

立法會
Legislative Council

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(These minutes have been
cleared with the Chairman)

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Panel on Financial Affairs

Minutes of meeting
held on Thursday, 9 October 2003 at 3:25 pm
in Conference Room B of the 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 LEE Cheuk-yan
Hon NG Leung-sing, JP
Hon James TO Kun-sun
Hon Bernard CHAN, JP
Hon SIN Chung-kai
Dr Hon Philip WONG Yu-hong, GBS
Hon Emily LAU Wai-hing, JP

Members absent : Dr Hon David CHU Yu-lin, JP
Hon Albert HO Chun-yan
Dr Hon Eric LI Ka-cheung, GBS, JP
Dr Hon David LI Kwok-po, GBS, JP
Hon CHAN Kam-lam, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Abraham SHEK Lai-him, JP

Clerk in attendance : Miss Salumi CHAN
Chief Assistant Secretary (1)5

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Ms Connie SZETO
Senior Assistant Secretary (1)4

Ms Rosalind MA
Senior Assistant Secretary (1)8

Ms May LEUNG
Legislative Assistant

Action

I. Election of Chairman and Deputy Chairman

Election of Chairman

Mr Ambrose LAU, Chairman of the Panel for the 2002-2003 session, presided over the election of the Chairman of the Panel for the 2003-2004 session and invited nominations for the chairmanship.

2. Mr Ambrose LAU was nominated by Dr Philip WONG and the nomination was seconded by Mr James TIEN. Mr LAU accepted the nomination.

3. As Mr Ambrose LAU was nominated, Mr Henry WU, Deputy Chairman of the Panel for the 2002-2003 session, presided over the election. There being no other nominations, Mr Ambrose LAU was declared Chairman of the Panel for the 2003-2004 session. He then took over the chair.

Election of Deputy Chairman

4. The Chairman invited nominations for the deputy chairmanship. Mr Henry WU was nominated by Mr Kenneth TING and the nomination was seconded by Dr Philip WONG. Mr WU accepted the nomination. There being no other nominations, Mr Henry WU was declared Deputy Chairman of the Panel for the 2003-2004 session.

II. Schedule of meetings for the 2003-2004 session

5. Members endorsed the proposed schedule of regular meetings tabled at the meeting. They agreed that regular meetings of the Panel for the 2003-2004 session be

held on the first Monday of each month at 10:45 am. As the first Monday of April 2004 was a public holiday for the Ching Ming Festival, members agreed that the regular meeting for that month be rescheduled for Friday, 2 April 2004 at 10:45 am.

6. Mr James TIEN pointed out that in the 2002-2003 session, the Panel held a number of special meetings of which some were held at very short notice at the request of the Administration. He considered the situation unsatisfactory. Members agreed that for the 2003-2004 session, special meetings should be arranged only under special circumstances. The Chairman said that he would convey members' view to the Administration when he met with the Secretary for Financial Services and the Treasury in November to discuss the work plan of the Panel for the 2003-2004 session.

III. Items for discussion at Panel meetings

Special meeting on 28 October 2003

7. The Chairman informed members that according to the Administration, the Financial Secretary planned to make a statement at the Council meeting on 22 October 2003 on measures and timetable to address the fiscal deficit problem, and then to brief the Panel on the same subject in late October. After discussion, members agreed that a special meeting be held on Tuesday, 28 October 2002 at 2:30 pm for the briefing.

Regular meeting in November 2003

8. Members noted that the Administration had proposed the following three discussion items for the regular meeting in November 2003:

- (a) Briefing by the Chief Executive of Hong Kong Monetary Authority (CE/HKMA) on the work of HKMA;
- (b) Update on the progress of the Corporate Governance Action Plan; and
- (c) Review on the institutional set-up of the Office of the Commissioner of Insurance (OCI).

9. On paragraph 8(a) above, members noted that it was the practice in previous sessions for CE/HKMA to brief the Panel on the work of HKMA at the meeting in November. On paragraph 8(b) above, the Administration would update the Panel on the progress of the initiatives set out in the Corporate Governance Action Plan, including the initiative to follow up the recommendations of the Expert Group to Review the Operation of Securities and Futures Market Regulatory Structure. As regards paragraph 8(c) above, the Administration would brief the Panel on the idea of turning OCI into an independent regulator and the results of the recent consultation with stakeholders.

10. As CE/HKMA would be on a business trip outside Hong Kong on 3 and 4 November, members agreed that the regular meeting for November be held on Thursday, 6 November, instead of Monday, 3 November. In order to allow sufficient time for discussion of the three items, members also agreed that the meeting be held from 9:00 am to 12:30 pm.

(Post-meeting note: The schedule of regular meetings for the 2003-2004 session was issued to members vide LC Paper No. (1)37/03-04 on 10 October 2003.)

Discussion item proposed by Mr James TO

11. Members noted Mr James TO's proposal for the discussion of the "Report of the Special Committee on Corporate Governance, Credit Approval Process, Risk Management and Internal Control Mechanisms of Bank of China (Hong Kong) Limited (BOCHK)" (the Report) at a meeting of the Panel in November. Members also noted the Administration's view that the provisions of section 120 of the Banking Ordinance (BO) (Cap. 155) prevented the Monetary Authority from discussing publicly the affairs of an individual authorized institution.

12. Mr James TO pointed out that the Report, published by BOCHK in September 2003, was prepared by the Special Committee appointed by BOCHK to review the credit approval, risk management and internal control processes of BOCHK, including the circumstances surrounding the approval of the New Nongkai loan. As BOCHK was a licensed bank which was subject to the supervision of HKMA and there was grave public concern about the problem loan made out by BOCHK to New Nongkai, Mr TO considered that it was in the public interest for the Panel to examine, in the light of the Report, how HKMA had discharged its responsibilities as the supervisor and regulator of the banking industry to protect the interests of depositors and the public, and how HKMA would deal with such cases and the criteria for deciding what measures should be taken.

13. The Chairman declared interest that he was a director of a subsidiary of BOCHK and invited the Deputy Chairman to preside over the discussion of Mr James TO's proposal. The Deputy Chairman took over the chair.

14. Mr NG Leung-sing declared interest that he was an employee of BOCHK. Mr Bernard CHAN declared interest that he was a director of a bank.

15. Whilst members generally had no objection to the discussion of policy issues arising from the Report, they were concerned how far the Panel could discuss the issues in the light of the provisions in section 120 of BO. Mr James TO pointed out that section 120(5)(h) of BO provided that section 120(1) should not apply to the disclosure of information by the Monetary Authority with the consent of the person

from whom the information was obtained or received. In Mr TO's view, HKMA should, if considered necessary, seek the consent of BOCHK. In any case, as BOCHK had already published the Report, it was now in the public domain.

16. To facilitate the Panel's consideration of Mr James TO's proposal, members agreed that the Legal Adviser's view be sought on the issue. Members also agreed that if the proposal was subsequently accepted by the Panel, the relevant item might be placed on the agenda for the Panel meeting on 6 November 2003.

IV. Any other business

17. There being no other business, the meeting ended at 3:55 pm.

Legislative Council Secretariat
3 November 2003