

**Second Supplementary Note to the
Guidance Note on Compliance Assessment of Certification Authorities
under the Electronic Transactions Ordinance (Cap. 553)**

A. The following text is inserted between paragraph 15 and paragraph 16 of the “Guidance Note on Compliance Assessment of Certification Authorities under the Electronic Transactions Ordinance (Cap. 553)” published by the Director of Information Technology Services (the Director) in January 2000 (Guidance Note):

15A. Paragraphs 15B to 15E will come into effect from 7 August 2001.

15B. The assessor should compare the following as ascertained from the CA:

- (a) the amount of net current assets as shown in the accounts, which may be in the form of unaudited management accounts, of the CA as at the date specified in paragraph 15C below; and
- (b) a projection of operating costs for 90 days in respect of the CA's operation relevant under the Ordinance, which should start from the same date as specified in paragraph 15C below.

15C. As part of the assessment of a CA, the assessor should review the CA's financial projection prepared by the CA for the next 12 months in respect of the CA's operation relevant under the Ordinance. The CA would need to confirm the period covered by the financial projection with the Director. The date referred to in paragraph 15B above should be the same as the start date of the 12-month financial projection prepared by the CA.

15D. In respect of the 90-days projection of operating costs, the assessor should consider:

- whether the accounting policies upon which the projection is based are consistent in all material respects with those normally adopted by the CA and conform with the generally

accepted accounting principles employed in the Hong Kong Special Administrative Region or equivalent principles accepted internationally; and

- whether the projection has been properly compiled in all material respects in accordance with the assumptions made by the CA. If any of the assumptions made, or omitted to be made, by the CA appears to the assessor to be unrealistic or inappropriate based on the assessor's experience and professional judgement and, where applicable, having regard to the information as disclosed in the latest audited financial statements of the CA, the assessor should include an appropriate comment in the assessment report.

15E. The net current assets referred to in paragraph 15B should mean current assets less current liabilities.

B. The following text is inserted between paragraph 18 and paragraph 19 of the Guidance Note:

18A. Paragraph 18B will come into effect from 7 August 2001.

18B. For the purpose of paragraph 16 and in addition to the procedures set out in paragraph 18, the assessor should perform appropriate procedures to:

- ascertain whether the CA has arranged for liability cover with an amount no less than the reliance limit set on the recognised certificates that it issues. The CA may provide the liability cover by insurance or in other forms; and
- ascertain whether the CA has acquired insurance cover against claims arising from error or omission of the CA, with a minimum limit of indemnity in relation to each and every single claim during the period of insurance of not less than –
 - (a) 10 times the reliance limit specified by the CA on its certificates; or
 - (b) \$200,000;

whichever is higher. Moreover, the total insurance cover for aggregate claim amount in any one insurance period of 12 months should be set at 10 times the amount of (a) or (b) whichever is higher. Such liability cover should be in place at all times and should be arranged for each type, class or description of recognized certificates issued by the CA. Should the CA choose to put in place other forms of liability cover, the same minimum limit of indemnity should be provided for.

C. The following text is inserted between paragraph 21 and paragraph 22 of the Guidance Note:

21A. Paragraph 21B will come into effect from 7 August 2001.

21B. The assessor should, in addition to the items reported as set out in paragraph 21, present the result of the comparison as set out in paragraph 15B and state any comments as a result of the consideration in respect of paragraph 15D. The accounts and the 90-days projection of operating costs of the CA, as ascertained from the CA and referred to in paragraph 15B, should be attached as appendices to the assessment report.

D. The following text is inserted between paragraph 23 and paragraph 24 of the Guidance Note:

23A. Paragraph 23B will come into effect from 7 August 2001.

23B. The assessor should, in addition to the items reported as set out in paragraph 23, report the information gathered as a result of performing procedures as set out in paragraph 18B.

Information Technology Services Department
The Government of the Hong Kong Special Administrative Region
7 February 2001