

LCQ8: Remittance service provided by money changers

Following is a question by the Hon Chung Kwok-pan and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (January 23):

Question:

At present, operators of money changers are required to possess a licence granted by the Commissioner of Customs and Excise for operating remittance and/or money changing service(s). It has been reported that recently, a member of the public entrusted a money changer to remit money to the Mainland but the designated recipient has still not received the money after a lapse of several days. That member of the public has sought, for a number of times, the assistance from the Police, the Consumer Council and the Customs and Excise Department, but to no avail. In this connection, will the Government inform this Council:

(1) of the number of complaints against money changers received (with a breakdown by the subject of the complaints) and, among such complaints, the number of those about money changers' failure to execute remittance instructions of their clients, in each month of the past three years; and;

(2) how it monitors the remittance service provided by money changers at present; whether it will step up efforts in monitoring this type of business; if so, of the details; if not, the reasons for that?

Reply:

President,

(1) From 2016 to 2018, the Consumer Council received a total of 197 complaints relating to money service operators (MSOs), amongst which 118 relate to money changing service, and the remaining 79 relates to remittance service. During the same period, the Customs and Excise Department (C&ED) received a total of 37 complaints relating to MSOs, amongst which 18 relate to failure to complete remittance transactions for various reasons after MSOs received funds from customers.

(2) Hong Kong currently has a number of legislations regulating MSOs.

To mitigate the money laundering risk faced by the money service business, the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO) (Cap 615) stipulates that any person who operates a money service business (including money changing service and/or remittance service) in Hong Kong must obtain a licence from the C&ED. The C&ED may grant a licence to an MSO applicant only if it is satisfied that the applicant and ultimate owners

(if any) are fit and proper persons to operate a money service business. If the applicant is a corporation or a partnership, all directors, partners, and ultimate owners (if any) must be fit and proper persons. In deciding whether a person is fit and proper, the C&ED must have regard to whether the person has been convicted of an offence relating to money laundering or terrorist financing (including similar offences in other jurisdictions); whether he/she has persistently failed to comply with anti-money laundering/counter-terrorist financing (AML/CFT) requirements stipulated under the AMLO or the AML/CFT Guideline promulgated by the C&ED; whether he/she has been convicted for an offence for which it was necessary to find that the person had acted fraudulently, corruptly or dishonestly; whether the person, being an individual, is an undischarged bankrupt or is the subject of any bankruptcy proceedings; and whether the person, being a corporation, is in liquidation or is the subject of a winding up order, etc. In addition to the above, the C&ED may consider any other matter that it considers relevant in determining whether a person is fit and proper.

Further, MSOs must comply with other legislations, including those relating to consumer protection, such as the Trade Descriptions Ordinance (TDO) (Cap 362) and the Money Changers Ordinance (MCO) (Cap 34). The TDO stipulates that any trader (including MSOs) who applies a false trade description to a service supplied or offered to be supplied to a consumer; or supplies or offers to supply to a consumer a service to which a false trade description is applied, commits an offence. The MCO requires MSOs which carry out an exchange transaction exceeding HK\$100,000 to display net rates of exchange in a visible and legible manner and provide transaction note to the customer in a prescribed form. The MCO also prohibits MSOs from making a false or misleading statement as to the rate of exchange offered. Anyone who suspects an MSO of being involved in fraud or other criminal offences should also report to the Police.

Law enforcement agencies, including the C&ED, will investigate complaints relating to MSOs. Depending on the substance of complaints, matters for investigation may include whether the relevant MSO's mode of business violates the TDO or the MCO, or whether the MSO has violated the AMLO. Aside from criminal prosecution under the said Ordinances, if an MSO is convicted of an offence for which it was necessary to find that the person had acted fraudulently, corruptly, or dishonestly, the C&ED will also consider whether the person remains a fit and proper person for operating a money service business under the AMLO, and revoke the MSO licence where appropriate.

LCQ10: Development of the Hong Kong

insurance trade in the Guangdong-Hong Kong-Macao Greater Bay Area

Following is a question by the Hon Chan Kin-por and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (January 23):

Question:

The Government has indicated that it is committed to promoting the development of Hong Kong insurance trade and enhancing Hong Kong's competitiveness as an insurance hub. Earlier on, the insurance trade has proposed that the Government establish a "Health Insurance Connect", an online medical insurance sales platform covering the entire Guangdong-Hong Kong-Macao Greater Bay Area (the Greater Bay Area), so that Mainland residents in the Greater Bay Area can complete the procedure for taking out insurance and lodging claims with Hong Kong insurance companies through the Internet without the need to come to Hong Kong. The platform is proposed to be a closed system under which the premiums paid by Mainland policyholders to Hong Kong insurance companies will be used in future as funds for settling such persons' claims or paying bonuses to them. This will ensure that such funds will be retained within the Mainland financial system, thereby addressing the Mainland authorities' concern about an outflow of funds. In this connection, will the Government inform this Council:

- (1) of the progress of the study by and discussions between Hong Kong's and the Mainland's authorities concerning the Health Insurance Connect;
- (2) of the new measures to assist Hong Kong insurance trade in developing businesses in the Greater Bay Area, and the implementation timetable for such measures; and
- (3) whether it will consider allocating additional resources to subsidise the insurance trade in adopting innovative technologies and providing relevant staff training, so as to enhance the competitiveness of the industry?

