)4, i.e. making permanent of two supernumerary posts in the Financial Services Branch ("FSB") of the Financial Services and the Treasury Bureau ("FSTB"), namely 1 Administrative Officer Staff Grade B ("AOSGB") and 1 Administrative Officer Staff Grade C ("AOSGC"), to provide long-term high-level policy steer and inputs to the implementation of various major legislative and policy initiatives ("the proposed posts"). ESC had spent about 1 hour and 23 minutes in total on the scrutiny of the above proposal.

Justification for creation of the proposed permanent posts

3. Mr Vincent CHENG, Mr Wilson OR and Ms Starry LEE said that the unemployment rate of Hong Kong had risen due to the epidemic. To reduce public expenditure, the Administration even considered aborting the \$2 concessionary transport fare which would benefit elderly persons aged between 60 and 64, and yet it proposed to create two directorate posts at a monthly salary of about \$200,000. They asked whether FSTB had, in the light of the economic environment, re-examined the need to create the proposed posts and the feasibility of handling the relevant work through internal redeployment. Ms LEE enquired about the Key Performance Indicators of the two proposed posts. She opined that the Administration should consider freezing the number of directorate officers.

4. Mr Tony TSE said that the original intention of creating the two supernumerary posts was to undertake time-limited tasks. He asked whether the current proposal of making them permanent implied that the officers concerned were unable to meet the work targets within the limited time frame. Mr TSE asked the Administration to provide supplementary information setting out respectively the tasks completed so far by the two proposed posts since their creation in 2006, new tasks (including time-limited and permanent tasks) added to the portfolios of the two posts

during this period of time together with reasons for the relevant tasks being permanent in nature, and the impact of the drastic changes in Hong Kong's economic situation over the past year on the duties and workloads of the two proposed posts. Mr TSE enquired about the responsibilities of Principal Assistant Secretary (Financial Services)⁴ ("PAS(FS)⁴") under Deputy Secretary (Financial Services)³ ("DS(FS)³"), and whether this officer could undertake the responsibilities of the proposed PAS(FS)⁶ post as well, so as to obviate the need to create the post.

[*Post-meeting note:* The supplementary information provided by the Administration was issued to members vide LC Paper No. FC19/20-21(02) on 30 October 2020.]

5. Mr KWONG Chun-yu, Ms Claudia MO, Dr Helena WONG, Mr James TO and Dr Fernando CHEUNG opposed to the creation of the proposed posts. Mr KWONG expressed dissatisfaction towards the absence of Secretary for Financial Services and the Treasury ("SFST") from today's FC meeting. Ms MO considered that the salaries of the proposed posts were too high. Mr WU Chi-wai opined that the justification for creating the proposed posts on a permanent basis was inadequate. His reasons included: given that the function of regulating auditors of listed entities in Hong Kong had been transferred to the administratively independent Financial Reporting Council ("FRC"), there should be no need for the Administration to provide policy steer and inputs to FRC; the drafting of the bill on the introduction of a statutory Corporate Rescue Procedure ("CRP") and insolvent trading provisions had almost been completed, only the legislative process was pending; according to the experience of overseas regions, the number of cases of initiating CRP was low. Mr WU enquired about the change in the number of supporting staff upon the creation of the proposed posts. He was concerned that the relevant teams might in future expand their supporting staff establishments without the approval of the Legislative Council ("LegCo"). Mr WU suggested that the Administration should extend the posts for a certain period of time to complete the legislative exercise on the aforesaid statutory CRP. Mr LEUNG Yiu-chung enquired about the mechanism for assessing the necessity of making supernumerary posts permanent as well as the justification for the arrangement that after the holders of the proposed posts had completed the policy formulation work, the ensuing routine policy reviews must be steered by directorate officers. Mr TO considered that once the posts in question were made permanent, it would be difficult for LegCo to monitor the duties of the posts, and the Administration seldom took the initiative to reduce permanent posts where necessary. Dr CHEUNG suggested that the posts should remain supernumerary under the current economic environment.

