

**立法會**  
**Legislative Council**

LC Paper No. CB(1)687/20-21  
(These minutes have been seen  
by the Administration)

Ref : CB1/SS/11/20/1

**Subcommittee on Insurance (Amendment) Ordinance 2020  
(Commencement) Notice and Insurance (Special Purpose Business) Rules**

**Minutes of first meeting held on  
Wednesday, 10 February 2021, at 9:00 am  
in Conference Room 3 of the Legislative Council Complex**

**Members present** : Hon WONG Ting-kwong, GBS, JP (Chairman)  
Hon CHAN Kin-por, GBS, JP  
Hon Holden CHOW Ho-ding

**Public officers  
Attending** : Ms Noel TSANG Fung-yi  
Principal Assistant Secretary for Financial Services and  
the Treasury (Financial Services) Insurance and  
Retirement Scheme

Mr Andrew NGAN Man-kit  
Assistant Secretary for Financial Services and the  
Treasury (Financial Services) (Insurance and  
Retirement Scheme)<sup>2</sup>

Mr Allen LAI Kai-pang  
Senior Government Counsel  
Department of Justice

**Attendance by  
invitation** : Mr Tony CHAN Sun-hung  
Associate Director (Policy and Development)  
Insurance Authority

Mr Adrian LAM Sze-loong  
Senior Manager (Policy and Development)  
Insurance Authority

Ms Peggy YIP Ho-yan  
Senior Legal Counsel (Legal Section)  
Insurance Authority

Ms Tiffany TSUN Hoi-yan  
Senior Legal Counsel (Legal Section)  
Insurance Authority

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

**Staff in attendance :** Mr Mark LAM  
Assistant Legal Adviser 7

Mr Hugo CHIU  
Senior Council Secretary (1)4

Ms Sharon CHAN  
Legislative Assistant (1)4

Ms Vivian CHAN  
Clerical Assistant (1)4

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Action

**I Election of Chairman**

Election of Chairman

Mr WONG Ting-kwong, the member with the highest precedence among those who were present at the meeting, presided over the election of the Chairman of the Subcommittee and invited nominations for the chairmanship.

2. Mr WONG Ting-kwong was nominated by Mr Holden CHOW and the nomination was seconded by Mr CHAN Kin-por. Mr WONG Ting-kwong accepted the nomination. There being no other nomination, Mr WONG Ting-kwong was elected as the Chairman of the Subcommittee.

3. Members agreed that there was no need to elect a Deputy Chairman.

Action

**II Meeting with the Administration**

(L.N. 7 of 2021	— Insurance (Amendment) Ordinance 2020 (Commencement) Notice
L.N. 8 of 2021	— Insurance (Special Purpose Business) Rules
File Ref: INS/2/3/2C	— Legislative Council Brief
LC Paper No. LS30/20-21	— Legal Service Division Report
LC Paper No. CB(1)563/20-21(01)	— Background brief prepared by the Legislative Council Secretariat)

Discussion

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

Invitation of views

5. Members considered it unnecessary for the Subcommittee to invite views from deputations on the Insurance (Amendment) Ordinance 2020 (Commencement) Notice and the Insurance (Special Purpose Business) Rules.

Legislative timetable

6. The Chairman concluded that the Subcommittee had completed the scrutiny of the two pieces of subsidiary legislation.
7. Members agreed that the Chairman should move a motion on behalf of the Subcommittee at the Council meeting of 24 February 2021 to extend the scrutiny period of the two pieces of subsidiary legislation to the Council meeting of 17 March 2021 ("the extension motion"). If the scrutiny period was extended, the deadline for giving notice of amendment to the two pieces of subsidiary legislation was 10 March 2021. The Chairman would report the deliberations of the Subcommittee at the House Committee meeting on 26 February 2021.

*(Post-meeting note: The Chairman moved the extension motion at the Council meeting of 24 February 2021, and reported the deliberations of*

Action

the Subcommittee at the House Committee meeting on 26 February 2021.)

**III Any other business**

8. There being no other business, the meeting ended at 9:43 am.

Council Business Division 1  
Legislative Council Secretariat  
18 March 2021

**Proceedings of the first meeting of the  
Subcommittee on Insurance (Amendment) Ordinance 2020  
(Commencement) Notice and Insurance (Special Purpose Business) Rules  
on Wednesday, 10 February 2021, at 9:00 am  
in Conference Room 3 of the Legislative Council Complex**

Time Marker	Speaker	Subject(s)	Action Required
000556 – 000829	Mr WONG Ting-kwong Mr Holden CHOW Mr CHAN Kin-por	Election of Chairman and invitation of views	
<b>Meeting with the Administration</b>			
000830 – 001156	Chairman Administration	Briefing by the Administration on the Insurance (Amendment) Ordinance 2020 (Commencement) Notice ("the Commencement Notice") and the Insurance (Special Purpose Business) Rules ("SPB Rules")	
001157 – 003056	Chairman Mr Holden CHOW Administration Insurance Authority ("IA")	<p><u>Investor protection measures</u></p> <p>Mr CHOW and the Chairman enquired about measures taken by the Administration and relevant financial regulators to monitor and prohibit institutional investors from "repackaging" insurance linked securities ("ILS") into other types of financial products (particularly derivative products) for selling to ordinary retail investors.</p> <p>The Administration and IA responded that as empowered by the Insurance (Amendment) Ordinance 2020, the SPB Rules had set out the following measures to prevent the sale of ILS to ordinary retail investors:</p> <p>(a) the sale of ILS would be confined to eligible ILS investors (which were institutional investors) as set out in rule 3(4) of the SPB Rules. In particular, rule 3(2) of the SPB Rules stipulated that ILS could not be sold to certain types of collective investment schemes including retail funds authorized by the Securities and</p>	

