

LCQ21: Over-the-counter trading of virtual currencies

Following is a question by the Hon Chan Chun-ying and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (March 17):

Question:

It has been reported that the price of bitcoins, one of the virtual currencies, has surged recently, arousing investors' interest in trading virtual currencies. At present, investors may conduct, in cash and without using any trading platform, over-the-counter (OTC) trading of virtual currencies. Taking advantage of the anonymity inherent in virtual currencies and the absence of regulation of such tradings by the authorities, some lawbreakers, posing as a trading counterparty, deceived and even robbed investors who traded virtual currencies with them. In this connection, will the Government inform this Council:

- (1) whether it has grasped the current situation of OTC trading of virtual currencies in Hong Kong (including the average daily turnover); if so, of the details, and whether it will release the relevant information; if it will not release such information, the reasons for that;
- (2) whether it has plans to regulate OTC trading of virtual currencies; if so, of the details; if not, the reasons for that; and
- (3) whether it will take measures to raise public vigilance about the risks involved in conducting OTC trading of virtual currencies; if so, of the details; if not, the reasons for that?

Reply:

President,

In consultation with the Securities and Futures Commission (SFC) and the Security Bureau, our reply to the Hon Chan Chun-ying's questions is as follows:

(1) and (2) Virtual currencies are not legal tender and not recognised as a means of payment in Hong Kong. In response to the Financial Action Task Force's regulatory suggestion on virtual asset services providers' anti-money laundering and counter-terrorist financing (AML/CTF) measures, the Government launched a three-month public consultation in November 2020, proposing the introduction of, under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615), a licensing regime for operators of centralised virtual asset trading platforms and the requirement for licensees to offer services only to professional investors in order to ensure market

stability and protect investors.

Currently, virtual asset activities outside virtual asset exchanges are not common in Hong Kong. Over-the-counter trading activities often involve interface with financial institutions (for conversion into fiat currencies), and the relevant money flow can be traced through the financial institutions' AML/CTF measures. We will closely monitor the development of such trading activities, and consider the appropriate regulation.

(3) The Financial Services and the Treasury Bureau and the Investor Education Centre (IEC), a subsidiary of the SFC, have launched a public education campaign since 2018 on the risks associated with initial coin offerings and cryptocurrencies. The financial education platform of the IEC, The Chin Family, has also developed a dedicated series of relevant educational articles and infographics at its website (www.ifec.org.hk/web/en/financial-products/fintech/ico-bitcoin/index.page).

The Police also closely monitor the crime trend relating to virtual assets, and have taken corresponding enforcement actions and enhanced crime prevention promotion and education. The Police's Cyber Security and Technology Crime Bureau and the Anti-Deception Coordination Centre have put in place a mechanism to help track the relevant funds, make stop-payment requests and intercept payment to fraudsters systematically upon receiving suspected fraud complaints, thus minimising victims' losses.

Members of the public should pay special attention to the risk when trading or engaging in related investment activities. If they come across any property known or suspected to be crime proceeds, or suspect that they have fallen victim to fraudulent acts, they should contact the Police immediately. The financial regulators and law enforcement agencies will continue to promote and raise public awareness.

LCQ17: Collection of rates

Following is a question by the Hon Wong Kwok-kin and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (March 17):

Question:

Will the Government inform this Council:

- (1) of the total amount of revenue collected by the Government from rates and its year-on-year rate of change, in each of the past five years;
- (2) of the (i) number of units and (ii) total amount of annual rates payable

(set out in tables of the same format as the table below), in respect of each type of buildings (i.e. private residential, public rental housing, office, commercial and industrial buildings) in each of the past five years, broken down by the range (as set out in the table below) to which the amounts of annual rates payable (before concession) for the units belonged;

Year:

Type of buildings:

Amount of annual rates payable for the units (\$)	Number of units	Total amount of annual rates payable
Below 2,500		
2,500 to 5,000		
5,001 to 7,500		
7,501 to 10,000		
10,001 to 15,000		
15,001 to 20,000		
20,001 to 30,000		
Above 30,000		
Total		

