

**Thirty-second Meeting of
the Business Facilitation Advisory Committee**

***Agenda Item 3(a) : Report on the work of the
Wholesale and Retail Task Force***

Purpose

This paper reports on the work of the Wholesale and Retail Task Force (WRTF) since the last Business Facilitation Advisory Committee meeting held on 31 March 2016.

Work progress of WRTF

Hong Kong's Accession to the Pharmaceutical Inspection Co-operation Scheme

2. The Department of Health (DH) has briefed WRTF on Hong Kong's accession to the Pharmaceutical Inspection Co-operation Scheme (PIC/S). At the invitation of WRTF, the Chairman of the Pharmaceutical Distributors Association of Hong Kong and the Chairperson of Regulatory Affairs Taskforce of the Hong Kong Association of the Pharmaceutical Industry attended the meeting to express the trade's views.

3. WRTF notes that overall, the transition to PIC/S standards has been smooth. All local manufacturers but one have upgraded to PIC/S standards.

4. Imported medicines for use in Hong Kong should also be subject to the same GMP requirements, and the GMP inspection team under DH may need to conduct on-site inspections for imported medicines from non-PIC/S jurisdictions. As the inspection costs need to be recovered from the importers, this has business compliance cost implications, especially to SMEs. WRTF notes that the trade association has urged their members to explore with their overseas suppliers to share out the inspection costs. Nevertheless, WRTF still urges the Government to keep monitoring the situation.

5. WRTF and the trade representatives welcome the upgrading of Hong Kong's Good Manufacturing Practice (GMP) to the PIC/S standards

which can help sustain a competitive regulatory environment for the pharmaceutical industry in Hong Kong.

Regulatory Regime for Store Value Facilities and Retail Payment Systems

6. The Hong Kong Monetary Authority (HKMA) has briefed WRTF on the new regulatory regime for Store Value Facilities (SVFs) and Retail Payment Systems. A one-year transitional period from 13 November 2015 is provided for existing SVF issuers or new market operators to apply for a licence from HKMA and continue their operations.

7. On the enquiry of WRTF, HKMA has clarified that Schedule 8 of the Payment Systems and Stored Value Facilities Ordinance provides for certain SVFs to be exempted from the licensing requirements. For example, a SVF that stores monies to be used to pay through a communication, digital or IT device for virtual weapons when playing online games using such a device may come under this exemption.

8. As a few banking systems have been hacked recently, WRTF is concerned about the IT security of SVFs. HKMA has explained that under the regulatory regime, SVF issuers are required to set up appropriate arrangements and measures to protect the SVF schemes against technology risks and payment security risks. For example, licence applicants are required to appoint independent consultants to conduct an assessment of six key areas, including technology risk management and payment security management, and licencees are required, inter alia, to conduct penetration tests and to monitor any dubious transactions.

9. WRTF appreciates the regulatory regime will have knock-on benefits to the retail industry.

Corruption Prevention Training Package for the Retail Industry

10. The Independent Commission Against Corruption (ICAC) has briefed WRTF on the corruption prevention training package recently developed for the retail industry.

11. WRTF thanks ICAC for making the training package which is particularly helpful to small retailers as they may not have the resources and expertise to develop their own.

Way forward

12. Members are invited to note the work progress of WRTF. WRTF will continue to monitor the development of the above issues.

Economic Analysis and Business Facilitation Unit,
Financial Secretary's Office
July 2016