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		<p>Futures Commission ("SFC"), Mandatory Provident Fund ("MPF") funds, approved pooled investment funds which could be invested by MPF funds, and occupational retirement schemes;</p> <p>(b) rule 3(1)(c) of the SPB Rules specified that the investment size for each ILS transaction must not be less than US\$250,000 (or the equivalent amount in other currencies), and the level was higher than that of Bermuda (a jurisdiction accounting for some 80% of global ILS transactions);</p> <p>(c) for the purpose of the SPB Rules, the definition of "securities" in section 1, Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571) which included derivative products and structured products applied. Thus, "repackaging" ILS into financial products such as derivative products or structured products linked to ILS for sale to ordinary retail investors was prohibited under the SPB Rules;</p> <p>(d) criminal sanctions were prescribed for a person contravening the sale restrictions on ILS; and</p> <p>(e) when a special purpose insurer ("SPI") applied for authorization from IA, it had to provide relevant documents and information on the potential investors of ILS. SPIs were also required to keep and update registers of ILS investors for IA's regular inspection.</p> <p><u>Division of work among relevant financial regulators in the new regulatory regime for insurance linked securities business</u></p> <p>Mr CHOW's enquiries about:</p> <p>(a) the demarcation of work between IA and the relevant regulators in regulating the issuance and sale of ILS; and</p>	

Time Marker	Speaker	Subject(s)	Action Required
		<p>(b) the enforcement of SPB Rules including the parties responsible for monitoring the compliance of SPIs and handling complaints relating to the sale of ILS.</p> <p>The Chairman echoed Mr CHOW's enquiries.</p> <p>The Administration and IA responded as follows:</p> <p>(a) IA was the regulator to administer and enforce the new regulatory regime which was under Insurance Ordinance (Cap. 41). Apart from making rules for the regime, IA would be responsible for the authorization of SPIs for the issuance of ILS. As the sale of ILS would also be relevant to other financial regulators (e.g. SFC and the Hong Kong Monetary Authority ("HKMA")), IA would maintain close contact and collaboration with them through existing platforms. For instance, IA had consulted SFC and HKMA in formulating the SPB Rules; and</p> <p>(b) complaints on the sale of ILS would be handled by IA. If necessary, IA would seek the assistance of SFC and other regulators as appropriate in taking enforcement actions and conducting related investigations.</p>	
003057 – 003232	Chairman Mr CHAN Kin-por IA	<p>Mr CHAN expressed support for the Commencement Notice and the SPB Rules. He enquired about the suggestions made by the insurance industry which had been adopted/refused by IA during the consultation of the relevant legislative proposals.</p> <p>IA responded that:</p> <p>(a) it had conducted a six-week public consultation exercise on the draft SPB Rules, and consulted key industry stakeholders in the ILS market; and</p> <p>(b) the majority of respondents were supportive of IA's proposals while there were calls for</p>	

Time Marker	Speaker	Subject(s)	Action Required
		<p>a lower minimum investment size of an ILS transaction to facilitate the development of the ILS market and make Hong Kong a competitive ILS domicile. IA had taken on board the industry's views and reduced the minimum investment size for ILS to US\$ 250,000 in the SPB Rules.</p>	
003233 – 003503	<p>Chairman Administration Mr Holden CHOW</p>	<p>Mr CHOW expressed support for developing ILS business in Hong Kong and stressed the need to put in place sufficient investor protection measures in the regime. He enquired about the latest development of ILS business in other comparable jurisdictions.</p> <p>The Administration responded that in 2020, Bermuda and Singapore accounted for some 80% and 7.5% of global ILS transactions respectively, and Cayman Islands ranked third in the global ILS market. A number of other jurisdictions such as the United Kingdom were also actively developing their ILS markets.</p>	
<b>Section-by-section examination of the subsidiary legislation</b>			
003504 – 004413	<p>Chairman Administration IA Mr Holden CHOW Assistant Legal Adviser 7 ("ALA7")</p>	<p><u>Insurance (Special Purpose Business) Rules (L.N. 8 of 2021)</u></p> <p><i>Rule 1 - Commencement</i></p> <p><i>Rule 2 - Interpretation</i></p> <p><i>Rule 3 - Restrictions on sale of insurance-linked securities</i></p> <p>In response to Mr CHOW's enquiry regarding the proposed rule 3(1), IA confirmed that a person offering to enter into, or inviting or inducing, or attempting to invite or induce another person to enter into, an agreement on an illegal ILS transaction would commit an offence even if the transaction failed to materialize.</p> <p><u>Insurance (Amendment) Ordinance 2020 (Commencement) Notice (L.N. 7 of 2021)</u></p>	



<b>Time Marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action Required</b>
		Members did not raise any question on the Notice.	
004414 – 004632	Chairman Clerk	Legislative timetable and concluding remarks	

Council Business Division 1  
Legislative Council Secretariat  
18 March 2021