(3) of the respective numbers of (i) "proposals" to alter an entry in a new Valuation List, and (ii) "notices of objection" against a/an correction, deletion or addition to an existing Valuation List, received by the Rating and Valuation Department (RVD) in each of the past five years; among those cases, the respective numbers of cases in which the rateable values were reduced eventually;

(4) given that in assessing the rateable value of a certain property, the authorities will make reference to the open market rents agreed on or around the date of valuation, for similar properties in the same district, with due adjustments made to reflect differences in sizes, locations, facilities, and standards of finish and management, of the details of the calculation criteria and adjustment ratios concerned;

(5) as some residents of the subsidised housing in Kowloon East (including Hong Pak Court and Hong Nga Court) have pointed out that the housing court in which they reside is similar to an adjacent housing court in terms of the completion time, location, number of storeys and building conditions, etc., but there is a great discrepancy between the rateable values of the units in the two adjacent housing courts, of the reasons for that; and

(6) of the current staffing establishment in the RVD for handling the work of assessment and review of property rates, and the work process of the annual revaluation of the rateable values of properties?

Reply:

President,

(1) The annual rates revenue collected by the Government and the year-on-year rate of change in the past five years are as follows:

Financial year	Rates revenue (after deducting rates concessions) (\$ million)	Year-on-year rate of change
2015-16	22,733	+2.1%
2016-17	21,250	- 6.5%
2017-18	22,203	+ 4.5%
2018-19	17,167	- 22.7%
2019-20	20,981	+ 22.2%

(2) The Rating and Valuation Department (RVD) does not compile statistics by the amount of rates payable and property types. The number of assessed properties on the Valuation List of each of the past five years, sorted by rateable value, is tabulated below:

Rateable value (\$)	Number of properties on the Valuation List as at April 1 of that year (Note)				
	2016	2017	2018	2019	2020
3,001 – 49,999	429 115	426 201	409 414	396 002	403 632
50,000 – 99,999	673 839	645 185	551 188	474 372	493 819
100,000 – 159,999	651 259	695 262	733 876	755 456	769 660
160,000 – 199,999	213 395	219 545	255 052	291 961	292 490
200,000 – 299,999	221 347	221 675	263 121	297 900	296 323
300,000 – 399,999	82 602	85 049	95 527	106 027	104 616
400,000 – 599,999	74 037	74 944	80 278	86 490	86 198
600,000 or above	108 856	109 723	116 132	123 138	122 260
Total	2 454 450	2 477 584	2 504 588	2 531 346	2 568 998

Note: The numbers include properties assessed on a block-assessment basis.

(3) Proposals for alteration of Valuation List and notices of objection to alteration of an entry on the Valuation List received by the RVD in the past five years are as follows:

Year	Proposal for Alteration of Valuation List		Notice of Objection to an Interim Valuation, a deletion or a correction of an entry on the Valuation List	
	Number of Cases Processed	Number of Cases with rateable value reduced after review	Number of Cases Processed	Number of Cases with rateable value reduced after review
2015-16	50 304	1 417	3 383	289
2016-17	48 688	1 386	4 975	97
2017-18	40 190	1 685	3 727	382
2018-19	40 566	1 544	3 423	86
2019-20	39 092	1 644	6 878	177

(4) & (5) In assessing the rateable value of a tenement, the RVD will make reference to and analyse the rents of similar tenements in the same district as transacted in the open market, and make appropriate adjustments through the application of valuation principles and professional expertise and having regard to the actual conditions of the tenement (taking into account factors such as size, floor level, view, location, environmental conditions, building quality, property management level, maintenance, facilities, etc.) in order to determine the rateable value of the tenement concerned. Although neighbouring housing estates situated in the same district may be similar in terms of building type and age, other factors affecting the rental values of individual properties, such as building design, floor layout, natural lighting of a unit, etc., may differ. As such, it is not abnormal for their levels of rateable value to be different.

