

Head 148 — GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND THE TREASURY BUREAU (FINANCIAL SERVICES BRANCH)

Controlling officer: the Permanent Secretary for Financial Services and the Treasury (Financial Services) will account for expenditure under this Head.

Estimate 2003–04 **\$159.4m**

Establishment ceiling 2003–04 (notional annual mid-point salary value) representing an estimated 168 non-directorate posts as at 31 March 2003 and as at 31 March 2004 **\$71.8m**

In addition there will be an estimated 19 directorate posts as at 31 March 2003 and as at 31 March 2004.

Capital Account commitment balance **\$22.7m**

Controlling Officer's Report

Programme

Financial Services

This programme contributes to Policy Area 1: Financial Services (Secretary for Financial Services and the Treasury).

Detail

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	131.5	165.4 (+25.8%)	149.1 (–9.9%)	159.4 (+6.9%)

Aim

2 The Financial Services Branch aims to:

- maintain and enhance Hong Kong's status as a major international financial centre;
- maintain the integrity and stability of the monetary and financial systems of Hong Kong;
- ensure orderly and efficient operation as well as prudent and appropriate supervision and regulation of the financial markets and services;
- provide a business environment which is open, fair and conducive to market developments; and
- provide information for monitoring the economy and facilitating business decisions.

Brief Description

3 The branch seeks to achieve the above aims through:

- the formulation of policy and introduction of legislation covering the securities, banking and monetary systems; insurance, provident fund and retirement scheme business; companies, insolvency, and accountancy matters;
- assisting the Financial Secretary in overseeing the relevant regulatory authorities, namely the Hong Kong Monetary Authority, the Securities and Futures Commission, the Mandatory Provident Fund Schemes Authority and the Insurance Authority;
- co-ordinating and facilitating implementation of new initiatives on financial infrastructure and human resources development in the financial services sector which enhance Hong Kong's competitiveness;
- facilitating the market to innovate and introduce new financial products for greater liquidity;
- overseeing the operation of the Census and Statistics Department, the Companies Registry and the Official Receiver's Office; and
- collating and analysing statistics and information pertaining to Hong Kong's economy.

4 The aims of the programme have been broadly achieved in 2002.

Matters Requiring Special Attention in 2003–04

5 During 2003–04, the branch will:

- oversee the implementation of the new Securities and Futures Ordinance;

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- follow up the recommendations of the Expert Group appointed by the Financial Secretary to review listing matters in Hong Kong;
- oversee the implementation of a series of enhancement measures to strengthen the financial infrastructure, enable scripless trading and promote a straight-through environment for the financial industry;
- facilitate and co-ordinate the initiatives taken by relevant authorities to enhance the quality of the capital market in Hong Kong;
- introduce legislation for the establishment of a Deposit Protection Scheme in Hong Kong;
- monitor the implementation of a Commercial Credit Reference Agency by the Hong Kong Monetary Authority and the banking industry;
- oversee the implementation of initiatives under the Financial Market Development Task Force;
- monitor the operation of the Mandatory Provident Fund system and further enhance the efficiency and effectiveness of the system;
- oversee the consultancy study on the feasibility of establishing insurance policyholders' protection funds;
- continue conducting, together with the Standing Committee on Company Law Reform, a comprehensive review of the corporate governance regime in Hong Kong and seek to implement the recommendations made by the Standing Committee; and
- examine ways to match manpower supply and demand and to co-ordinate training efforts in the financial services sector through the Advisory Committee on Human Resources Development in the Financial Services Sector.

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ANALYSIS OF FINANCIAL PROVISION

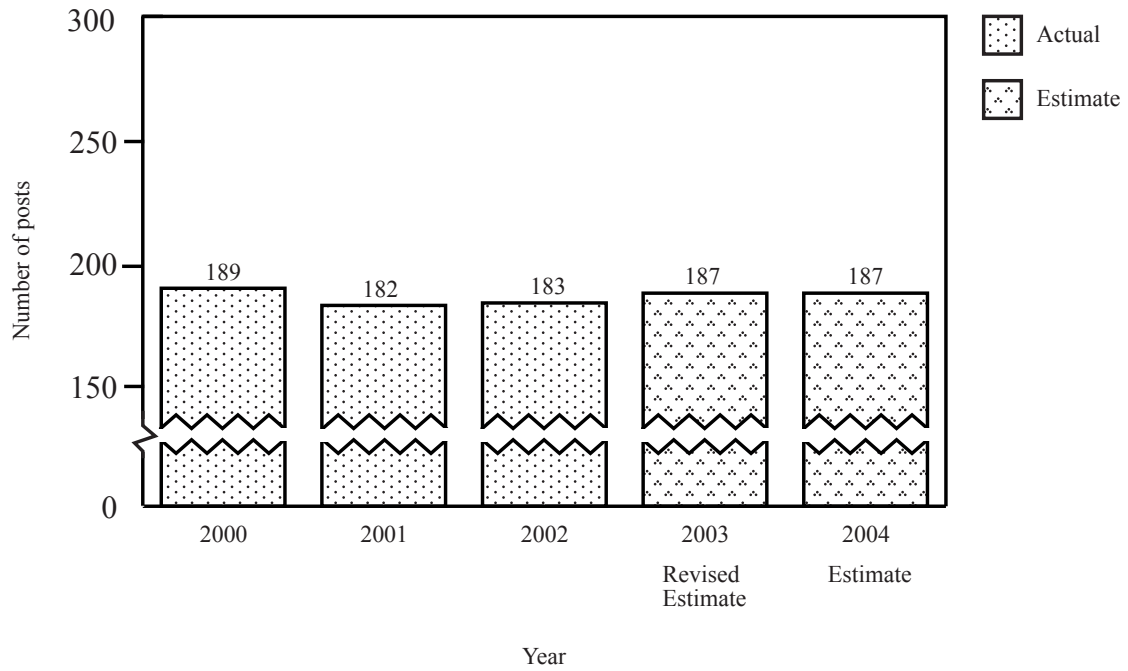
Programme	2001-02 (Actual) (\$m)	2002-03 (Approved) (\$m)	2002-03 (Revised) (\$m)	2003-04 (Estimate) (\$m)
Financial Services	131.5	165.4 (+25.8%)	149.1 (-9.9%)	159.4 (+6.9%)

