



DAILY INFORMATION BULLETIN

ISSUED BY GOVERNMENT INFORMATION SERVICES
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Monday, July 24, 1995

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Update on MPF Schemes Bill

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Following is an update on the Mandatory Provident Fund Schemes Bill and the Government's position on the committee stage amendments.

The Mandatory Provident Fund Schemes Bill

This paper provides an update on the Mandatory Provident Fund Schemes Bill, on which the Second Reading Debate will resume this Wednesday (July 26).

It also outlines a number of changes that the Government will be proposing at the committee stage and explains why it is important for the MPF Schemes Bill to be debated in full, and enacted, within the current session, rather than let the discussion be deferred until the next legislative session.

On a proposal by the Hon Michael Ho Mun-ka to move a procedural motion to adjourn the resumption of the Second Reading Debate, the Government urged LegCo members to vote against such a motion for the following reasons:

- * The community deserves to know where it stands on the subject of retirement protection. Members deserve the opportunity to vote for the Mandatory Provident Fund Schemes Bill on its merits.
- * The Legislative Council urged Government to expedite the introduction of a mandatory retirement protection system in March this year. Enactment of the Bill setting out the necessary legislative framework is the most expeditious way of doing this. The main features of the Bill are well-known. Any further delays will only frustrate the community's aspirations for the early introduction of a retirement protection system.
- * Government will be moving Committee Stage amendments to clauses 44-46 of the Bill to allow for subsidiary legislation to be subject to approval by resolution of the Legislative Council up until the date of commencement of clause 6 in its entirety. Government will discuss the subsidiary legislation with Members of the Legislative Council and other interested members of the community.
- * The Bill will lapse if the motion becomes effective. Such a delay will create unnecessary uncertainties and will substantially reduce the accrued benefits of scheme members.

- * Early passage of the Bill will enable the setting up of the Mandatory Provident Fund Schemes Authority and facilitate work on the necessary subsidiary legislation and allow trustees, insurers and fund managers to develop appropriate products for the MPF. Employers and employees alike can also prepare themselves for the MPF in good time.

Interface with existing ORSO schemes

The interface with existing schemes registered under the Occupational Retirement Schemes Ordinance is a subject of major concern. While it has always been Government's aim for the MPF to cover as many persons in the workforce as possible, the Administration does not want to interfere with participants in existing registered schemes.

After carefully considering the views of the Bills Committee and depositions from a number of organisations, the Government is prepared to move an amendment to the effect that persons who are members of relevant ORSO schemes, whether defined benefit or defined contribution, can be exempt from the provisions of the MPF legislation provided that the fundamentals of the MPF System are not compromised and provided that they satisfy requirements specified in regulations to be made under the Bill.

Such a provision will enable the Administration to have further consultation with organisations concerned before the regulations on the exemption arrangement are developed in detail. It would also enable the Administration to consider further the conditions under which new members may be admitted to such schemes.

Exemption for the first 30 days employment

Schedule 1 of the Bill now exempts a relevant employee who has been employed under a contract of employment for a continuous period of less than 30 days. This is in recognition of the fact that if an employee is going to resign, he is more likely to do so in the period immediately after he starts work. In response to Members' suggestions that this period should be extended, to deal with cases where an employee works for 30 days, then gives 30 days notice, the Administration will be moving an amendment to change the 30 day period to 60 days. If the employee remains in the job longer than that, then the employer would have to backdate both months' MPF contributions while the employee would only need to contribute for the latter 30 days.

Portability

As drafted, Clause 13 of the Bill provides for persons who change job the choice of leaving their accrued benefits in the form of individual accounts with the trustee who runs the scheme of their former employer, or to transfer their accrued benefits to the new scheme. No one would therefore be compelled to leave a master trust scheme, run for his former employer, which has been doing well and may produce a higher rate of return. Nor would anyone be forced to move to a new scheme which might not be doing so well. the Administration thinks that this would reduce the frequency of transfers of accrued benefits. However, some Members have contended that the clause does not reflect Government's policy intention. Some also expressed concerns that the transfer costs might be significant.