6. DS(FS)3 responded that in 2006, FSTB created the two posts of DS(FS)3 and PAS(FS)6 in FSB on a supernumerary basis to undertake the duties of the proposed posts. Since their creation, the two posts had been extended five times. On every occasion when the Government sought approval from the Panel on Financial Affairs and FC of LegCo to extend the supernumerary posts, some members invariably proposed that the posts should be created on a permanent basis as the relevant policy work needed to be carried on. He explained that when the two supernumerary posts were created, their major duties in the beginning were to review the Companies Ordinance (Cap. 622), update related policies and handle legislative amendments, which were time-limited tasks. Subsequently, as the Government had to formulate new policy initiatives on financial affairs, it assigned some of the tasks to the two supernumerary officers. As time passed, those new policy initiatives, including the promotion of financial technologies ("Fintech"), introduction of a new statutory CRP and implementation of the new auditor regulatory regime, had all become ongoing tasks. Hence, it was proposed that these two posts should be made permanent. The effectiveness of the policy work undertaken by the officers concerned was one of the indicators for appraising their performance.

7. Regarding members' concern about the independent operation of FRC, DS(FS)3 advised that any independent regulator established under the laws of Hong Kong in respect of any policy area would operate independently in accordance with its enabling legislation. However, the relevant policy bureau would still be responsible for the policies concerned. In other words, FRC operated on its own with its statutory powers, but FSTB had to review whether the operation of FRC was in line with the legal intent of its establishment. FSTB must also examine whether there was a need to entrust FRC with new statutory functions and powers in the light of international developments; and if so, it would introduce amendments to the Financial Reporting Council Ordinance (Cap. 588) to LegCo. As such, it was necessary for the Government to provide on-going high-level policy steer and inputs to FRC.

8. Members were concerned about whether policy reviews had to be undertaken by directorate officers. In response, DS(FS)3 advised that, taking the corporate governance policy as an example, the relevant policy framework needed to be reviewed and revised from time to time so as to meet the latest international requirements. In addition, to conform with international standards, the Administration had to draw up new policy initiatives, such as introducing a new statutory CRP and insolvent trading provisions, so as to further refine the corporate governance framework.

Given the on-going updating of international standards, the aforesaid work must be continued in order to maintain the competitive edge of Hong Kong's business environment. He explained that policy reviews involved the formulation of new policies, legislative proposals and amendments to existing laws, which were the duties of directorate officers of policy bureaux. Upon the endorsement of policies and passage of laws, the executive authorities would then proceed with the implementation work. As far as corporate governance was concerned, the Companies Registry ("CR") and the Official Receiver's Office were the executive authorities, while the relevant policies had to be formulated by FSTB.

9. DS(FS)3 pointed out that as the two supernumerary posts had all along existed and undertaken the implementation of the legislative and policy initiatives set out in the discussion paper, making them permanent would not incur additional expenditure as compared to the present situation. The composition as well as number of supporting staff would also remain the same. Another two officers at the DS rank in FSB were responsible for supervising different policy areas. Given that the duties of the proposed DS(FS)3 covered a wide policy area, if they were taken up by existing FSB staff, the work effectiveness in other areas under FSB would be affected. Therefore, it was not feasible to redeploy the existing staff within FSB to take up the relevant duties. PAS(FS)4 was mainly responsible for formulating policies and legislation relating to the accountancy sector, corporate insolvency and reform of auditor regulatory regime as well as the legislative exercise on the introduction of a CRP. The Government anticipated that in the coming few years, corporate insolvency and cross-border insolvency cases might surge. The present and future workload of PAS(FS)4 would be so heavy that he or she could hardly take up the duties of PAS(FS)6 as well. He emphasized that if the two supernumerary posts were to lapse, it would be difficult for other directorate officers to absorb the existing duties of the two officers. DS(FS)3 added that FSB would review from time to time its internal resource allocation arrangements based on the needs and priorities of its work. In the light of the prevailing economic situation, the Government would focus on the introduction of a new statutory CRP and insolvent trading provisions. Moreover, holders of the proposed posts would also endeavor to take forward initiatives such as the Financial Industry Recruitment Scheme for Tomorrow. The Government considered that such initiatives could help retain existing jobs as well as create new jobs in the financial services industry.

