

LCQ19: Regulation of money lenders

Following is a question by the Hon Kenneth Leung and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (April 17):

Question:

According to the Money Lenders Ordinance (Cap 163), no person shall carry on business as a money lender without a licence, except the persons specified in Part 1 of Schedule 1 (e.g. a bank) and the persons who make a loan as specified in Part 2 of Schedule 1. On regulating money lenders, will the Government inform this Council:

(1) of the number of licensed money lenders in each of the past five years, with a breakdown by type of business (e.g. vehicle financing and corporate/business lending); if such a breakdown is not available, of the reasons for that;

(2) as it is stipulated in section 24 of Cap. 163 that no person shall lend money at an effective rate of interest which exceeds 60 per cent per annum, whether the Government has studied if there is any room for adjusting downward the interest rate ceiling; if it has studied and the outcome is in the affirmative, of the details; if the study outcome is in the negative, the reasons for that;

(3) whether it will set up an independent institution to regulate money lenders and regulate money lenders on an ongoing basis under a risk-based approach; if so, of the details; if not, the reasons for that; and

(4) whether it will tighten the licensing conditions for money lenders to require that money lenders must, before approving a personal loan, conduct a test on the repayment ability of the loan applicant, so as to reduce the risk of over-borrowing on the part of the borrower; if so, of the details; if not, the reasons for that?

Reply:

President,

A consolidated reply to the question raised by the Hon Kenneth Leung is as follows:

(1) The number of licensed money lenders in each of the past five years is set out below:

As at	Number of licensed money lenders
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December 31, 2018	2 153
December 31, 2017	1 994
December 31, 2016	1 848
December 31, 2015	1 605
December 31, 2014	1 309

Since the money lender licences granted by the Licensing Court do not restrict the types of money lending business to be conducted by the licensees, the Money Lenders Unit (MLU) of the Companies Registry does not have the relevant breakdown.

(2) and (3) Currently, the Licensing Court, the Police and the MLU have respective roles to play under the regulatory regime for money lenders. The Licensing Court is responsible for the determination of applications for and granting of money lender licences as well as the imposition of licensing conditions. The Police is responsible for enforcing the Money Lenders Ordinance (MLO), including examination of applications for money lender licences and renewal of licences, and investigating complaints against money lenders. As for the MLU, it is responsible for processing applications for money lender licences, maintaining a register of money lenders for public inspection, as well as adopting risk-based supervisory measures to monitor licensed money lenders' compliance with the MLO and the conditions imposed by the Licensing Court when carrying on their money lending business. The MLU also conducts site inspections to ensure licensed money lenders have appropriate systems and measures in place for their business operation.

Section 24 of the MLO provides that if any person lends at an effective rate of interest exceeding 60 per cent per annum, he shall commit an offence punishable on conviction by a fine and/or imprisonment, and the relevant loan agreement shall also be unenforceable. Section 25 of the MLO provides that where proceedings are taken in any court by any person for the recovery of any money lent, or on application by a debtor, the court may, if satisfied that the loan transaction is extortionate, reopen the transaction and substitute just terms. A transaction where the effective rate of interest exceeds 48 per cent per annum is presumed prima facie to be extortionate.

The regulatory regime for money lenders and the statutory provisions pertaining to money lending transactions have been operating smoothly and are effective in curbing loansharking activities in Hong Kong. The Government will continue to keep in view the operation of the regulatory regime.

(4) Money lenders, which are outside the banking system, provide an alternative source of finance for individuals and enterprises which need to borrow money. Money lenders will conduct risk assessments on the repayment

ability of borrowers in deciding whether to approve the loan applications and the relevant terms and conditions. To alert the public of the risk of over-borrowing, more stringent licensing conditions have been imposed on all money lenders since 2016. Licensed money lenders are required to include a warning statement in their advertisements, namely, "Warning: You have to repay your loans. Don't pay any intermediaries". The Government has also rolled out public education and publicity activities, including collaborations with the Investor and Financial Education Council and the Consumer Council to remind the public of issues requiring attention when borrowing and to promote the message of prudent borrowing.

LCQ16: The Mandatory Provident Fund voluntary contribution regime

Following is a question by Hon Paul Tse and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (April 17)

Question:

By offering tax concessions as an incentive, the Government implements the Mandatory Provident Fund (MPF) voluntary contribution regime. Yet, there are comments that the regime has much room for improvement. On enabling members of the public to effectively achieve tax savings and enhancing the attractiveness of the regime to members of the public, will the Government inform this Council:

(1) whether it will set up a department dedicated to providing services for MPF contributors (contributors), which will offer only exchange traded funds (e.g. index funds such as the Tracker Fund of Hong Kong (TraHK) and Hang Seng FTSE China 50 Index ETF) plus money market funds as investment options to contributors, so as to provide contributors with an MPF investment option which is relatively safe and charges low management fees; if so, of the details; if not, the reasons for that; and

(2) whether it will allow, subject to a tax deduction cap of \$60,000, contributors to purchase by themselves from stock markets, without involving their MPF trustees, index funds (such as TraHK) which charge low management fees, and then inject such funds into their MPF schemes' accounts, so as to ameliorate the situation of management fees persistently nibbling away at contributions and to increase the incentive for making voluntary contributions?

