

立法會
Legislative Council

LC Paper No. CB(1)2017/02-03
(These minutes have been seen
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Ref : CB1/PL/FA/1

Panel on Financial Affairs

**Minutes of meeting held on
Monday, 5 May 2003 at 10:45 am
in the Chamber of Legislative Council Building**

Members present : Hon Ambrose LAU Hon-chuen, GBS, JP (Chairman)
Hon Henry WU King-cheong, BBS, JP (Deputy Chairman)
Hon Kenneth TING Woo-shou, JP
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon Eric LI Ka-cheung, JP
Hon NG Leung-sing, JP
Hon James TO Kun-sun
Hon CHAN Kam-lam, JP
Hon SIN Chung-kai
Dr Hon Philip WONG Yu-hong
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Abraham SHEK Lai-him, JP
Hon MA Fung-kwok, JP

Members absent : Dr Hon David LI Kwok-po, GBS, JP
Hon Bernard CHAN, JP

**Public officers
attending** : **Agenda Item IV**
Mr Joseph YAM, GBS, JP
Chief Executive
Hong Kong Monetary Authority

Mr David CARSE, SBS, JP
Deputy Chief Executive
Hong Kong Monetary Authority

Mr Norman CHAN, SBS, JP
Deputy Chief Executive
Hong Kong Monetary Authority

Agenda Item V

Mr James H LAU Jr, JP
Executive Director (Monetary Management and
Infrastructure)
Hong Kong Monetary Authority

Mr Esmond K Y LEE
Division Head (Monetary Management and
Infrastructure Department Market Systems Division)
Hong Kong Monetary Authority

Ms Haster Y Y TANG
Senior Manager (Monetary Management and
Infrastructure Department Market Systems Division -
Payment Systems)
Hong Kong Monetary Authority

Mr Edmond Y P LAU
Principal Assistant Secretary for Financial Services
and the Treasury (Financial Services)

Agenda Item VI

Miss Susie HO
Deputy Secretary for Financial Services and the
Treasury (Financial Services)

Mr E T O'CONNELL
Official Receiver

Mr D F MANNING
Assistant Official Receiver (Financial Services)

Mr Esmond LEE
Principal Assistant Secretary for Financial Services
and the Treasury (Financial Services)

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

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Mr KAU Kin-wah
Assistant Legal Adviser 6

Ms Rosalind MA
Senior Assistant Secretary (1)9

Mr Joey LO
Assistant Secretary (1)1

Ms Christina SHIU
Legislative Assistant

Action

I Confirmation of minutes of meeting and matters arising
(LC Paper No. CB(1) 1574/02-03)

The minutes of meeting held on 19 February 2003 were confirmed.

II Information papers issued since last meeting

- | | |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| (LC Paper No. CB(1) 1408/02-03(01) -- | Further email from a member of the public regarding third-party insurance of motor vehicles |
| LC Paper No. CB(1) 1408/02-03(02) -- | Administration's reply dated 14 March 2003 to views from a member of the public regarding third-party insurance of motor vehicles |
| LC Paper No. CB(1) 1585/02-03 -- | Letter dated 14 April 2003 from the Hong Kong Retirement Schemes Association to the Chief Executive on the Mandatory Provident Fund Scheme) |

2. Members noted that the three papers listed above had been issued for members' general information since the last meeting.

III Date of next meeting and items for discussion
(LC Paper Nos. CB(1)1554/02-03(01) and (02))

3. Members agreed to discuss the following items at the next regular meeting scheduled for 2 June 2003:

(a) The Governance of the Hong Kong Monetary Authority (HKMA);
and

(b) Briefing by the Financial Secretary on the latest economic situation of Hong Kong

4. On item (a) above, noting that the Research and Library Services Division (R&LSD) of the Legislative Council Secretariat had conducted a research on the subject and HKMA had provided written response to the research report, Ms Emily LAU suggested and members agreed that representatives of R&LSD would be invited to present the report and HKMA to give its views on the subject. Members also agreed to advance the meeting to 10:00 am to allow more time for discussion of the two items.

IV Briefing on the work of Hong Kong Monetary Authority
(LC Paper Nos. CB(1)1554/02-03(03) & (04), and 1606/02-03)

Briefing on the work of HKMA

5. The Chairman welcomed the Chief Executive, Hong Kong Monetary Authority (CE/HKMA) and his two deputies to the meeting. At the Chairman's invitation, CE/HKMA highlighted the performance of HKMA covered in the Annual Report 2002 published on 29 April 2003 and briefed members on HKMA's major areas of work.