10. Mr Kenneth LEUNG suggested that the Administration should consider creating one permanent post of DS(FS)3 only and replacing the proposed PAS(FS)6 with a Senior Administrative Officer. Dr CHENG

Chung-tai shared the suggestion of Mr LEUNG. He opined that the workload related to the Asian Infrastructure Investment Bank ("AIIB") and the Asian Development Bank ("ADB") would be comparatively light. It did not warrant the manpower of two directorate officers. Dr CHENG enquired about the five performance targets of various legislative and policy initiatives listed in the discussion paper. Mr Tony TSE expressed concern over the clarity of the division of work between the two officers as the proposed job descriptions stated in the discussion paper showed that certain duties of them were overlapped. Mr Wilson OR asked how the two officers would schedule their duties under different policy areas.

11. DS(FS)3 explained that as the duties of the two proposed posts covered different policy areas, they had to coordinate with various policy bureaux in carrying out their duties. Legislative exercises would also be involved. Hence, it would not be desirable to designate a non-directorate Administrative Officer to undertake those duties. He advised that the distribution of the work and time of the holders of two proposed posts would be adjusted over time. However, their overall workload would not be reduced. For instance, during the past several years, the proposed DS(FS)3 had to devote more time to handle the work pertaining to the new auditor regulatory regime. With the implementation of the relevant legislative amendments, the amount of work in this area would be reduced. However, the officer had to bury himself/herself recently in the work in another area, namely the legislative exercise for the introduction of a new statutory CRP and insolvent trading provisions. As for the proposed PAS(FS)6, the post holder would be mainly responsible for the policy initiatives to promote the development of Hong Kong into a leading Fintech hub as well as the policy issues concerning the Money Lenders Ordinance (Cap. 163). As such, it was not feasible to cut either one of the posts.

12. Dr Priscilla LEUNG asked how the proposed post holders would lead Hong Kong out of the economic hardship and further promote the development of the financial market. Mr Tony TSE considered that whether the creation of the proposed posts was worth the support of members depended on the economic benefits generated by the posts for Hong Kong.

13. DS(FS)3 responded that one of the major tasks of the proposed DS(FS)3 was to rationalize the legal framework for the regulation of corporate governance in Hong Kong. The relevant work was very important for refining the policy for regulating companies. In addition, the Government noticed that Hong Kong's Fintech still had ample room for development and could drive the development of economic activities such

as e-commerce, remote payment and virtual financial services. It was believed that considerable time would be needed for promoting such new and emerging economic activities. Hence, creating the proposed posts on a permanent basis would be a more appropriate approach.

Enhanced regulation of money lenders

14. Mr KWONG Chun-yu, Mr Wilson OR and Mr LAM Cheuk-ting criticized the Administration for its ineffectiveness in monitoring the money-lending business. As a result, many members of the public were cheated by unscrupulous money lenders and/or intermediaries.

15. Mr HUI Chi-fung said that as frontline police officers lacked adequate training and experience in identifying and investigating malpractices in money-lending, quite a number of cases had not been followed up. He expressed concern about whether sufficient resources had been allocated for providing the relevant training for police officers. Mr HUI sought the following supplementary information for the past three years: (a) the number of cases involving money lending-related malpractices, in particular the malpractices of financial intermediaries, received by the Hong Kong Police Force ("HKPF") from members of the public, (b) the number of cases opened for investigation by HKPF, including the number of those referred to the Commercial Crime Bureau for follow-up, (c) the number of cases under investigation, (d) the number of cases closed, (e) the number of cases regarding which prosecutions had been initiated, and (f) the number and percentage of cases in which the persons involved were convicted.