(6) The RVD has an establishment of 600 posts dedicated to statutory valuation and assessments in 2021-22. Apart from the assessment and annual revaluation of the rateable values of properties liable to rates and/or Government rent as well as the review of objection and appeal cases, the staff concerned are also responsible for carrying out other relevant statutory duties such as processing rates and/or Government rent exemption, etc.

The RVD will carry out an annual revaluation of rateable values of all properties on the Valuation List. The RVD will issue the Requisition for Particulars of Tenements to ratepayers in order to collect rental information of various properties. Having analysed the rental information collected, the RVD will re-assess the rateable values of the tenements on the Valuation List according to the prevailing market rents as at the valuation reference date (generally on October 1 of the year before the new Valuation List comes into force). Upon completion of the revaluation work, the RVD will declare the new

LCQ18: Special work arrangements for government employees

Following is a question by the Hon Wilson Or Chong-shing and a written reply by the Secretary for the Civil Service, Mr Patrick Nip, in the Legislative Council today (March 17):

Question:

To cope with the Coronavirus Disease 2019 epidemic, the Government implemented, on several occasions since early last year, special work arrangements (special arrangements) under which all government employees, save for those involved in the provision of emergency and essential public services, worked from home. In this connection, will the Government inform this Council:

(1) whether it has assessed the impacts of the special arrangements on public services (including service efficiency and additional administrative costs incurred); if it has assessed, of the details; if not, the reasons for that;

(2) as some members of the public have relayed that during the periods when the special arrangements were implemented, they could hardly access those public services urgently needed and had no way to contact the relevant government officers, whether the Government will issue standard guidelines to various government departments on matters such as staff rosters, work approaches and external liaison under the special arrangements, with a view to reducing the impacts of the special arrangements on members of the public; if not, of the reasons for that; and

(3) as I have learnt that during the periods when the special arrangements were implemented, some government employees were not assigned any work while staying at home, whether the Government will formulate plans so that when the special arrangements are implemented again in future due to an epidemic, such idle manpower may be deployed to support the anti-epidemic work of the Department of Health?

Reply:

President,

My consolidated reply to the various parts of Hon Wilson Or Chong-shing's question is as follows:

In order to reduce the risk of the virus spreading in the community and to break the chain of infection, the Government implements rigorous social distancing measures having regard to the epidemic situation, these include special work arrangements for government employees. The measure helps to significantly reduce the flow of people in the community and serves to encourage employers to allow their staff members to work from home to further reduce the social contact. In implementing the arrangement, the Government requests individual bureaux and departments to deploy staff to suit their own modes of operation and make appropriate adjustments having regard to developing needs, such that in fighting the epidemic and safeguarding the safety of staff, the needs for the functioning of society are taken into account and public services are maintained. We reiterate that even under the epidemic, the Government has all along been maintaining emergency services and essential public services.

During the implementation of the special work arrangements for government employees, bureaux and departments kept the demand for public services under review and made flexible adjustments with reference to experience gained under previous rounds of special work arrangements and views from the public. For example, during the fourth wave of the epidemic, the Integrated Family Service Centres and Social Security Field Units of the Social Welfare Department have remained open to the public. The Licensing Offices of the Transport Department and the Hongkong Post have maintained services albeit on a limited scale. Job Centres of the Labour Department and the Working Family and Student Financial Assistance Agency have provided enquiry and employment services by telephone and continued to process applications submitted by post, drop-in boxes or online respectively in view of the severity of the epidemic situation. To strike a better balance between fighting the epidemic and meeting the needs of a functioning society, the departments adjusted service arrangements and resumed counter services from January 21, 2021 onwards. Besides, we have all along been encouraging members of the public to use alternative means, such as the post, drop-in boxes or online channels to receive the services they need. Individual bureaux and departments have also made announcements on the latest arrangements of their services accordingly.