6. In maintaining the stability of Hong Kong dollar, CE/HKMA advised that notwithstanding deterioration in the external environment and the domestic economic situation, the Hong Kong dollar exchange rate remained stable against the US dollar. However, the 12-month Hong Kong dollar forward points had exhibited considerable volatility recently reflecting market worries about the impact of the Severe Acute Respiratory Syndrome (SARS) on the economy and the fiscal deficit problem. CE/HKMA said that the SARS outbreak had hit Hong Kong severely, with adverse economic shock comparable to that of the Asian financial crisis.

7. On the performance of the banking sector, CE/HKMA said that while the number of bankruptcy petitions had dropped, the stabilization seen in the last few quarters might not be sustainable as a result of the possible increase in

unemployment under the influence of SARS. The quality of the credit card portfolio remained weak. With continuous decline in property prices, the number and amount of mortgage loans in negative equity posed potential threat to the stability of the banking system. In the light of recent economic situation, the problem of negative equity was likely to get worse. Looking forward, CE/HKMA said that the work priorities of HKMA were to continue monitoring the financial position and performance of banks, as well as enhancing its supervisory framework to alert banks to watch out for risks, such as speculative activities, which might have adverse impact on the stability of the banking system.

8. On promoting the financial infrastructure, CE/HKMA said that major work in this area included promotion of the retail bond market, conducting study on a wider application of the SWIFT platform in Hong Kong's clearing and settlement systems, and the inclusion of Hong Kong dollar in the Continuous Linked Settlement system through the Clearing and Settlement Systems Bill to be introduced into the Legislative Council (LegCo) in due course. Moreover, a new generation of banknotes was scheduled for issue in stages from late 2003.

9. As regards the performance of the Exchange Fund, CE/HKMA advised that the investment income for 2002 recorded a high return of 5.1%, which was 120 basis points above the return of the strategic investment benchmark. The latest figure on the investment income for the first quarter of 2003 was HK\$6.7 billion, among which HK\$2.1 billion was the share for the fiscal reserves. CE/HKMA pointed out that as short term fluctuation of investment income was seen in 2002, the investment return for 2003 would be assessed when more figures were available later in the year.

Discussion with Members

Flexibility in lending and loan restructuring

10. Mr James TIEN pointed out that the outbreak of SARS had severely affected Hong Kong economy and caused hardship for various industries. While business operators were seeking assistance from banks to help them survive during the difficult time, he learnt that some banks had told their customers that regulatory requirements of HKMA had, to some extent, restricted banks' flexibility in providing refinancing assistance to customers. Mr TIEN asked how HKMA would encourage banks to help their customers. Sharing Mr TIEN's concerns, Mr NG Leung-sing enquired whether HKMA would issue guidelines for banks to follow in this respect.

11. In response, CE/HKMA said that HKMA had written to banks encouraging a sympathetic and flexible approach in processing loans or loan restructuring in relation to negative equity and corporate borrowers suffered from the impact of SARS. However, CE/HKMA stressed that it was inappropriate for HKMA to issue guidelines in this respect as banks would be in the best position to

examine cases having regard to the individual circumstances and financial positions of their customers. CE/HKMA commented that enhanced communication between banks and customers would be helpful in resolving the problems. He remarked that banks were well aware of the benefits of assisting their customers to tide over the difficult period as opposed to writing off loans of customers going into bankruptcy.

Use of the fiscal reserves for reviving the economy

12. Noting CE/HKMA's comment that it was appropriate to use fiscal reserves for relieving the impact of SARS on the economy, Ms Emily LAU sought his views on the public call for revising the revenue proposals in the 2003-04 Budget to help revive the economy. In reply, CE/HKMA stressed that the use of fiscal reserves for relieving the economy and tackling the deficit problem were two separate issues. While he considered it reasonable to use the fiscal reserves in a one-off manner for relieving the economy from shock caused by unusual circumstances like the SARS crisis, there should not be delay in tackling the problem of structural deficit. As it was important for the Government to demonstrate to the international community its ability and determination in resolving the deficit problem, any delay in implementing the proposed measures would be undesirable. On whether the revenue proposals in the 2003-04 Budget should be revised, CE/HKMA said that he was not in a position to give comment as the matter was outside the purview of HKMA.

