

Panel on Financial Affairs

List of outstanding items for discussion
(Position as at 4 December 2003)

**Scheduled/Proposed
timing for discussion**

1. Proposed changes to the directorate establishment of the Financial Services and the Treasury Bureau and Inland Revenue Department

The Administration proposes to brief the Panel on its proposals to delete one D3, one D2 and one D1 posts, redeploy one D2 and one D1 posts and make permanent a supernumerary D4 post to meet operational requirements. It plans to submit the proposals to the Establishment Subcommittee and the Finance Committee on 11 February 2004 and 5 March 2004 respectively.

5 January 2004

2. Accrual-based consolidated accounts of the Government

The Administration proposes to brief the Panel on the first set of accrual-based government accounts for 2002 - 2003.

5 January 2004

3. Agreement between the HKSAR of the PRC and the Kingdom of Belgium for the Avoidance of Double Taxation (DTA) and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital

This will be the first comprehensive DTA signed by the HKSAR. The Administration will consult the Panel before initiating the legislative process to give effect to the agreement.

5 January 2004

**Scheduled/Proposed
timing for discussion**

4. Briefing on the work of Hong Kong Monetary Authority

The Chief Executive of the Hong Kong Monetary Authority (CE/HKMA) will continue to brief the Panel on the work of HKMA on a regular basis. The last briefing was held on 6 November 2003. The next two briefings are scheduled for February and May 2004.

2 February 2004
3 May 2004

5. Governance of the Hong Kong Monetary Authority

The purchase of permanent accommodation for HKMA using the Exchange Fund in 2001 aroused public concern about the accountability of HKMA and the transparency of its operations. The concerns raised by members over the need for incurring HK\$3.699 billion to acquire new premises of 340 000 ft² for HKMA and the legality and appropriateness of using the Exchange Fund for the purpose were discussed at three meetings of the Panel between April and November 2001. At its meeting on 9 April 2002, the Panel decided to examine the governance of HKMA. To facilitate the Panel's deliberation of the subject, the Research and Library Services Division (RLSD) of the LegCo Secretariat was requested to conduct a research comparing the governance of HKMA and comparable authorities in Hong Kong and overseas jurisdictions. The research report and the written response from HKMA were issued to members on 2 May 2003 vide LC Paper Nos. CB(1)1584/02-03 and 1592/02-03 respectively.

2 February 2004

A meeting was held on 2 June 2003 to discuss the findings of the research report, the response from HKMA and the written views from relevant organizations and academics. In view of the various points of concerns and suggestions raised, members decided that the subject should be further discussed at a meeting of the Panel, and that the Financial Secretary (FS) and CE/HKMA should be invited to the meeting. A special meeting was scheduled for 31 July 2003 for the purpose.

Following the resignation of Mr Antony LEUNG on 16 July, the Chairman, after consulting members of the Panel, agreed to the suggestion of Mr Stephen IP, Acting FS, that the special meeting scheduled for 31 July 2003 be postponed until after the new FS was in post.

6. Functions and responsibilities in monetary and financial affairs

The HKMA provided the exchange of letters between FS and the Monetary Authority on the functions and responsibilities in monetary and financial affairs (LC Paper No. CB(1)2111/02-03) for members' information on 27 June 2003. The Administration provided a LegCo Brief on "International Monetary Fund — Financial Sector Assessment Programme: HKSAR Response to Financial System Stability Assessment" and published an official document (LC Paper No. 2194/02-03) on the same day to delineate clearly the roles and responsibilities of FS and the Secretary for Financial Services and the Treasury (SFST) in relation to the management of financial affairs and public finance.

2 February 2004

At the Panel meeting on 7 July 2003, members noted Ms Emily LAU's suggestion that the captioned item be discussed by the Panel and agreed that arrangements for discussion of the item be made in the 2003-04 session.

FS and CE/HKMA will attend the Panel meeting on 2 February 2004 for the discussion of the functions and responsibilities between FS and the Monetary Authority in monetary and financial affairs.