Reply:

President,

Our response to the various parts of the question is as follows:

(1) and (2) We are committed to facilitating the Hong Kong insurance industry to capitalise on the business opportunities arising from the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development and better serve the needs of people in the GBA. Taking into account the industry's views, we are pursuing with the relevant Mainland authorities the proposals of enabling Hong Kong insurance companies to set up insurance service centres and facilitating

cross-boundary sale of Hong Kong insurance products including health insurance products in the GBA through "Insurance Connect".

Currently, the Insurance Authority (IA) is exploring with the China Banking and Insurance Regulatory Commission the possible framework to implement the two proposals. There is no implementation table for the time being because it will take time to resolve the differences in the legal and regulatory systems of the two jurisdictions.

(3) The IA has facilitated the adoption of innovation and technology by the insurance industry through launching the Insurtech Sandbox and Fast Track in September 2017. Specifically, the Insurtech Sandbox allows authorised insurers to experiment innovative insurance technology and other technology projects on a pilot basis to collect data to demonstrate that the innovative application could broadly comply with the supervisory requirements of the IA. The Fast Track offers an expedited and streamlined process in the IA's authorisation of new applications from insurers adopting solely digital distribution channels. In December 2018, the IA granted the first authorisation of a new insurer owning and operating solely digital distribution channels under the Fast Track.

In addition, there are existing government funding schemes to promote the adoption of innovation technology which are open to the insurance sector. On training, under the Pilot Programme to Enhance Talent Training for the Insurance Sector, industry associations are welcome to apply for funds to organise training to enhance industry practitioners' capability to adopt innovation technology.

LCQ20: Payments made by sheltered workshops to trainees

Following is a question by the Hon Shiu Ka-chun and a written reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (January 23):

Question:

At present, trainees with disabilities (trainees) who receive vocational training at sheltered workshops may receive monthly incentive payments and training allowances. On the other hand, when calculating the amount of money payable to recipients of the Comprehensive Social Security Assistance (CSSA), the Social Welfare Department (SWD) makes a deduction by some of the recipients' employment earnings; for people with disabilities, the first \$1,200 of monthly earnings may be totally disregarded while half of the next \$5,600 may be disregarded (i.e. the maximum total amount of disregarded

earnings is \$4,000 per month, and all earnings beyond \$6,800 per month are not disregarded). As SWD regards the training allowances received by the trainees as employment earnings, some trainees temporarily stop going to sheltered workshops for training after they have earned a training allowance of \$6,800 or more in a month. Besides, sheltered workshops are not required to pay trainees training allowances at a rate not lower than the statutory minimum wage (SMW) rate. In this connection, will the Government inform this Council:

(1) Of the mechanism for setting and adjusting the amount of the incentive payment; whether the amount was adjusted in the past five years; if so, of the number and magnitudes of adjustments; whether it has plans to review the amount; if so, of the details; if not, the reasons for that;

(2) Whether it knows the maximum, minimum, average and median amounts of monthly training allowances paid to the trainees at present;

(3) Whether it has compiled statistics on the number of trainees in each of the past five years who were CSSA recipients and were paid a training allowance of over \$6,800 in certain month(s) of the year; if so, of the details; if not, whether it will compile such statistics expeditiously;

(4) Why SWD, in calculating the amounts of CSSA payments payable to trainees who are CSSA recipients, regards training allowances received by them as employment earnings, and whether SWD will review and change that practice, so as to avoid trainees temporarily stopping to receive training lest their CSSA payments will be deducted; and

(5) As sheltered workshops receive purchase orders like a factory and trainees are engaged in production work like factory workers, why the trainees are not protected under the SMW regime; how the authorities tell clearly whether the trainees are engaged in production work or are receiving training in a workshop, so as to prevent persons with disabilities from being exploited?

Reply:

President,

My consolidated reply to the Member's question is as follows:

(1) The purpose of incentive payment is mainly to encourage persons with disabilities to attend vocational rehabilitation training programmes. In 2008, the rate of incentive payment per day was \$21 and has been increased to the current rate of \$26.5 in November 2014. The formula for the adjustment of incentive payment endorsed by the Finance Committee of the Legislative Council is at the Annex.

Given that the service mode of sheltered workshops has been adopted for many years, the Government announced in the 2018 Policy Agenda that the need and feasibility of developing a new service mode for sheltered workshops would be explored, with a view to better addressing the vocational training needs of service users.

(2) As at the end of March 2018, the average monthly training allowance for each sheltered workshop trainee was about \$850. The Social Welfare Department (SWD) does not have statistical information on the minimum, maximum and median amounts of monthly training allowance for individual trainees.