13. On Mr LEE Cheuk-yan's view that the Government should step up effort to revive the economy rather than resolve the deficit problem to strike fiscal balance by 2006-07, CE/HKMA concurred that it was the Government's top priority to revive the economy after containment of SARS and assured members that HKMA would endeavour to maintain a stable monetary environment to facilitate economic recovery. However, CE/HKMA pointed out that it was also necessary for the Government to tackle the worsening fiscal deficit problem in the medium term.

14. Responding to Ms Emily LAU's enquiry on how HKMA would compare the use of fiscal reserves to defend the Hong Kong dollar during the Asian financial crisis in 1998 and to tackle the SARS crisis, CE/HKMA remarked that it would be inappropriate to compare the impact of the two incidents on Hong Kong. In his opinion, it was proper to use the fiscal reserves to tackle the economic difficulties caused by SARS, but it would be difficult for him to comment on the "appropriate amount" to be used. However, if there was concern about speculative attacks on Hong Kong dollar due to drawing down of the reserves, issuance of bonds could be considered as an alternative measure to raise funds.

15. Ms Emily LAU commented that as Hong Kong still had ample amount of fiscal reserves, she could not see the need to issue bonds which would involve interest costs. In reply, CE/HKMA said that while there was no urgent need for the

Government to issue bonds, it could consider doing so when the supporting conditions, including the cost of funding, were favourable and the measure would also help the development of Hong Kong debt market. Nonetheless, CE/HKMA said that he was not aware of any concrete plan to issue bonds at present and the matter would be for the Financial Secretary to decide.

Factors affecting financial and monetary stability

16. Mr LEE Cheuk-yan recalled that CE/HKMA had remarked in his Viewpoint article on 13 February 2003 that a credible fiscal position was important for maintaining confidence in the Linked Exchange Rate system to avoid an interest rate shock on Hong Kong. Given the current economic situation in Hong Kong, Mr LEE sought CE/HKMA's views on the risks facing the financial system, in particular, the risk of speculative attack on the Hong Kong dollar.

17. CE/HKMA stressed that as the Monetary Authority, he had the legitimate duty to point out and analyze the risks facing the monetary and financial systems. He needed to adopt a cautious approach and take all relevant factors into consideration in the process. Since performance of various economic indicators, such as unemployment rate, deflation, and fiscal position had deteriorated as compared with the time of the Asian financial crisis, in his opinion, the economy was more vulnerable to the shock brought about by a financial crisis if it came. Hence, the monetary and financial systems were facing more risks now than before.

18. Referring to the balance of payments position of Hong Kong in the past two years which had shown a net outflow of capital, Mr Albert HO expressed concern that the outflow might suggest a capital flight due to a lack of confidence in Hong Kong. Sharing Mr HO's concern, Mr SIN Chung-kai pointed out that recent downgrading by international rating agencies in ratings for Hong Kong might also indicate the confidence problem.

19. CE/HKMA said that there was no single cause for the capital outflow. While the net outflow might reflect investors' inclination to seek higher return on foreign assets, it could also indicate a lack of confidence of investors in Hong Kong. Notwithstanding, the outflow had not brought about instability in Hong Kong's financial system. However, he cautioned that despite Hong Kong's continued improvement in the current account surplus in recent years, the situation had to be closely monitored as there was concern that the surplus would shrink as a result of the adverse economic consequences of SARS. As regards concrete measures to boost confidence, CE/HKMA said that it was not for him to provide such a list of measures. Nonetheless, he believed that stable monetary, financial, and banking environment would be conducive to increasing investors' confidence.

Supervision of Authorized Institutions

20. With the commencement of the Securities and Futures Ordinance and the Banking (Amendment) Ordinance 2002 on 1 April 2003, Mr Henry WU sought information on deployment of HKMA's resources for supervision of Authorized Institutions' (AIs) regulated activities under the new regulatory regime. The Deputy Chief Executive/HKMA (DCE/HKMA) advised that there were four specialist securities teams each with up to three officers set up under the Banking Development Department for supervising AIs' regulated activities. HKMA considered the existing staffing provision adequate for implementing the new regulatory regime but would keep the position under review to consider whether additional resources would be required. He added that HKMA would continue to conduct on-site examinations of AIs' activities which had proven effective in detecting areas requiring special attention and follow-up actions.