16. DS(FS)3 advised that various response measures, including the imposition of more stringent licensing conditions on money lender licences, had been implemented since 2016 to tackle the relevant problems. Such measures had been found generally effective as reflected in the reduced number of complaint cases against financial intermediaries over the past three years. Moreover, FSB, HKPF and the Money Lenders Section of CR would hold tripartite meetings regularly to follow up the trend of law enforcement involving money lending malpractices and unscrupulous intermediaries. He supplemented that members of the public might inspect the lists of Money Lenders Licensees and the third parties appointed by them on the website of CR. DS(FS)3 said that if members of the public had sought assistance from Members' Offices regarding cases which involved money lending malpractices but had not been accepted by the law enforcement agencies, members might pass the relevant information to FSB for follow-up. He advised that the Government was conducting a review and a survey on the regulatory

regime for money lenders. It was expected that the results could be reported to the relevant Panel(s) of LegCo in the coming year.

[Post-meeting note: The supplementary information provided by the Administration was issued to members vide LC Paper No. FC19/20-21(02) on 30 October 2020.]

17. Mr Andrew WAN enquired about the progress of the survey on the unsecured personal loan business of licensed money lenders. He asked whether the Administration would consider introducing legislation to lower the maximum actual interest rate of money-lending as well as regulate finance companies' advertisements, taking administrative measures to impose more stringent regulation on the operation of financial intermediaries, including stepping up inspections and raising the penalties. Mr WAN said that if the relevant policy review involved legislative amendments, it would be unlikely that LegCo could pass the proposed legislative amendments by the end of the current term. He enquired about the role of the holders of the proposed posts in enhancing regulation through administrative measures.

18. DS(FS)3 advised that apart from the survey on the unsecured personal loan business of licensed money lenders, the Government also reviewed the regulatory policies on money lenders. The scope of review covered whether more stringent licensing conditions should be imposed on money lenders, stepping up the publicity about regulation on money lenders and adjusting the permitted ceiling on loan interest rate under the Money Lenders Ordinance, etc. The scope of the review fully took into account the recommendations set out in the report on "Money Lending - Reforming Law and Trade Practices for Consumer Protection" released by the Consumer Council in 2019. FSTB would report the survey outcome to the Panel on Financial Affairs of LegCo in the coming year. DS(FS)3 continued that in the event that the proposed amendments involved the Money Lenders Ordinance, whether the current-term LegCo could pass the bill in time would depend on various factors. Meanwhile, however, the Government could still achieve the effect of enhanced regulation through administrative means. Such measures included allocating more resources to the Money Lenders Section for stepping up inspections, putting forth new proposals on licensing conditions and imposing more stringent licensing conditions on licence applicants through licensing procedures. He explained that assessing whether the policy initiatives should be tightened, conducting negotiations with the trade and formulating new administrative measures, among others, were duties at the policy level, which should be handled by holders of the proposed posts.

19. Ms Alice MAK expressed concern about the lack of supervision over the operation of financial intermediaries and pointed out that public education was insufficient in this regard. However, the job description of the proposed post of PAS(FS)6 did not cover duties in these two areas. While pointing out that the handling of policy issues in relation to the Money Lenders Ordinance and measures against money lending-related malpractices fell within the purview of the proposed post of PAS(FS)6, and that the Hong Kong Federation of Trade Unions ("HKFTU") had reservations about assigning the proposed DS(FS)3 to oversee the statutory CRP, Ms MAK suggested that the proposed creation of the two posts should be voted on separately.

20. DS(FS)3 reiterated that the Government currently had put in place certain mechanisms to regulate licensed money lending organizations and the third parties appointed by them. At present, FSB was reviewing the regulatory policies on money lenders and the scope of review covered whether the relevant mechanisms were effective in eradicating money lending malpractices. The Government also launched public education campaigns in collaboration with the Investor and Financial Education Council and non-governmental organizations.

[*Post-meeting note:* The supplementary information provided by the Administration was issued to members vide LC Paper No. FC19/20-21(02) on 30 October 2020.]