Reply:

President,

(1) The Government considers that, instead of being managed by a Government department, the Mandatory Provident Fund (MPF) System should be managed and operated privately by the market.

We agree that scheme members should be offered investment options which are relatively safe and charge low management fees. As of February 2019, 29 MPF Constituent Funds (CF) are passively managed index-tracking funds (12 of which invest in the Tracker Fund of Hong Kong). The Fund Expense Ratios (FERs) of these CFs range between 0.71 per cent and 1.30 per cent.

In addition, the objective of the Default Investment Strategy (DIS) is precisely to offer an investment option which is relatively safe and charges low management fees. The DIS is subject to fee control which consists of two caps, namely a management fee cap of 0.75 per cent and a recurrent out-of-pocket expenses cap of 0.2 per cent. The Government has previously undertaken to review the fee cap levels within three years after the launch of the DIS, with a view to further lowering the fee caps. We expect to start discussions on the new fee caps next year.

The Mandatory Provident Fund Schemes Authority (MPFA) will continue to proactively encourage MPF trustees to make available more investment options which are relatively safe and charge low management fees to scheme members.

(2) MPF is a scheme whereby trustees pool small amounts of monthly contributions from individual scheme members together for investment. As compared to the small amount of monthly investments by individuals, this pooled investment model achieves a higher level of cost efficiency.

We understand Hon Tse's good intention in enhancing the cost efficiency of the MPF system. However, under Hon Tse's suggestion, scheme members may need to pay for a number of transaction fees to different financial institutions. They may also need to take up various administrative tasks on their own. This may go against the original intention of Hon Tse's proposal.

The MPFA has been requiring MPF trustees to regularly review the fee levels of their MPF products. Since the introduction of the FER in July 2007 and up to March 2019, the average FER of MPF funds has dropped from 2.06 per cent to 1.52 per cent. During this period, the DIS legislation was enacted in May 2016 and 138 MPF funds had reduced their fees.

Red flags hoisted at some beaches

Attention TV/radio announcers:

Please broadcast the following as soon as possible:

Here is an item of interest to swimmers.

The Leisure and Cultural Services Department announced today (April 17) that due to big waves, red flags have been hoisted at Shek O Beach and Big Wave Bay Beach in Southern District, Hong Kong Island, and Clear Water Bay Second Beach in Sai Kung District. Beach-goers are advised not to swim at these beaches.

Dennis Wu to host Journeys through Music Lecture Series on German composers

Versatile music practitioner Dennis Wu will return to host the second edition of "Journeys through Music Lecture Series: Into Germany" from May to July to explore the lives of seven great German composers. The new edition follows the positive response to the Journeys through Music Lecture Series instalments "Into Germany", "Into Eastern Europe", "Into Russia", "Into France" and "Into Austria". The series is presented by the Leisure and Cultural Services Department. Details are as follows:

May 15 (Wednesday)

Topic: Johann Sebastian Bach

May 22 (Wednesday)

Topic: Georg Friederich Händel

May 29 (Wednesday)

Topic: Ludwig van Beethoven

June 5 (Wednesday)

Topic: Carl Maria von Weber

June 12 and 19 (Wednesday)

Topic: Richard Wagner

June 26 (Wednesday)

Topic: Gustav Mahler

July 3 (Wednesday)

Topic: Richard Strauss

Dennis Wu is currently the Associate Marketing Director of the Hong Kong

Arts Festival and an active music critic, composer and specialist on a wide range of projects and productions. He is also a radio programme producer and host for Radio Television Hong Kong as well as a frequent speaker at pre-concert talks, meet-the-artist panels and music criticism seminars. His writings are widely published in newspapers and magazines.

All lectures, to be conducted in Cantonese, will be held at 7.30pm in the Lecture Hall of the Hong Kong Space Museum. Tickets priced at \$50 (for each lecture) are now available at URBIX (www.urbtix.hk). For telephone credit card bookings, please call 2111 5999. For programme enquiries and concessionary schemes, please call 2268 7321 or visit www.lcsd.gov.hk/CE/CulturalService/Programme/en/music/programs_790.html.

Transport Department welcomes New Lantao Bus Company (1973) Limited's opening up of real-time arrival data

The Transport Department (TD) today (April 17) reached an agreement with New Lantao Bus Company (1973) Limited (NLB) in opening up real-time arrival data of its bus routes.

NLB will release the real-time arrival data of all of its franchised bus routes in machine-readable formats via the Public Sector Information (PSI) Portal (data.gov.hk) managed by the Office of the Government Chief Information Officer for free use by the public and the industry. The TD will pro-actively coordinate with relevant departments to assist NLB in their preparation work on opening up their real-time arrival data. The data are expected to be available at the PSI Portal in the third quarter of this year.

Opening up data is an important government policy initiative to promote innovation and technology. NLB has been displaying real-time arrival information via the TD's mobile application "HKeMobility" to its users directly. Following New World First Bus Services Limited and Citybus Limited, NLB is the third public transport operator agreeing to open up real-time data via the PSI Portal for free use by the public in Hong Kong.

NLB's continued support for the Government's open data policy is recognised. The TD will continue to have discussions with other public transport operators such as railways and bus companies and appeal for their support to open up their real-time data as soon as possible to keep up with the prevailing trend of open data with a view to promoting smart city development and fostering "Smart Mobility".