21. Noting that HKMA was regulating securities and insurance businesses of AIs, Mr Henry WU expressed concern about possible duplication of regulatory efforts with other regulators including SFC and the Insurance Authority (IA). He was particularly concerned that HKMA would become a "super regulator" in the financial market and that the dual regulator approach under which the same activity (e.g. securities activity) was regulated by two regulators (i.e. SFC and HKMA) would result in inconsistencies in regulatory standards and requirements.

22. In response, DCE/HKMA clarified that HKMA had no intention to expand its functions to become a "super regulator". However, as AIs were extending their business to other areas, such as securities and insurance in recent years, HKMA, as the regulator for AIs, had to supervise AIs' business on a consolidated basis to ensure that all business risks were properly managed. He further advised that the International Monetary Fund had also recommended HKMA to step up supervision of AIs' securities and insurance businesses. As regards the concern about the dual regulator approach, DCE/HKMA stressed that the approach was suitable for Hong Kong financial market having regard to the development in the banking industry. HKMA had been cooperating closely with other financial regulators in identifying and addressing issues of common concern, as well as developing consistent regulatory standards and approach through the signing of Memorandum of Understanding to ensure there would be no regulatory overlaps nor gaps.

23. Referring to page 47 of HKMA's Annual Report 2002 on operational supervision, Mr NG Leung-sing sought information on the six and eight breaches under sections 81 and 83 of the Banking Ordinance respectively. DCE/HKMA advised that the breaches were technical and unintentional in nature. Three breaches of section 81 were the result of banks' misunderstanding of the counterparty exemption and two breaches were related to the adjustment of capital base of banks. As regards breaches of section 83, DCE/HKMA explained that the Banking Ordinance provided that any bank staff with authority to approve loans

could not have unsecured loans from the bank with an amount exceeding \$1 million. Nevertheless, with the continuous decline in property prices in recent years, bank staff whose property had turned into negative equity had involuntarily breached the provision. He confirmed that seven out of the eight breaches found were of this nature. DCE/HKMA added that the number of breaches in 2002 was less than that in 2001. The number was relatively small as compared with the large total number of lending transactions each year. In this connection, CE/HKMA agreed with Mr NG's comment that footnotes explaining the nature of the breaches should be provided in the Annual Report to give a clearer picture to readers.

Remuneration of HKMA staff

24. Ms Emily LAU welcomed the establishment of the Remuneration and Finance Sub-committee (the Sub-committee) which comprised of six non-official non-banking members to make recommendations to the Exchange Fund Advisory Committee (EFAC), among other things, on pay and conditions of service of HKMA staff. She then enquired how the Sub-committee worked out its recommendations to EFAC.

25. In response, CE/HKMA advised that the Sub-committee was established in 2002. He undertook to inform members of the exact date of its formation after the meeting. In working out the recommendations on pay and conditions of service, the Sub-committee made reference to the performance of HKMA (assessed in terms of its policy targets) and findings of the annual pay level survey and pay trend survey.

(Post-meeting note: The requested information provided by HKMA was issued to members vide LC Paper No. CB(1) 1696/02-03 dated 16 May 2003.)

26. As regards the increase in the aggregate emoluments of senior staff in 2002 over 2001, CE/HKMA explained that the increase was due to the filling of a post vacant in 2001. He also pointed out that differences in the salaries and other staff cost in 2001 and 2002 were also attributable to the change in accounting practice which was effective from 1 January 2002. He assured members that there had not been any pay rise for HKMA staff in 2002.

Development in financial infrastructure

27. Mr CHAN Kam-lam asked whether the development of payment system linkages with Mainland cities could be expedited to facilitate payment flow between Hong Kong and the Mainland. CE/HKMA responded that with the objective of developing Hong Kong as a regional settlement hub, HKMA had been establishing links with several important global debt securities clearing systems as well as with the systems in the Mainland. HKMA would continue co-operation with Mainland authorities to establish more payment linkages.

28. Ms Emily LAU expressed concern about the design of the new generation of banknotes to be issued in 2003. In view of general adverse comments she had received from the public on the design of the new \$10 notes, she asked whether there would be a public consultation on the design of the new generation of banknotes. In response, CE/HKMA said that the new generation of banknotes were designed by the three note-issuing banks. As regards the new \$10 notes, CE/HKMA said that they were issued before the Lunar New Year 2003 to meet the demand of the community. He added that there were also positive comments on the design.