Introduction of a new statutory Corporate Rescue Procedure

21. Dr CHENG Chung-tai stated that the number of applications for bankruptcy and the winding up of companies would continually increase in light of the current economic environment. He enquired whether the Administration could expeditiously formulate a new statutory CRP and complete enactment of the legislation as early as possible.

22. Noting the provision of a moratorium under the new statutory CRP proposed, Mr LUK Chung-hung was worried that employers might take advantage of the moratorium period to transfer company assets, rendering it more difficult for affected employees to succeed in recovering their wages in arrears. Ms Alice MAK stated that Members belonging to HKFTU were worried that the provision of a moratorium would prolong the time needed for employees to initiate claims against their companies.

23. While expressing support for the formulation of a new statutory CRP, Ms Starry LEE considered it necessary for the Administration to properly address the concerns raised by the labour side.

24. DS(FS)3 advised that the Government intended to introduce the relevant bill into LegCo between January and February 2021. The bill would provide protective measures for employees of financially distressed enterprises. He explained that a company undergoing CRP was required to pay arrears of wages, wages in lieu of notice and severance payments to its employees within the moratorium period in accordance with the statutory timetable. Regarding the outstanding amounts exceeding the payment ceiling stipulated by the Protection of Wages on Insolvency Fund, the company concerned was required to make repayments in accordance with the statutory timetable; otherwise, the statutory CRP would fall through. In general, in the context of a company undergoing CRP, compensation received by the employees concerned would not be lower than that which they were entitled under the Protection of Wages on Insolvency Fund. He continued that a company undergoing CRP was required to appoint an independent professional third party as the provisional liquidator to take temporary control of the company, consider specified options for rescuing the company within a specified period and prepare proposals for a voluntary debt repayment arrangement seeking approval from a creditors' meeting in a speedy manner. Given that the provisional liquidator was not the original administrator of the company concerned, the liquidator should have no malicious intent to transfer the assets of the company. Moreover, the provisional liquidator might be held legally liable for such acts.

Measures to promote Fintech development

25. Mrs Regina IP enquired about the duties of the proposed posts concerning policies on taking forward Fintech development (e.g. promotion of the Digital Currency/Electronic Payment ("DC/EP")) and the implementation of the corresponding regulatory measures.

26. DS(FS)3 explained that Fintech could be applied to a wide range of financial services sectors. The Cyberport and the Hong Kong Science Park had been committed to facilitating the development of the sectors through matching for Fintech products and solutions in the financial services industry. Given that various sectors of the financial services industry in Hong Kong were subject respectively to different regulators and applicable laws, to facilitate Fintech development, the Government considered it necessary to synchronize different regulatory regimes so that the Fintech sector could better grasp the regulatory requirements. This would be essential for the legitimate development of the Fintech sector and the search of investors. Such initiatives were made in response to requests raised by the Fintech sector to the Government over the years. The

holders of the proposed posts would focus on taking forward the abovementioned tasks.

27. DS(FS)3 also advised that FSTB, Invest Hong Kong and the relevant regulators would collaborate with the Fintech sector to organize in early November the Hong Kong Fintech Week 2020, a programme designed for the global Fintech community to explore more business opportunities. Furthermore, the Securities and Futures Commission also launched a voluntary regulatory platform for virtual assets. Regarding the promotion of Central Bank Digital Currency ("CBDC"), the Hong Kong Monetary Authority ("HKMA") was currently conducting a joint research project with the Bank of Thailand on this subject, with a view to enhancing efficiency in foreign exchange settlement through the application of CBDC.

28. Mr Christopher CHEUNG expressed support for the funding proposal. Mr CHEUNG said that Hong Kong lagged behind the Mainland in terms of Fintech development. He enquired about the performance indicators set by the Administration in respect of promoting the application of Fintech infrastructure and the timetable for cross-border Fintech application (e.g. the use of Hong Kong e-wallets on the Mainland). DS(FS)3 advised that the penetration rate of Fintech in Hong Kong rose from around 37% in 2017 to the current level of around 67%. Since the outbreak of the epidemic, the volume and adoption rate of e-commerce transactions, online/virtual banking/insurance services and other Fintech products increased substantially. Meanwhile, some e-wallet operators had already provided cross-border retail payment services. He shared the view that there was still room for deepening and expanding cross-border Fintech application.