Analysis of Financial and Staffing Provision

Provision for 2003-04 is \$10.3 million (6.9%) higher than the revised estimate for 2002-03. This is mainly due to the anticipated increase in expenditure arising from hearings of tribunal cases in 2003-04 compared with the less than expected number of cases processed in 2002-03, and the increase in cashflow requirement of capital account items, partly offset by full-year effect of civil service pay cut in 2002.

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*Changes in the size of the establishment
(as at 31 March)*



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Sub-head (Code)	Actual expenditure 2001-02	Approved estimate 2002-03	Revised estimate 2002-03	Estimate 2003-04
	\$'000	\$'000	\$'000	\$'000
Recurrent Account				
000	Operational expenses.....	—	—	143,516
	Salaries	102,459	107,696	—
	Allowances	2,471	2,518	—
	Job-related allowances	6	7	—
	Honoraria for members of committees	196	458	—
	Hire of services and professional fees	5,591	26,748	—
	General departmental expenses	13,422	14,320	—
	Total, Recurrent Account	124,145	151,747	143,516
Capital Account				
I — Plant, Equipment and Works				
	Minor plant, vehicles and equipment (block vote)	33	—	295
	Total, Plant, Equipment and Works	33	—	295
II — Other Non-Recurrent				
700	General other non-recurrent	7,307	13,647	15,895
	Total, Other Non-Recurrent	7,307	13,647	15,895
	Total, Capital Account	7,340	13,647	15,895
	Total Expenditure.....	131,485	165,394	159,411

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Details of Expenditure by Subhead

The estimate of the amount required in 2003–04 for the salaries and expenses of the Financial Services Branch is \$159,411,000. This represents an increase of \$10,292,000 over the revised estimate for 2002–03 and of \$27,926,000 over actual expenditure in 2001–02.

Recurrent Account

2 Provision of \$143,516,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of the branch and its other operating expenses.

3 The establishment as at 31 March 2003 will be 185 permanent posts and two supernumerary posts. No change in establishment is expected in 2003–04. Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2003–04, but the notional annual mid-point salary value of all such posts must not exceed \$71,842,000.

4 An analysis of financial provision under *Subhead 000 Operational expenses* is as follows:

	2001–02 (Actual) (\$'000)	2002–03 (Original Estimate) (\$'000)	2002–03 (Revised Estimate) (\$'000)	2003–04 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	102,459	107,696	107,350	106,248
- Allowances.....	2,471	2,518	3,414	3,519
- Job-related allowances	6	7	7	7
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	—	—	120
Departmental Expenses				
- Honoraria for members of committees.....	196	458	308	284
- Hire of services and professional fees.....	5,591	26,748	13,579	19,158
- General departmental expenses.....	13,422	14,320	14,070	14,180
	<hr/> 124,145	<hr/> 151,747	<hr/> 138,728	<hr/> 143,516 <hr/>

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Capital Account

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved	Accumulated	Revised	Balance
			commitment	expenditure to 31.3.2002	estimated expenditure for 2002-03	
			\$'000	\$'000	\$'000	\$'000
700		<i>General other non-recurrent</i>				
	001	Undertaking economic research projects for the Asia-Pacific Economic Cooperation	2,400	1,451	470	479
	004	Contracting out economic research projects	5,450	4,509	800	141
	013	Consultancy study on corporate governance in Hong Kong	7,000	2,805	1,700	2,495
	014	Initiatives to co-ordinate the human resources development for the financial services sector	2,000	38	120	1,842
	015	Consultancy study to review the future role and functions of the Official Receiver's Office	9,200	1,883	2,617	4,700
	018	Conducting researches and studies on the recommendations made in the report of the Standing Committee on Company Law Reform.....	3,286	—	986	2,300
	019	Consultancy study on the feasibility of establishing policyholders' protection funds	4,500	—	850	3,650
	020	Educational campaign on insurance policy replacement.....	1,315	—	915	400
	022	Hire of econometric modelling services to enable projections on government revenues and fiscal position	1,500	—	340	1,160
	023	Consultancy study on establishing the supervisory framework of assets of long term insurers in Hong Kong.....	4,500	—	—	4,500
	664	Consultancy study on a comprehensive review and enhancement of the GDP forecasting framework	2,420	656	700	1,064
		Total.....	43,571	11,342	9,498	22,731