Government employees under the special work arrangements are not on vacation leave. Save for those involved in the provision of emergency services and essential public services, all other government employees must continue to work from home to minimise the risk of infection. Bureaux and departments have widely adopted information technology and provided appropriate facilities to enhance communication between staff. To support government employees to work from home, departments have procured additional computers and other mobile devices and equipment, computer software, and enhanced the capacities of their communications, networks, and databases according to their operational and staffing demands. As of end October 2020, about 7 900 additional members of staff (about 112 per cent) were provided with notebook computers for accessing departmental intranets and servers, and the number of staff authorised for using virtual private networks for working remotely increased by about 9 700 (about 147 per cent).

Over the past 13 months, bureaux and departments have demonstrated unprecedented collegiality and resilience in joining the anti-epidemic effort on different fronts. The various large-scale targeted measures introduced by the Government at different stages of the epidemic called for extensive manpower. These measures include the Universal Community Testing Programme, close contact tracing, enforcement of compulsory testing in specified "restricted areas", Community Vaccination Programme, etc. The planning and organisation of these measures were completed within a short period of time with the manpower required deployed by various departments. Civil service colleagues are not only required to adopt flexible and innovative ways to respond to the needs of different service targets, but also to shoulder additional responsibilities which are outside the purview of their departments. As of early March 2021, more than 70 000 staff, including civil servants, contract staff and retired civil servants, have been engaged in the implementation of various anti-epidemic programmes and operations. The Government will, depending on the development of the epidemic situation and actual needs, continue to flexibly deploy manpower to support the anti-epidemic effort, and do our best to enable the lives of all people and our economic activities to return to normalcy at the soonest.

LCQ16: Pensions of civil servants and judicial officers

Following is a question by Dr the Hon Chiang Lai-wan and a written reply by the Secretary for the Civil Service, Mr Patrick Nip, in the Legislative Council today (March 17):

Question:

According to the forecast in the Budget published last month, the Government will record deficits in the coming five financial years. Under the situation that the fiscal reserves will continue to dwindle, quite a number of retired and serving civil servants and judicial officers who are entitled to pensions are worried whether the Government is able to continuously fulfill its obligation to make pension payments. In this connection, will the Government inform this Council:

(1) of the respective numbers, as at December 31 last year, of (a) civil servants and (b) judicial officers who are (i) retired and receiving pensions and (ii) serving under pensionable appointment terms;

(2) of the total amount of pension payments (including lump sum and monthly payments) made by the Government in each of the past 10 years, and its year-on-year rate of change;

(3) on the premise that there is no appropriation from the General Revenue Account (GRA), how many months of pension expenditure that the current balance of the Civil Service Pension Reserve Fund represents; and

(4) whether it has devised a contingency plan for the situation that appropriations from GRA to the said Fund are inadequate?

Reply:

President,

Pension arrangement for civil servants are governed by relevant pension legislation (including Pensions Ordinance (Cap. 89), Pension Benefits Ordinance (Cap. 99) and Pension Benefits (Judicial Officers) Ordinance (Cap. 401). It is stipulated in relevant pension legislation that pensions shall be charged on and paid out of the general revenue; and that for civil servants appointed on pensionable terms, their entitlement to pension benefits shall be a right. The Government established the Civil Service Pension Reserve Fund (the Fund) in 1995 to provide a reserve to meet payment of civil service pensions in the event that the Government cannot meet its obligations for such payment from the General Revenue Account (unlikely though it will be). It is the Government's intention to maintain the balance of the Fund in any year at a level not less than the estimated pension expenditure for that year. No payment has been (or is expected to be) made by the Government since the Fund was set up in 1995.

The Government will honour its commitment of paying pensions to retired civil servants and judicial officers in accordance with their respective terms of appointment.

My reply to the questions of Dr Hon Chiang is as follows:

(1) As at December 31, 2020, there are about 146 000 public and judicial services pensioners; and about 67 000 serving public and judicial service officers appointed on pensionable terms.