To put the matter beyond doubt, the Administration will move a committee stage amendment to Clause 13 to make it clear that an employee may leave his accrued benefits with a master trust on change of job if he thinks that this is desirable. The process of transfer would thence be straightforward and should not incur any significant cost. In addition, for the better protection of accrued benefits, the Government can provide in the subsidiary legislation that except for the incidental costs and expenses of remitting the money involved, no deductions shall be made against the accrued benefits under transfer.

Residual Provident Fund Scheme

At present, Clause 22 of the Bill allows the MPF Schemes Authority to authorise a corporate trustee to be the trustee of a Residual Provident Fund Scheme if the Authority thinks it is desirable, among other things, to effect access to membership of a registered scheme for persons who are otherwise unable to obtain such membership. The consultants have advised that there would be sufficient individuals and companies in the market interested in becoming approved trustees, and that as such it would probably not be necessary to provide Residual Provident Fund Schemes. The industry also agrees with the consultants.

The Government has, nonetheless, included in the Bill a provision for these schemes to be established. However, concern has been expressed that Clause 22, as drafted, would not require the Authority to set up such schemes until after Section 6 was in operation, and as such, may not provide sufficient comfort to individuals who are unable to find a scheme in the market.

To allay such fears, the Administration will now amend Clause 22 to require the Authority to take all necessary steps to cause to be established Residual Provident Fund Schemes prior to the commencement of any of the provisions of Section 6. The purpose of such schemes would be to provide membership, as a scheme of last resort, to those persons who had been unable to find a scheme themselves, and where the Authority is otherwise unable to find one for him.

Approval of subsidiary legislation

Government has always agreed that there should be full consultation with LegCo Members when drawing up subsidiary legislation. To reflect this, the Administration will move CSAs to the effect that all subsidiary legislation made under clauses 44-45 and notice made under clause 46 should be made by positive resolution of LegCo in accordance with s. 35 of Cap. 1 until such time as clause 6 of the Bill, which requires employers to arrange registered schemes for their employees and the self-employed to make parallel arrangements, is brought into operation in its entirety.

Exemption for administrative purposes

The Administration has always been aware that certain classes of employee or self-employed person will be difficult administratively to bring into the MPF, at least initially. Even at this stage, the Administration believe that:

- (a) domestic employees, irrespective of their place of origin; and
- (b) self-employed hawkers,

should be provided exemption under Part II of schedule 1 of the Bill, and we shall move an amendment to that effect. Where a domestic employee opts to contribute, however, he or she will be able to do so, and the employer must then pay the matching part of the contribution.

Amendments to be moved by Hon Henry Tang

The Chairman of the Bills Committee, the Hon Henry Tang will move amendments to clauses 1(2), 6(7), 44, 45 and 46 to the effect that all subsidiary legislation, the commencement of the Ordinance, and the appointed day for the coming into operation of particular provisions of this Ordinance will be subject to the approval of the Legislative Council. The Administration urges LegCo members to vote against these amendments because:

- * Government will in any case be moving amendments to clauses 44 to 46 of the Bill that all subsidiary legislation made under clauses 44 and 45, and notices under clause 46, prior to the commencement of clause 6 in its entirety, will be subject to the approval of the Legislative Council.

- * The proposal to prohibit the approval by the Legislative Council of a commencement notice appointing a day for the coming into operation of a provision or purpose of the Bill unless relevant rules or regulations have been made will do nothing but create uncertainty and confusion. Such a provision depends upon the passage of the other proposed CSAs, and cannot operate without them. By itself, the proposed sub-clause (3) would paralyse the Bill.
- * Even if the other related CSAs were passed, it remains unclear how sub-clause (3) would work. It is not clear from sub-clause (3) how the Council can determine whether sufficient rules or regulations have been made to satisfy the pre-condition created by the sub-clause. This could lead to challenges on the validity of the operation of sections in the Ordinance.
- * The Legislative Council already has the power to reject regulations or rules, or to amend them so they can be approved, as well as the power to reject a commencement notice. This makes the proposed power superfluous. The general and continuous availability of the affirmative resolution procedure would provide the Legislative Council with the control it seeks. No purpose would be served by adding the proposed clause 1(3).
- * There also remains the possibility that the effect of clause 1(3) might be to strip a provision, once commenced, of its subsidiary legislation making power.
- * The proposed sub-clause (3) is essentially misconceived.
- * The power to commence and to implement an Ordinance should be vested with the executive. There are already adequate checks and balances between the executive and the legislature under existing constitutional arrangements. The proposed amendments, while well-intended, are misconceived and will undermine our executive-led political system.