Members have been consulted on whether they are interested in discussing the roles and responsibilities of FS and SFST in relation to the managing of financial affairs and public finance vide LC Paper No. CB(1)252/03-04 on 21 November 2003. No members have expressed interest by the deadline on 28 November 2003.

7. Review on the financial regulatory framework for securities dealers and securities margin financing providers

The Administration will consult the Panel on proposals seeking to address the risks facing the practitioners and investors in the securities market. The working group convened by the Securities and Futures Commission is

1 March 2004
(tentative)

**Scheduled/Proposed
timing for discussion**

conducting the Review, and is considering a number of options to minimize such risks.

8. Mandatory Provident Fund Schemes Authority (MPFA) Disclosure Project

The Administration proposes to brief the Panel on MPFA's proposals to enhance the transparency regarding the fees and charges and investment performance for MPF funds.

1 March 2004
(tentative)

9. Study on the feasibility of establishing an Insurance Policyholders Protection Fund

The Administration proposes to brief the Panel and seek members' views on the proposal to establish insurance policyholders' protection funds in Hong Kong.

1 March 2004
(tentative)

10. Regulation of the accounting profession

With a view to enhancing the regulatory regime of the accounting profession and improving the quality of financial statements of companies, the Administration issued a consultation paper on 19 September 2003 to seek public views on proposals to set up an Independent Investigation Board and a Financial Reporting Review Panel. The consultation period ended on 31 October 2003. The Administration will report the outcome to the Panel and consult members on the way forward.

1 March 2004
(tentative)

11. Regulation of listing

At the special Panel meeting held on 13 June 2003 for discussion of the report by the Expert Group to Review the Operation of Securities and Futures Market Regulatory Structure (the Expert Group), Ms Emily LAU requested the Administration to update the Panel in September 2003 on its progress in following up the Expert Group's recommendation regarding listing matters. The Administration's written response was circulated to members vide LC Paper Nos. CB(1)2146/02-03(01) and 2172/02-03(01) in July 2003. The Administration undertook to update the Panel on the progress of the consultation exercise in due course.

2 April 2004
(tentative)

**Scheduled/Proposed
timing for discussion**

The Administration issued a consultation paper on 3 October 2003 to seek public views on the recommendations of the Expert Group. The consultation period will end on 31 December 2003. The Administration will report the outcome to the Panel and consult members on the way forward.

12. Campaign to re-launch Hong Kong's economy

On 12 and 29 May 2003, the Panel was briefed on the overall approach to re-launch Hong Kong's economy after the outbreak of Severe Acute Respiratory Syndrome and the Administration's financial proposal of creating a new commitment of \$10 billion for implementing the Campaign to re-launch Hong Kong's economy (the Campaign). On 30 May 2003, the Finance Committee approved the financial proposal.

First special meeting held on 15 November 2003; second special meeting to be arranged

At the special meeting on 11 October 2003, the Panel was updated on the progress of the Campaign. Members expressed concern about the cost-effectiveness of the various activities under the Campaign, in particular, the Hong Kong Harbour Fest (the Festival).

To address the Panel's concern, FS agreed on 28 October 2003 that two special meetings be arranged for him to brief the Panel on the arrangements for the Festival. Members agreed that the first special meeting should be held as soon as possible and would focus on the preparatory arrangements, ticketing arrangements, publicity arrangements, financial arrangements and up-to-date budget for the Festival. The second meeting would be held later when the budget for the Festival has been finalized and audited.

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13. Overall economic development of Hong Kong

The Panel has invited FS to brief the Panel and all other Legislative Council Members on macro economic issues on a periodic basis since mid-1999.

7 June 2004

The last briefing was held on 2 June 2003. In line with practice in previous sessions, the next briefing will be held in June 2004.

