

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 2005–06..... **\$121.8m**

Establishment ceiling 2005–06 (notional annual mid-point salary value) representing an estimated 139 non-directorate posts as at 31 March 2005 reducing by two posts to 137 posts as at 31 March 2006 **\$55.6m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2005 and as at 31 March 2006.

Commitment balance **\$5.7m**

Controlling Officer's Report

Programme

Financial Services

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

Detail

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision# (\$m)	110.1	129.0	120.6 (–6.5%)	121.8 (+1.0%)
				(or –5.6% on 2004–05 Original)

All the figures exclude relevant provisions for economic analyses transferred to Head 142—Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary with effect from 1 June 2004.

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 financial system of Hong Kong;
- ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets; and
- provide a business environment which is open, fair and conducive to financial market developments.

Brief Description

3 The Branch seeks to achieve the above aims through:

- formulating policy and introducing legislation covering the banking system; securities and futures; insurance, provident fund and retirement scheme business; as well as 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 Insurance Authority and the Mandatory Provident Fund Schemes 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; and
- overseeing the operation of the Census and Statistics Department, the Companies Registry and the Official Receiver's Office.

4 The aims of the programme have been broadly achieved in 2004.

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

Matters Requiring Special Attention in 2005–06

5 During 2005–06, the Branch will:

- continue to enhance the governance of the Securities and Futures Commission;
- follow up the recommendations of the consultation conclusions on Proposals to Enhance the Regulation of Listing by introducing legislative amendments to give statutory backing to important listing requirements;
- oversee the implementation of a series of measures to improve market infrastructure and enhance its security including enabling the development of a scripless securities market;
- facilitate and co-ordinate the initiatives taken by relevant authorities to enhance the quality of the capital market in Hong Kong;
- oversee the implementation of a Deposit Protection Scheme in Hong Kong;
- monitor the implementation of a Commercial Credit Reference Agency by the banking industry;
- oversee the implementation of the Clearing and Settlement Systems Ordinance which provides statutory backing for the Hong Kong Monetary Authority's oversight of important clearing and settlement systems and for settlement finality in such systems;
- introduce amendments to the Banking Ordinance to provide a legislative framework for implementing the new capital framework endorsed by the Basel Committee on Banking Supervision;
- oversee the implementation of initiatives arising from the development of financial markets including those under the Mainland and Hong Kong Closer Economic Partnership Arrangement;
- monitor the operation of the Mandatory Provident Fund system and further enhance the efficiency and effectiveness of the system;
- oversee the consultancy studies on the feasibility of establishing insurance policyholders' protection funds and on the review of the supervisory framework of the assets of long term insurers;
- continue to take forward, together with other relevant parties, the recommendations made by the Standing Committee on Company Law Reform in the context of its Corporate Governance Review;
- seek the early implementation of the proposal for the Officer Receiver's Office to outsource the administration of summary bankruptcy cases, once the relevant legislative amendments, as provided under the Bankruptcy (Amendment) Bill 2004, are approved by the Legislative Council; and
- introduce into the Legislative Council a bill to provide for the establishment of the Independent Investigation Board and the Financial Report Review Panel, so as to further enhance the regulation of the auditing profession and ensure compliance of the financial reports of listed companies with the relevant standards.