(3) The SWD does not have statistical information on the number of sheltered workshop trainees who were Comprehensive Social Security Assistance (CSSA) recipients and received a training allowance higher than \$6,800 in certain month(s) of the year.

(4) The CSSA Scheme provides a safety net of last resort for those who cannot support themselves financially so as to help them to meet their basic needs. In this regard, means tests are required under the scheme to ensure the prudent use of public funds. At the same time, the scheme caters for the special needs of persons with disabilities through the provision of higher standard rates, special grants and supplements.

Moreover, if sheltered workshop trainees are CSSA recipients, the incentive payments received can be excluded from being counted as income. However, the amount of such payments can only be up to \$26.5 per trainee per day. Other than the incentive payments, other amounts received from sheltered workshops can also be disregarded under the disregarding earnings (DE) arrangement under the scheme, subject to a maximum of \$2,500 per month. Furthermore, the Community Care Fund launched a three-year pilot scheme in October 2016 under which the maximum DE level for CSSA recipients with disabilities has been raised to further encourage them to secure employment. Together with the DE of \$2,500 mentioned above, the maximum level of the DE for CSSA recipients with disabilities under the pilot scheme is \$4,000 per month.

(5) Sheltered workshops aim to provide persons with disabilities who are not yet able to take up open employment because of their physical or mental limitations with suitable vocational rehabilitation training in a specially designed environment, in which they can learn to adjust to normal work requirements, develop social skills and interpersonal relationships, explore economic potential and get prepared for potential advancement to supported or open employment in future. The SWD allocates funding for incentive payment to service operators according to the number of service places provided by individual sheltered workshops. At present, trainees receiving training at sheltered workshops are offered an incentive payment so as to encourage their attendance and participation in training for their own benefit. Trainees receive incentive payments for attending the training at sheltered workshops. The incentive payments provided by the SWD are not salaries.

Acclaimed jazz stars and ensembles to celebrate International Jazz Day in April

To celebrate International Jazz Day the Leisure and Cultural Services Department will once again present the popular "Jazz Marathon" in April.

Two non-stop sessions of jazz music will be staged at the Arena of Queen Elizabeth Stadium, bringing together renowned jazz players of many nationalities to jam and recreate various jazz styles including bebop, fusion and big band sounds, as well as jazz variants like ethnic, gypsy, tango and flamenco. Overseas artists will collaborate with local musicians to create a borderless soundscape through jazz. Details of the concerts are as follows:

April 27 (Saturday)

5pm Patrick Lui Jazz Orchestra (special guest: RubberBand, Will Vinson)
6.30pm Angelo Debarre Trio (special guest: Sharon Lui)
8.15pm Doctor 3
9.45pm Ulf Wakenius Scandinavian All-Stars Quartet

April 28 (Sunday)

5pm Ted Lo, Rhani Krija and Chinese Ensemble on Jazz
6.30pm Quadro Nuevo
8.15pm Patax (special guest: Angelita Li)
9.45pm Steve Smith and Vital Information NYC Edition

Tickets priced at \$180, \$280, \$420 and \$600 are now available at URB TIX (www.urbtix.hk). Various demonstration workshops will be held from 3pm at the Function Room of the Queen Elizabeth Stadium prior to each performance. Admission is free for ticket holders of the corresponding date with limited seats available on a first-come, first-served basis.

For telephone credit card bookings, please call 2111 5999. For programme and workshops enquiries and concessionary schemes, please call 2268 7321 or visit

www.lcsd.gov.hk/CE/CulturalService/Programme/en/music/programs_693.html.

Hong Kong Customs steps up patrols and

reminds traders to comply with requirements of Trade Descriptions Ordinance with approach of Lunar New Year

Hong Kong Customs will step up patrols at popular shopping spots in various districts and remind traders to comply with the requirements of the Trade Descriptions Ordinance (TDO) starting today (January 23) and through the Lunar New Year holiday, with a view to enhancing consumer protection.

Customs officers starting from today will step up patrols at dried seafood shops, pharmacies and jewellery shops in different tourist shopping areas such as Yau Ma Tei, Tsim Sha Tsui, Mong Kok, Wan Chai and Causeway Bay, as well as at Lunar New Year fairs. Pamphlets will also be distributed to retailers and staff of the tourist industry to remind them to comply with the requirements of the TDO.

Customs today also reminds consumers to purchase products from reputable shops. Consumers should be cautious about the unit price and retain the receipt after purchase.

Under the TDO, any trader who engages in unfair trade practices, including making false trade descriptions in relation to goods, misleading omission, aggressive commercial practices or bait and switch, commits an offence. The maximum penalty upon conviction is a fine of \$500,000 and imprisonment for five years.

Members of the public may report any suspected violations of the TDO to Customs' 24-hour hotline 2545 6182 or its dedicated crime-reporting email account (crimereport@customs.gov.hk).