Amendments to be moved by Hon Lee Cheuk-yan

The Hon Lee Cheuk-yan will move amendments to clause 14(3) to exempt registered MPF schemes from the set-off arrangements as prescribed in the Employment Ordinance (Cap.57) in respect of severance payments or long service payments. The Administration urges LegCo members to vote against these amendments on the following grounds:

- * The set-off practice is a long established arrangement, understood by employers and employees alike.
- * It is not appropriate to expect employers to pay twice. However, we appreciate that the provisions for severance and long service payment need to be examined in the light of the MPF. Government has already invited the Labour Advisory Board to conduct such a review. It would be premature to introduce any changes in the meantime.

Amendments to be moved by Hon James Tien

The Hon James Tien will move amendments to Schedule 1, Part II to the effect that any self-employed hawkers as defined by the Public Health and Municipal Services Ordinances (Cap. 132) and domestic employee who is not a Hong Kong permanent resident as defined in section 2 of the Immigration Ordinance (Cap. 115) shall be exempt from the Bill.

The Administration urges Members to vote against this amendment, the second part of which is clearly discriminatory, and inconsistent with Hong Kong's obligation under the Covenant on Civil & Political Rights. It would also be contrary to Hong Kong's obligations under Article 6 of Convention 97 of the International Labour Organisation to provide equal treatment to migrant workers and local residents in respect of issues such as social security and old age benefits.

The Administration appeals to Members of the Legislative Council to support the MPF Schemes Bill, the early implementation of which is clearly in the best interest of the workforce.

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Residential mortgage survey results for June 1995

Growth of residential mortgage loans for the purchase of properties in Hong Kong moderated in June, following the acceleration in the previous two months, according to the results of the latest monthly survey conducted by the Hong Kong Monetary Authority (HKMA).

The latest figures show that the total amount of outstanding mortgage lending by the 33 institutions in the survey grew by 1.6% in June (2.7% in May) to \$255.6 billion. (The percentage change has been adjusted to allow for the sale and purchase of loans by some institutions during the month.)

The growth rate is higher than the monthly average of 0.96% over the last 12 months.

Reflecting the higher growth in April and May, the annualised rate of growth in lending over the last three months increased to 28.6%, compared with 23.0% in the three-month period to May. The 12-month average of outstanding loans showed an annualised growth rate of 11.5%, compared with 11.2% in May.

"The June figures reflect more subdued trading activity in the primary market during May," the Deputy Chief Executive (Banking) of HKMA, Mr David Carse, said.

The amount of new loans approved but not yet drawn fell by \$1.7 billion (24.6%) to \$5.3 billion in June.

"This suggests that residential mortgage loans should grow more slowly in July," Mr Carse said.

Lending for the purchase of properties in China increased slightly by 0.1% to \$4.84 billion in June. Gross loans made in June decreased both in number (to 109 from 291) and in amount (to \$68 million from \$205 million). New loans approved in June also fell both in number (to 204 from 241) and in amount (to \$144 million from \$159 million).