(2) The recurrent expenditure of pension payments (including lump sum pension gratuity and monthly pension) in each of the past 10 years, and its year-on-year rate of change are as follows:

Financial year	Total amount	Variation	
	\$ million	\$ million	Rate of change (%)
2011-12	18,934.7	—	—
2012-13	20,917.5	+ 1,982.8	+ 10.47
2013-14	22,992.6	+ 2,075.1	+ 9.92
2014-15	25,455.0	+ 2,462.4	+ 10.71
2015-16	28,318.1	+ 2,863.1	+ 11.25

2016-17	30,843.4	+ 2,525.3	+ 8.92
2017-18	33,191.0	+ 2,347.6	+ 7.61
2018-19	35,510.0	+ 2,319.0	+ 6.99
2019-20	37,385.7	+ 1,875.7	+ 5.28
2020-21 (Revised Estimate)	41,688.9	+ 4,303.2	+ 11.51

(3) and (4) The opening balance of the Fund for 2021-22 is \$42.77 billion and investment income for the year is estimated to be \$3.04 billion. It is expected that the Government will transfer \$3.02 billion from the General Revenue Account to the Fund in 2021-22 in order to bring the closing balance of the Fund for 2021-22 to \$48.83 billion, at a level not lower than the estimated pension expenditure of \$45.79 billion for the year.

[LCQ14: Measures to support sustained development of retail industry](#)

Following is a question by the Hon Shiu Ka-fai and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (March 17):

Question:

The Government allocated \$130 million in 2014 for the implementation of three measures related to the manpower development of the retail industry, including implementing an Earn and Learn Pilot Scheme for Retail Industry, raising the retail industry's image and setting up a Retail Technologies Adoption Fund for Manpower Demand Management. Regarding the measures to support the sustained development of the retail industry, will the Government inform this Council:

(1) whether it has assessed the effects of the aforesaid three measures on the retail industry over the years; if so, of the details;

(2) of the latest implementation situation of the three measures, and the balance of the allocation;

(3) given that the Coronavirus Disease 2019 epidemic has accelerated the development of online shopping and the operation of the retail industry under an integrated online-to-offline model, thus leading to a surge in the industry's demand for the relevant talents, and that the Government has decided to cease accepting new applications under the aforesaid measures

starting from this year, whether the Government will consider the following proposal of some members of the industry: continuing to use the balance of the allocation for enhancing training on technology application and digital skills for the practitioners of the retail industry, and at the same time for promoting the new image of the retail industry so as to attract new blood, thereby helping the industry meet the talent challenges brought by the digitalisation of the retail industry; if so, of the details; if not, the reasons for that; and

(4) as some members of the industry have indicated that in their work to transform their retail business, quite a number of retailers currently lack support on aspects like funding, mastery of the relevant technologies, and effective online sales channels and promotion platforms, what targeted measures, other than those for talent development, the Government has put in place to help the industry resolve the current difficulties so as to support the sustained development of the industry?

Reply:

President,

In response to the question raised by the Hon Shiu Ka-fai, my consolidated reply is as follows:

The Government launched three retail manpower development measures in 2014, including the Earn and Learn Pilot Scheme for Retail Industry (the Pilot Scheme), the Retail Technology Adoption Assistance Scheme for Manpower Demand Management (ReTAAS) and the related promotion activities.

The Pilot Scheme was implemented by the Vocational Training Council (VTC) in partnership with the Hong Kong Retail Management Association. It allows Secondary Six graduates to attend classes on campus while acquiring working experience, and aims at providing training for aspiring youngsters to join the retail workforce. The first cohort of the Diploma of Foundation Studies (DFS) programme under the Pilot Scheme commenced in September 2014, with an intake of 255 student-workers. A total of 615 student-workers have enrolled in the seven cohorts of the DFS and the three cohorts of the Higher Diploma (HD) programmes under the Scheme so far. However, the number of student-workers joining the Pilot Scheme has dropped significantly in recent years. The DFS programme in the 2020/21 academic year had an intake of only four student-workers and no students were enrolled in the HD programme in the last two academic years.