V Briefing on the Clearing and Settlement Systems Bill
(LC Paper No. CB(1) 1554/02-03(05))

Briefing by the Administration

29. At the Chairman's invitation, the Executive Director (Monetary Management and Infrastructure) HKMA (ED/HKMA) briefed members on the details of the Clearing and Settlement Systems Bill (the Bill). He explained that at present while there was no express statutory backing for HKMA's oversight of important clearing and settlement systems (CSS) for funds or securities, it had been acting as a de facto overseer for CSS indirectly through provisions of the Exchange Fund Ordinance, the shareholdings in the Hong Kong Interbank Clearing Limited (HKICL) and contractual agreements with system operators. Moreover, there was no express statutory backing for settlement finality of CSS to provide protection for settled transactions through the system against unwinding from insolvency laws. The objectives of the Bill were to introduce statutory oversight of important CSS and to confer certainty of settlement finality for the systems.

Discussion with members

30. In response to Mr Henry WU's enquiry as to whether HKMA had considered subjecting CSS to oversight of SFC to facilitate the clearing and settlement of securities payments, ED/HKMA advised that as clearing and settlement of payments were mainly made through banks, it was a normal practice worldwide for central banks or banking regulators to take up the oversight role.

31. As to Mr Henry WU's enquiry on comparable overseas legislation similar to the current proposal, ED/HKMA said that apart from the payment system oversight legislation in Australia and Canada, some other advanced economies were considering similar legislative proposals. In the case of Singapore, it was proposed that the Monetary Authority of Singapore would be given the statutory power to oversee CCS. In UK, consideration was being made on conferring powers to organizations, such as the Office of Fair Trading, to oversee CCS. He

added that while in some jurisdictions, such as the United States (US) and the European Union, where the oversight role was currently taken up by competition authorities, these jurisdictions were considering the need for change in the light of the international trend to have central banks taking up the oversight role.

32. Mr SIN Chung-kai supported the proposal to provide express statutory backing for HKMA's oversight role in CCS. Nevertheless, he opined that HKMA should consider disposing of its shares of HKICL upon enactment of the Bill to avoid possible role conflict as both the regulator and operator of CCS. He also requested the Administration to provide information on the international practices in this area to illustrate whether overseas regulators derived their oversight power from both laws and shareholding in CCS concurrently.

33. In response, ED/HKMA said that as the shareholder of HKICL, HKMA had been participating in other areas of work to ensure efficient and safe operation of CCS. He was of the view that HKMA's shareholding in HKICL should not conflict with its oversight role as HKMA had been acting as a de facto overseer of CCS over the past years. Nevertheless, he undertook to consider Mr SIN Chung-kai's view and provide the requested information in due course.

(Post-meeting note: The Administration's response to members' request at paragraph 33 was issued to members vide LC Paper No. CB(1) 1790/02-03 on 27 May 2003.)

VI Consultancy Study on the Review of the Role of the Official Receiver's Office (LC Paper No. CB(1) 907/02-03(05))

Briefing by the Administration

34. At the Chairman's invitation, the Deputy Secretary for Financial Services and the Treasury (Financial Services) (DS/FS) briefed members on the outcome of the public consultation on the major findings and recommendations of a consultancy study on the review of the role of the Official Receiver's Office (ORO). She highlighted the following views from respondents for members' information:

- (a) On the role and functions of ORO, most respondents agreed that it should be more a regulator than dealing with insolvency cases.
- (b) For recommendations relating to liquidation cases, there were divergent views from respondents on the proposal of introducing a "cab rank" system for assigning liquidation cases to private sector insolvency practitioners (PIPs). Under the proposed system, PIPs who wished to take on compulsory liquidation cases would register with the court and handle any case assigned to them on a roster basis.

Whilst a few respondents were in favour of the proposal, others were either not supportive or pointed out the need to consider the feasibility carefully.

- (c) For recommendations relating to bankruptcy cases, most respondents supported making legislative amendments to enable ORO to outsource bankruptcy cases to PIPs. A few respondents considered it necessary for the Government to provide PIPs with subsidies and reduce the administrative work involved. Most respondents agreed with the recommendation for a fast track procedure to be created for dealing with selected consumer bankruptcy cases while a few respondents were concerned that the procedure would encourage more self petitions for bankruptcy.
- (d) For recommendations relating to regulation and supervision of PIPs, there were different views on the establishment of an ORO administered licensing and supervising system.