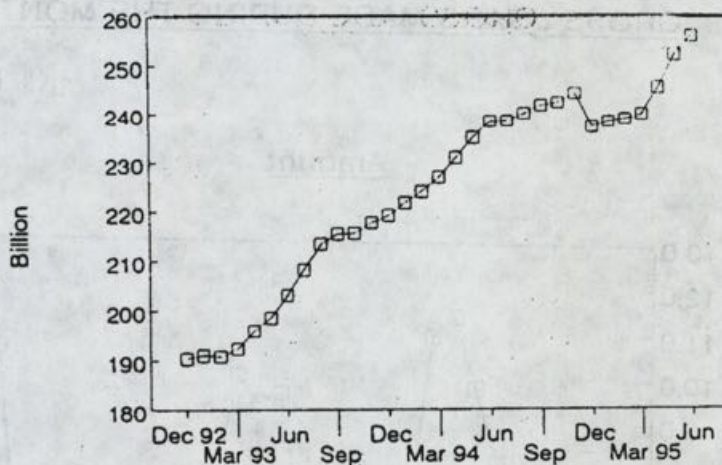
**Residential Mortgage Loans in Hong Kong
Results of Survey for June 1995**

	<u>Jun</u> <u>1995</u> HK\$ Mn	<u>May</u> <u>1995</u> HK\$ Mn
<u>33 authorised institutions</u>		
1. <u>Outstanding lending</u>		
a. Amount	255,627	251,836
b. Monthly change	1.6% **	2.7%
c. Twelve-month change	11.3% **	11.1%
d. Average change (annualized)		
Latest three months	28.6% **	23.0%
Latest twelve months	11.5% **	11.2%
2. <u>Gross loans made during month</u>		
a. Amount	8,787	12,352
b. Number	6237	8322
3. <u>New loans approved during month</u>		
a. Amount	7,766	12,311
b. Number	5756	8228
4. <u>New loans approved during month but not yet drawn</u>		
a. Amount	5,280	7,005
b. Number	4010	4741

Note : ** Adjusted for the effect of sale and purchase of residential mortgage loans by some institutions amounting to a net sales of HK\$0.2 billion.

**RESIDENTIAL MORTGAGE LOANS IN HONG KONG
(33 institutions)**

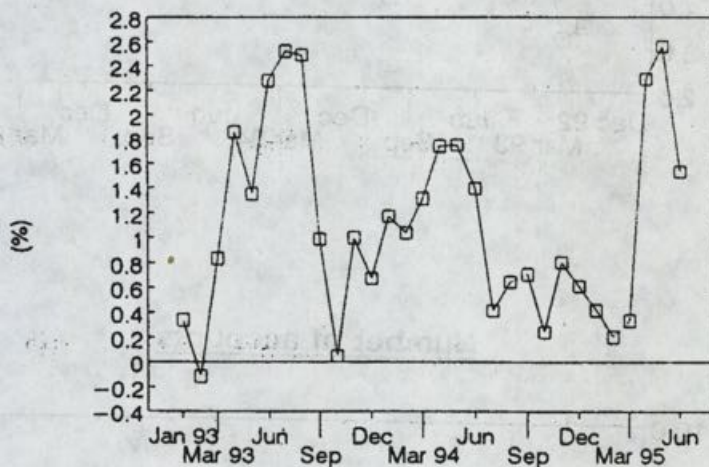
Outstanding balance at end of month



A1

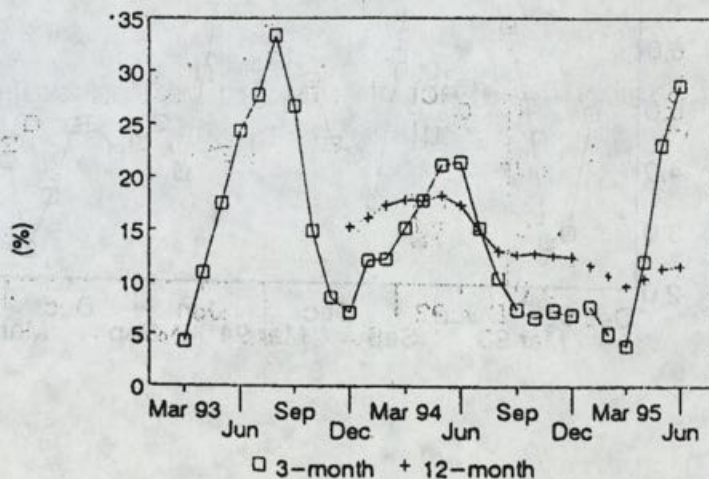
Remarks : The significant fall of outstanding balance in December 1994 was due to the effect of reclassification, securitization and sale of loans by some institutions.