29. While expressing support for the funding proposal, Mr CHAN Chun-ying emphasized the importance of continuing the tasks undertaken by the proposed posts. He considered that the Government should take the lead in promoting the use of electronic payment methods for settling fees and charges for government services. He also enquired whether the relevant tasks fell under the purview of the Treasury Branch or FSB. Furthermore, in respect of Hong Kong's bid for participating in the "trial of cross-border application of digital Renminbi", whether the holders of the proposed posts were also responsible for liaising with the Mainland's central bank.

30. DS(FS)3 confirmed that the duties of the proposed posts included promoting the use of the "Faster Payment System" for the settlement of government fees and charges. He continued that DC/EP was not a virtual

currency, instead it was tantamount to electronic currency whose issuance was backed by a national central bank. Hence, it involved considerations in relation to sovereignty and the regulation would be more complicated. Moreover, as revealed in a study conducted by HKMA, the potential application of DC/EP in Hong Kong mainly involved foreign exchange settlement and its application at the retail level was limited for the time being. On the contrary, DC/EP was more commonly used in daily transactions on the Mainland as the Mainland's central bank had focused more on the development in this aspect. With Hong Kong being a major offshore Renminbi hub, he believed that Hong Kong had a certain role to play in respect of the "trial of cross-border application of digital Renminbi". HKMA and the Financial Services Development Council would conduct studies and offer advice in this regard, while FSTB would formulate related policies in the end.

31. Mr Martin LIAO said that another officer at the rank of deputy secretary in FSB was currently in charge of the policy work relating to financial market development (including cooperation with the Mainland). He enquired about the division of labour between the officer concerned and the holders of the two proposed posts in the future, and whether the holders of the proposed posts would be responsible for taking forward all the cross-border Fintech cooperation within the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area"), as well as formulating policies to assist Fintech companies in gaining a foothold in the Greater Bay Area. Mr LIAO pointed out that the Constitutional and Mainland Affairs Bureau ("CMAB") planned to set up the Greater Bay Area Development Office. He enquired about how FSTB would collaborate with CMAB to assist Hong Kong's financial services industry to pursue development in the Greater Bay Area, and whether FSB had sufficient manpower to follow up on this series of work.

32. DS(FS)3 advised that cross-border Fintech development involved the laws and regulations of the two places. Hence, in addition to holders of the proposed posts, FSTB officers overseeing the regulation of other financial affairs would also participate in the relevant work. Regarding the Greater Bay Area and a recently announced development plan concerning the future development of Shenzhen, FSTB would formulate complementary policies in response and seek assistance or advice from CMAB (or other policy bureaux) if necessary.

33. Mr SHIU Ka-chun enquired, upon the creation of the proposed post of PAS(FS)6, how the holder of the post would enhance security measures for protecting personal data in the electronic payment systems.

34. DS(FS)3 advised that e-wallets developed by Mainland developers but adopted for use in Hong Kong, including their security systems designed for protecting users' personal data, had to comply with the regulatory regime in Hong Kong as well as requirements set out in regulations including the Personal Data (Privacy) Ordinance (Cap. 486). The Government would review the regulatory regime from time to time with a view to better protecting the rights and interests of the public. The duties and key performance indicators of the proposed post of PAS(FS)6 covered the effectiveness of the policy initiatives devised by the post holder for expanding the scope of application of electronic payment. He stated that holder of the proposed post would not be responsible for the security design of the relevant electronic payment systems. However, such systems had to comply with conditions laid down by Hong Kong regulatory regime before their launch.