14. Progress on the establishment of a commercial credit reference agency (CCRA) in Hong Kong

HKMA will update the Panel on the latest progress of the establishment of a CCRA in Hong Kong.

7 June 2004
(tentative)

15. Operation of Trading Funds and the Proposal to establish the Rating and Valuation Department Trading Fund

When the Panel was consulted on the proposed establishment of the Rating and Valuation Department (RVD) Trading Fund at its meeting on 3 June 2002, members expressed concern about the financial viability of the proposed trading fund and associated staff deployment arrangements. The Administration advised that the target was to bring the proposed RVD Trading Fund into operation on 1 July 2003. The Administration undertook to report the position and provide more details for the Panel's further deliberation by end of 2002.

To be confirmed

The Panel has commissioned RLSD to conduct a research examining the operation, performance, cost-effectiveness, accountability and staffing arrangements, etc of existing trading funds. A working meeting was held on 11 February 2003 to discuss the draft report. Members agreed that a copy of the report be forwarded to the Administration for written response and deliberation at a future Panel meeting. The Administration's written response was circulated to members on 22 May 2003 (LC Paper No. CB(1)1733/02-03(02)).

As regards the proposed RVD Trading Fund, the Administration has advised on 3 October 2003 that it is still

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examining the proposal and will consult the Panel in due course.

16. Target level and proper uses of Government's fiscal reserves

To follow up the discussions on the subject in the 2000-01 session, the Panel commissioned a research study on the management and use of fiscal reserves in overseas jurisdictions. The research report was presented to the Panel on 14 March 2002. The Panel noted that the incumbent Financial Secretary announced in his 2002-03 Budget Speech a revised target level of fiscal reserves, i.e. a level equivalent to around 12 months of government expenditure to meet operating and contingency requirements. The revised guideline dispensed with the previous requirement to also link the level of fiscal reserves to money supply. However, the Administration considered it crucial for the fiscal reserves to continue to be placed with the Exchange Fund to ensure that the Exchange Fund would have abundant resources to defend the stability of Hong Kong's monetary and financial systems.

To be confirmed

In response to the Panel's written request for information on the investment incomes of the Government, the then Secretary for the Treasury provided information on the investment incomes of the Government for the period 1996-97 to 2000-01, which was circulated to members on 17 May 2002 (LC Paper No. CB(1)1772/01-02).

17. Management of Government investment incomes

At the meetings of the "Subcommittee on matters relating to the implementation of railway development projects" held in July 2002 to consider the draft Penny's Bay Rail Link Project Agreement, Members have raised concern about the scope and extent of powers of the FS in relation to the management of dividends and other forms of income generated from Government's investment in public and private companies. Members are also concerned whether proper mechanisms are in place to ensure that the exercise of such powers is properly accounted for by the executive authorities to the LegCo. The Subcommittee requests that the above policy issues

To be confirmed

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should be further discussed by the Panel.

18. The granting of tax relief for divorced persons paying maintenance to ex-spouses

This item was referred by the Panel on Administration of Justice and Legal Services (Panel on AJLS). An oral question on the item was raised at the Council meeting on 10 July 2002. The details on the item were circulated to members vide LC Paper No. CB(1)520/02-03(01) on 12 December 2002.

To be confirmed

19. The way forward for the Land Fund

The Panel was consulted at the meeting on 7 April 2003 on the Administration's proposal to amend the Resolution of the Land Fund to enable transfer of funds to the Government General Revenue Account for meeting anticipated shortfalls. The Subcommittee on the motion to amend the Resolution of the Land Fund under Section 29 of the Public Finance Ordinance (Cap. 2) (the Subcommittee) was subsequently formed to study the proposal.

To be confirmed

In the course of deliberation of the Subcommittee, members raised concern about the future of the Land Fund. The Administration has undertaken to examine the way forward for the Land Fund, including whether or not it should be abolished altogether, and consult the Panel in due course.

The Administration has advised that it is still examining the future of the Land Fund and will consult the Panel in due course.