Monthly growth rate



A2

3-month and 12-month moving average growth rate on annualised basis



A3

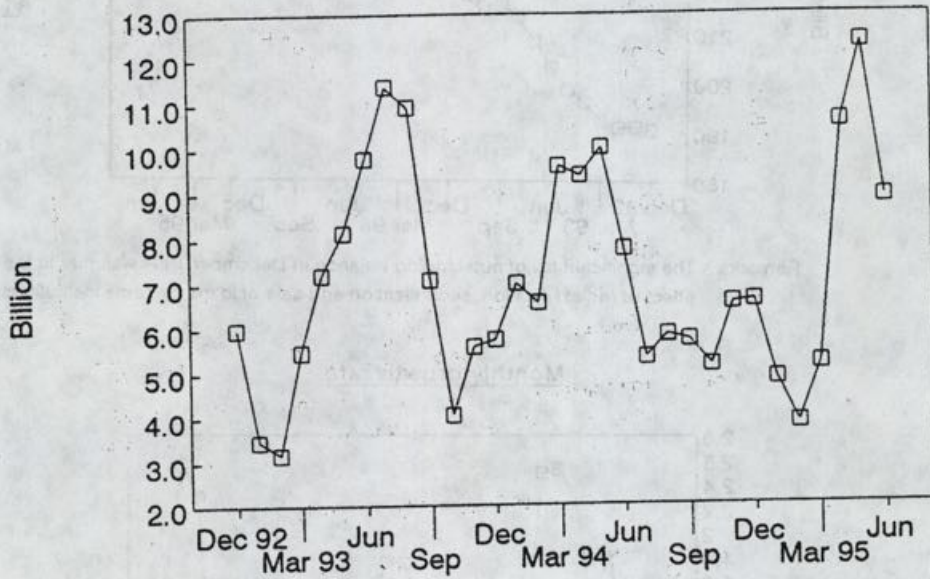
□ 3-month + 12-month

Chart B

**RESIDENTIAL MORTGAGE LOANS IN HONG KONG
(33 institutions)**

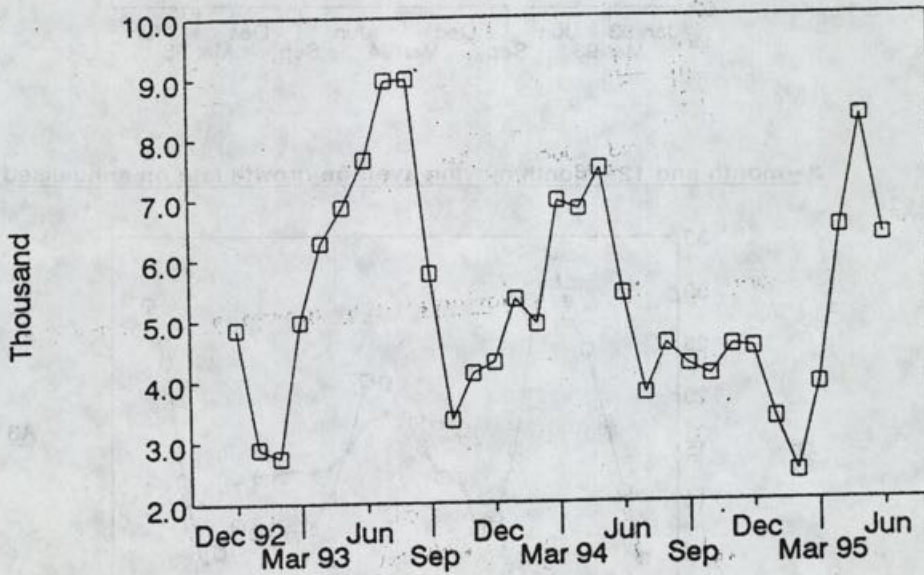
GROSS LOANS MADE DURING THE MONTH

Amount



B1

Number of accounts



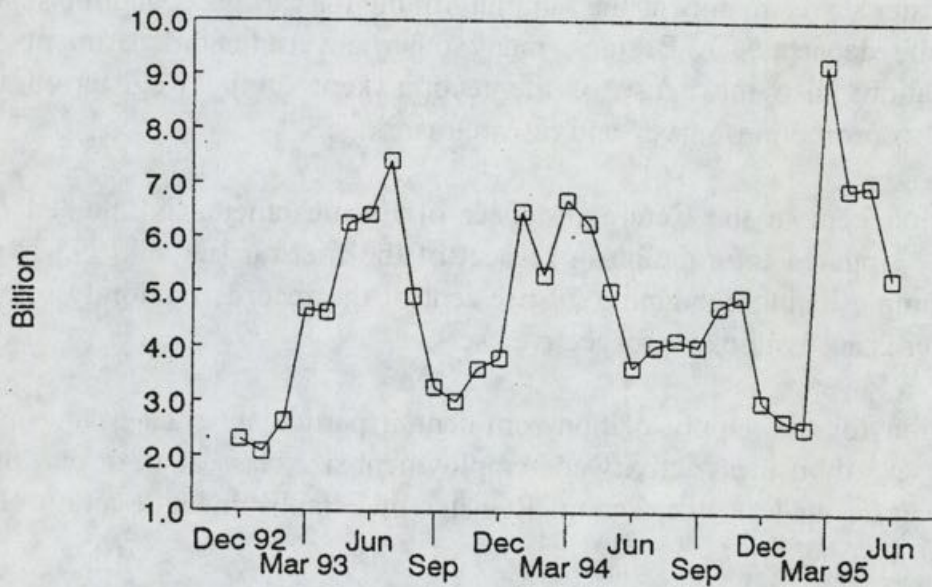
B2

Chart C

RESIDENTIAL MORTGAGE LOANS IN HONG KONG
(33 institutions)

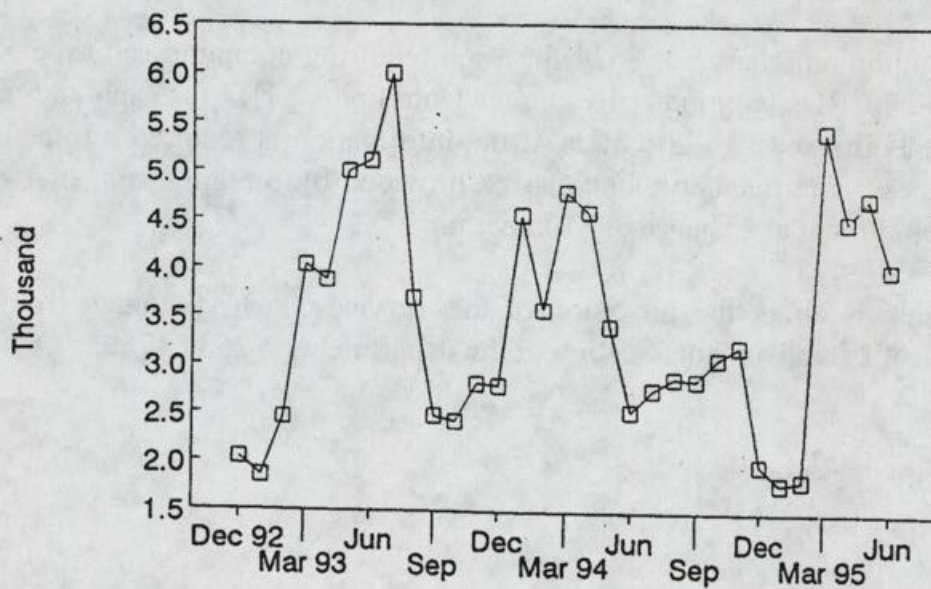
NEW LOANS APPROVED BUT NOT YET DRAWN

Amount



C1

Number of accounts



C2

Supply of non-confidential establishment particulars

The Census and Statistics Department maintains a comprehensive and up-to-date computerised Central Register of Establishments which contains around 400,000 active business establishments in Hong Kong.

The Register serves mainly as the sampling frame for various economic surveys conducted by the department. Besides, many other government departments and private organisations also make use of the records kept in the Register in their publicity, business promotion, survey and research work.