35. On the way forward, DS/ES said that some of the recommendations, such as the proposal to outsource bankruptcy cases to PIPs, would be pursued as soon as possible and the Administration would consult members on the legislative amendments soon with a view to introducing the relevant bill to the Council in the next legislative session. As for other recommendations, such as the proposed "cab rank" system and the licensing of PIPs, they would be further considered by the Administration.

Discussion with Members

Need for legislative amendments

36. In reply to enquiry by Mr Albert HO and Ms Emily LAU about the need for legislative amendments to outsource insolvency cases to PIPs as they understood that outsourcing arrangements had been put in place at present, the Official Receiver (OR) explained that under existing legislation, ORO had to convene a meeting with the creditors who had to vote for the appointment of a PIP. Whilst some 700 odd cases had been given to PIPs under this arrangement, there were 25 000 plus bankruptcy cases handled by ORO in 2002. A very large number of such meetings would need to be held if these cases were to be outsourced. As such, it was considered essential to make legislative amendments to enable for a more efficient outsourcing of bankruptcy cases.

Proposed outsourcing arrangements

37. In reply to Mr Albert HO's concern about possible malpractices of PIPs in investigating bankruptcy cases, OR assured members that PIPs were professionals who were well aware of their statutory duties and obligations in

undertaking investigations for bankruptcy cases. It was believed that they would perform their duties properly as apart from legal liabilities, they would be subject to disciplinary action for breaching professional rules and regulations by the professional bodies they were members of. OR added that PIPs would interview the individuals concerned in bankruptcy investigations to confirm the facts about their financial dealings and affairs. Any acts of e.g. the hiding of asset were criminal offence under the Bankruptcy Ordinance.

38. Mr Albert HO sought information on the source of funding for engaging PIPs for insolvency cases. He doubted whether outsourcing arrangements would be feasible for cases involving a small amount of realizable assets if the fees for PIPs were to be paid from these assets. In response, OR explained that for bankruptcy cases, ORO planned to make available to the participating PIPs part of the deposits given by the applicants of bankruptcy petitions as service fees for handling the cases. In addition, PIPs might approach the creditors concerned for contribution to the fees. OR assured members that public funds would not be used in this regard.

39. Noting that some respondents considered it necessary for the Government to provide PIPs with subsidies, Ms Emily LAU expressed concern about the propriety for the Government to subsidize the cost of insolvency cases. OR pointed out that a pilot scheme had been established in 1996 with a total subsidy of \$10 million allocated to ORO for outsourcing summary cases (i.e. where realizable assets were unlikely to exceed \$200,000) to PIPs and a list of registered PIPs was worked out in consultation with the Hong Kong Society of Accountants to participate in the pilot scheme. PIPs were provided with a maximum amount of \$60,000 for each liquidation case under the pilot scheme, and the amount of subsidy was subsequently reduced to \$9,200 per case after the introduction of a tendering scheme in 2000.

40. Mr Eric LI said that he had participated in the above pilot scheme and commented that the scheme had been successful and well received by PIPs.

Introduction of a “cab rank” system and licensing of PIPs

41. Ms Emily LAU pointed out that the “cab rank” system was a fair system which had run successfully in the US and Australia. She asked whether the Administration would incorporate the proposal in the legislative amendments to be introduced in the next legislative session.

42. DS/FS explained that unlike the situation of the US and Australia, the number of liquidation cases in Hong Kong was relatively small. Hence, the “cab rank” system might not be able to attract PIPs as they were uncertain about their returns under the system. She further advised that the Consumer Council had expressed support for the system. The Administration would further consider the proposal with further consultation of relevant stakeholders. If it was considered

feasible, the proposal would be incorporated into the bill planned to be introduced in the next legislative session.

43. Mr Eric LI considered that the “cab rank” system would not be cost-effective under the existing insolvency regime given the small number of cases they might be allocated annually. He opined that the Administration should further streamline the liquidation procedures before taking forward the proposal. He further suggested that the system be considered one to two years after the implementation of outsourcing bankruptcy cases to PIPs so that PIPs could gain experience in the new system and assess their cost and return better. DS/ES agreed with Mr LI’s views.

44. As regards Ms Emily LAU’s enquiry about the feasibility of introducing a licensing system for PIPs, DS/ES said that the Administration would conduct further consultation with PIPs on the proposal.

VII Any other business

45. There being no other business, the meeting ended at 1:10 pm.

Council Business Division 1
Legislative Council Secretariat
19 June 2003