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

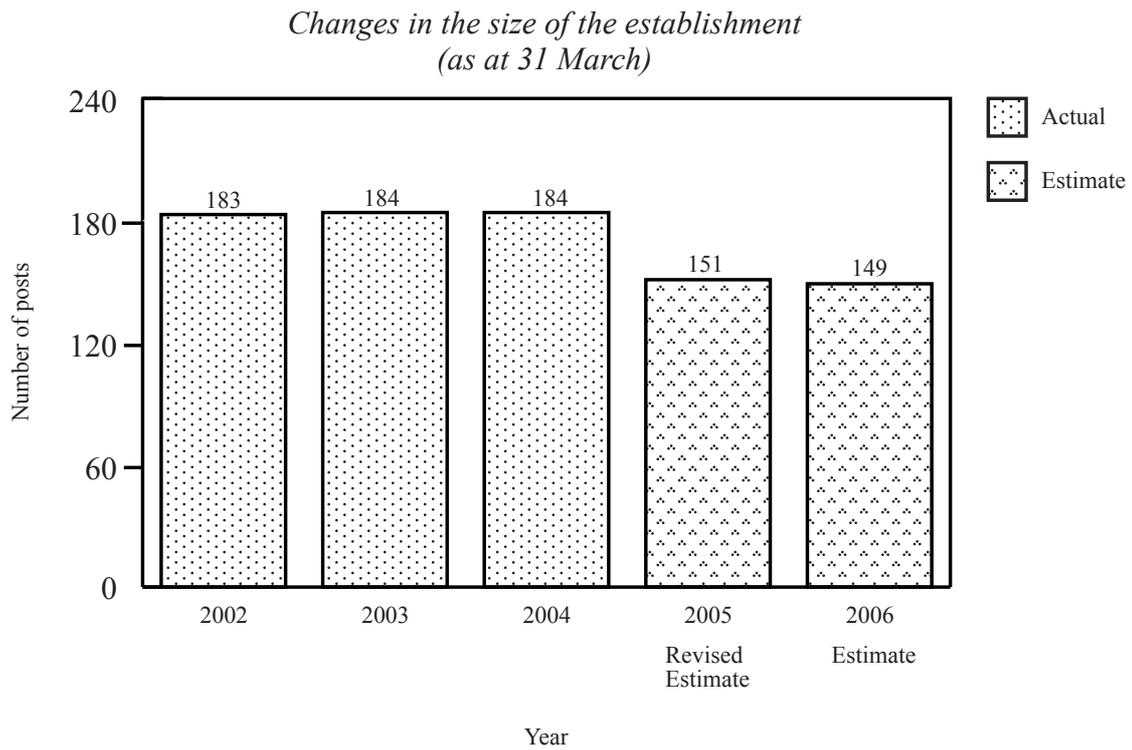
ANALYSIS OF FINANCIAL PROVISION

Programme	2003-04 (Actual) (\$m)	2004-05 (Original) (\$m)	2004-05 (Revised) (\$m)	2005-06 (Estimate) (\$m)
Financial Services	110.1	129.0	120.6 (-6.5%)	121.8 (+1.0%)
				(or -5.6% on 2004-05 Original)

Analysis of Financial and Staffing Provision

Provision for 2005-06 is \$1.2 million (1.0%) higher than the revised estimate for 2004-05. This is mainly due to the anticipated increase in expenditure arising from hearings of tribunal cases in 2005-06 and increase in salary provision arising from staff changes, partly offset by the decrease in cash flow requirement for non-recurrent items and full-year effect of the 2005 civil service pay cut.

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



Note: The reduction in 33 posts between March 2004 and March 2005 is due to the transfer of the former Economic Analysis Division in Financial Services Branch to the Financial Secretary's Office with effect from 1 June 2004.

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

Sub-head (Code)	Actual expenditure 2003-04	Approved estimate 2004-05	Revised estimate 2004-05	Estimate 2005-06	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	127,194	139,584	112,755	118,249
	Total, Recurrent.....	<u>127,194</u>	<u>139,584</u>	<u>112,755</u>	<u>118,249</u>
Non-Recurrent					
700	General non-recurrent	4,310	12,603	11,393	3,598
	Total, Non-Recurrent.....	<u>4,310</u>	<u>12,603</u>	<u>11,393</u>	<u>3,598</u>
	Total, Operating Account	131,504	152,187	124,148	121,847
<hr/>					
	Total Expenditure	<u><u>131,504</u></u>	<u><u>152,187</u></u>	<u><u>124,148</u></u>	<u><u>121,847</u></u>

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

Details of Expenditure by Subhead

The estimate of the amount required in 2005–06 for the salaries and expenses of the Financial Services Branch is \$121,847,000. This represents a decrease of \$2,301,000 against the revised estimate for 2004–05 and of \$9,657,000 against actual expenditure in 2003–04. The provision for economic analyses has been transferred to Head 142 with effect from 1 June 2004.

Operating Account

Recurrent

2 Provision of \$118,249,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Financial Services Branch.

3 The establishment as at 31 March 2005 will be 151 permanent posts. It is expected that two permanent posts will be deleted in 2005–06. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2005–06, but the notional annual mid-point salary value of all such posts must not exceed \$55,563,000.

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

	2003–04 (Actual) (\$'000)	2004–05 (Original) (\$'000)	2004–05 (Revised) (\$'000)	2005–06 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	99,302	102,811	80,683	79,538
- Allowances	2,322	3,147	2,822	3,210
- Job-related allowances	2	1	1	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution	85	144	96	120
Departmental Expenses				
- Honoraria for members of committees	184	238	172	192
- Hire of services and professional fees	14,192	19,111	15,081	21,102
- General departmental expenses	11,107	14,132	13,900	14,085
	127,194	139,584	112,755	118,249

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

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2004	Revised estimated expenditure for 2004–05	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	014	Initiatives to co-ordinate the human resources development for the financial services sector	2,000	38	600	1,362
	019	Consultancy study on the feasibility of establishing policyholders' protection funds.....	4,800	2,173	1,449	1,178
	020	Educational campaign on insurance policy replacement	1,315	730	150	435
	023	Consultancy study on establishing the supervisory framework of assets of long term insurers in Hong Kong	5,000	380	1,900	2,720
		Total	<u>13,115</u>	<u>3,321</u>	<u>4,099</u>	<u>5,695</u>