Information kept in the Central Register of Establishments is updated on a quarterly basis. Updated information in respect of the first quarter of 1995 is now available. A sample listing containing 20 per cent of the records randomly selected from the Register is accessible by prospective users.

Application for the supply of non-confidential particulars such as the name, address, major type of business activity and employment size class of all or part of the listed records can be made to the Central Register of Establishments Section of the department.

The information can be supplied in the form of photocopies or specially-run magnetic tapes. A charge will be levied for this service, at the following rates:

- * \$5.3 per page of photocopy; or
- * a minimum charge of \$634 for a job requiring computer run time of up to 20 CRUs (Computer Resources Units) plus \$31.7 for each additional CRU in excess of 20 CRUs, if the information is required on magnetic tapes. The magnetic tape can be provided by the applicant, or by the department at a charge of \$105 per tape.

Further details about the provision of this service can be obtained from the Central Register of Establishments Section of the department on 2582 4760.

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Vietnamese vessel intercepted

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In response to media enquiries, a Government spokesman confirmed today (Monday) that at about 1 pm, a Vietnamese vessel had reportedly been intercepted outside Hong Kong waters by a Chinese Security Force vessel.

The spokesman said the Marine Police was aware of the incident and later ascertained that the Vietnamese vessel was loaded with second-hand cars. None of the crew members on board were Hong Kong residents. Three Chinese Security Force officials were seen on board the Vietnamese vessel which escorted back to Yantian by Chinese Security Force officials via Mirs Bay.

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Chinese delegation visits Hong Kong

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A Chinese delegation led by Mr. Sheng Guangzhu, Chief Economist of the Ministry of Railways, will visit Hong Kong from July 26 to August 4, the Government announced today (Monday).

The delegation will include seven other members who work in the Ministry of Railways, Ministry of Post and Telecommunications, Ministry of Communications, State Science and Technology Commission, Customs General Administration, Hubei Provincial People's Government and the Hong Kong and Macau Affairs Office of the State Council.

A Government spokesman said this was one in a series of sponsored visits between mainland China and Hong Kong.

"The objective of the sponsored visit programme is to increase mutual understanding of Chinese and Hong Kong Government officials on each other's systems and ways of life," he said.

The delegation will be briefed by senior Hong Kong Government officials on policies relating to transportation, telecommunications, port development, trade matters, financial affairs, district administration and regional services.

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Water storage figure

Storage in Hong Kong's reservoirs at 9 am today (Monday) stood at 76.9 per cent of capacity or 450.565 million cubic metres.

This time last year the reservoirs contained 513.380 million cubic metres of water, representing 87.6 per cent of capacity.

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Hong Kong Monetary Authority tender results

Tender date	24 Jul 95
Paper on offer	EF notes
Issue number	3807
Amount applied	HK\$4,260 MN
Amount allotted	HK\$500 MN
Average price (yield) accepted	99.43 (6.47 PCT)
Lowest price (yield) accepted	99.43 (6.47 PCT)
Pro rata ratio	About 85 PCT
Average tender price (yield)	99.12 (6.59 PCT)

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Hong Kong Monetary Authority money market operations

	<u>\$ million</u>	<u>Time (hours)</u>	<u>Cumulative change (\$million)</u>
Opening balance in the account	1,591	0930	+715
Closing balance in the account	2,130	1000	+715
Change attributable to :		1100	+720
Money market activity	+706	1200	+712
LAF today	-167	1500	+717
		1600	+706

LAF rate 4.25% bid/6.25% offer TWI 119.0 *-0.1* 24.7.95

Hong Kong Monetary Authority

EF bills		EF notes				
Terms	Yield	Term	Issue	Coupon	Price	Yield
1 week	5.35	2 years	2705	6.40	100.76	6.03
1 month	5.40	3 years	3804	6.90	101.53	6.38
3 months	5.48	5 years	5006	6.60	98.33	7.13
6 months	5.58	5 years	M501	7.90	101.76	7.59
12 months	5.67					

Total turnover of EF bills and notes - \$ 5,523 million

Closed July 24, 1995

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