On the contrary, VTC began offering two full-time Government subsidised retail courses (i.e. Higher Diploma in Retail Innovation and Management and Diploma of Foundation Studies – Retail) in the 2020/21 academic year. These courses are similar in nature to the Pilot Scheme, but full-time courses are more popular with students. In the 2020/21 academic year, about 120 students were enrolled in these courses. Considering that the student demand for the programmes under the Pilot Scheme has dropped significantly, the Government will stop accepting new applications for the Pilot Scheme from the 2021/22

academic year onwards. Student-workers already enrolled under the Pilot Scheme will not be affected and could complete the programmes as originally planned. The two full-time Government subsidised retail courses offered by VTC could continue to support the manpower development of the retail industry.

ReTAAS was launched by the Government in partnership with the Hong Kong Productivity Council, and aims to support the retail industry to adopt technologies for manpower management and enhancing productivity. As of February 2021, 467 applications with a total funding of around \$17.2 million were approved.

However, the number of ReTAAS applications from retail enterprises has dropped significantly in recent years. Eligible applications received have decreased by 69 per cent from about 13 per month in 2016-17 to four in 2019-20. On the other hand, the Innovation and Technology Commission (ITC) launched the Technology Voucher Programme (TVP) in 2016, which aims to support local enterprises/organisations (including retail enterprises) in adopting technology services and solutions to improve productivity, or upgrade or transform their business processes. As of end February 2021, TVP received 2 552 applications from the wholesale and retail industry, of which 973 were approved with a total funding of about \$149.4 million. As the number of applications for ReTAAS has dropped significantly and there are Government funding schemes with a similar nature but more popular with the trade, the Government will stop accepting new applications for ReTAAS from April 1, 2021 onwards, but applications submitted or projects approved before the deadline will not be affected.

Since the launch of the above Pilot Scheme and ReTAAS, the Government also began a related retail promotion campaign to enhance the positive image of the retail industry, which includes television and radio Announcements in the Public Interest, online animation videos, a thematic website, social media pages and advertisements, bus seatback and restaurant table stickers and advertisements in recruitment magazines. As the Pilot Scheme and ReTAAS will stop accepting new applications, the relevant retail promotion campaign will also cease.

The accumulated expenditure and funding approved for the above retail manpower development measures is about \$44.46 million thus far. Although the measures concerned will be discontinued, the Government will continue to support the retail sector in manpower development and adoption of information technology services through VTC's full-time Government subsidised retail courses and TVP.

In addition, the Government has also supported the retail industry through various channels. For example, under the first round of the Anti-epidemic Fund, the Retail Sector Subsidy Scheme was launched to support retailers seriously affected by the pandemic, with about 69 000 applications and about \$5.5 billion approved. Moreover, the Distance Business Programme also approved about 6 800 applications from the retail sector with a total funding of about \$393 million (Note 1) to support the sector to continue

operation and service by adopting information technology solutions (including online business, online order taking and delivery, digital payment, etc.) during the pandemic.

In terms of technology adoption and training, the Reindustrialisation and Technology Training Programme under the ITC aims to subsidise technology training for staff of local enterprises on a 2 (Government) : 1 (Enterprise) matching basis. Enterprises receiving funding under the programme include retail enterprises.

The SME Export Marketing Fund (EMF) under the Trade and Industry Department (TID) provides funding support to local enterprises (including retail enterprises) to expand their markets outside Hong Kong, e.g. subsidising enterprises to set up or enhance company websites and implement export promotion activities through electronic platforms or media. To assist enterprises (including retail enterprises) in local market promotion under the pandemic, the Government plans to expand the funding scope of the EMF with conditions for two years from April 2021 onwards at the earliest to cover exhibitions and virtual exhibitions targeting the local market. The eligibility criteria will also be relaxed to cover non-SMEs.

The Government also helps local enterprises (including retail enterprises) enhance their competitiveness and develop the Mainland and other Free Trade Agreement (FTA) markets through the Dedicated Fund on Branding, Upgrading and Domestic Sales under the TID. Fundable items include designing and establishing online sales platform, establishing or enhancing company website and mobile applications, recruiting additional manpower for upgrading, and setting up new entities in the Mainland or FTA markets, etc.

Note 1: Excluding approved applications not accepting funding and cases where relevant information was not provided after approval.