Hong Kong's participation in the Asian Infrastructure Investment Bank and the Asian Development Bank

35. Mr Alvin YEUNG enquired about the concrete benefits to the HKSAR Government as a member of the Asian Infrastructure Investment Bank ("AIIB") and the Asian Development Bank ("ADB"). Ms Claudia MO enquired about the investment projects and/or services contracts of related projects secured from AIIB and ADB by holders of the two supernumerary posts for Hong Kong.

36. DS(FS)3 explained that Hong Kong professional services providers won a total of around US\$4.78 million worth of services contracts from AIIB covering areas such as auditing, management consultancy, information technology and staff training since 2017. However, such figures did not cover the spill-over effects of other economic opportunities derived from projects rolled out by economies awarded with investments/loans from AIIB and ADB. He supplemented that AIIB's investment projects concentrated more on South Asian and Southeast Asian countries while Hong Kong's bilateral trade with these countries was growing faster than that with other regions. Even though it was difficult to quantify the overall benefits gained by Hong Kong from its participation in AIIB, the effects of AIIB's investment in promoting regional development had brought a positive impact on Hong Kong's external trade development. At the request of Mr Alvin YEUNG and the Chairman, the Administration undertook to provide the following supplementary information after the meeting:

- (a) professional services contracts (including the type of services provided, the years during which such contracts were signed,

the number and values of such contracts, as well as the countries involved in the projects concerned) awarded to Hong Kong professional services providers (including the financial services industry) which were directly related to AIIB's investments and/or loans; and

- (b) explanations on the tangible and intangible economic benefits and values derived from the provision of the aforesaid services.

[Post-meeting note: The supplementary information provided by the Administration was issued to members vide LC Paper No. FC19/20-21(02) on 30 October 2020.]

37. Ms Claudia MO and Mr James TO considered that AIIB and ADB would not bring much workload to the holders of the two supernumerary posts. DS(FS)3 confirmed that business involving AIIB and ADB constituted a relatively small fraction of workload for the two post holders. The Administration was still in discussion with AIIB on matters relating to its bid for AIIB to set up a sub-office in Hong Kong as well as AIIB's bond issuance through Hong Kong's capital market. He advised that holders of the proposed posts would focus on promoting Fintech development, stepping up regulation of money lenders and introducing CRP in the next few years.

38. Dr KWOK Ka-ki considered that most of the investment projects financed by AIIB and launched under the Belt and Road Initiative had recorded losses and these projects had even been regarded as an act of expanding Chinese influence in the peripheral regions in the name of rendering assistance to developing countries. Dr KWOK opined that the Administration should consider whether it would continue its proactive participation in the business of AIIB.

39. DS(FS)3 explained that given the epidemic and the resultant economic downturn around the world, AIIB had made adjustments to its investment projects and shifted to focus more on assisting developing countries in reinforcing their healthcare systems and key infrastructure projects, with a view to assisting developing countries to minimize the impacts of economic recession on domestic development. It was thus evident that AIIB did not make investments indiscriminately but rather it would make timely adjustment to its strategy. He supplemented that AIIB was a multilateral investment bank composed of a number of economies. China was one of its active members but this did not imply that China could unilaterally influence the development direction of AIIB. The

Government was of the view that Hong Kong could provide professional talents to AIIB and export the relevant expertise to assist AIIB's development.

40. Mr Dennis KWOK enquired about AIIB's policies which would benefit Hong Kong's legal services sector, including the provision of mediation and arbitration services to AIIB and the handling of legal proceedings arising from its projects.

41. DS(FS)3 advised that the Secretary for Justice had been seeking to provide AIIB and other multilateral banks with Hong Kong's legal services in the areas of mediation and arbitration, and even sought to establish Hong Kong as an arbitration centre for handling relevant disputes. Despite Hong Kong's bid for providing various services to AIIB, he supplemented that Hong Kong still attached importance to the essential principles of fairness, justice and openness in the course of pursuing the relevant development opportunities.

42. The meeting was suspended at 5:31 pm and resumed at 5:42 pm. The Deputy Chairman took over the chair.

43. The meeting ended at 7 pm.

Legislative Council Secretariat

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