

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 2007–08 **\$123.8m**

Establishment ceiling 2007–08 (notional annual mid-point salary value) representing an estimated 139 non-directorate posts as at 31 March 2007 and as at 31 March 2008 **\$57.3m**

In addition, there will be an estimated 14 directorate posts as at 31 March 2007 and as at 31 March 2008.

Commitment balance **\$5.8m**

Controlling Officer's Report

Programme

Financial Services

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

Detail

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	2007–08 (Estimate)
Financial provision (\$m)	101.2	126.4	105.0 (–16.9%)	123.8 (+17.9%)
				(or –2.1% on 2006–07 Original)

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 legislative proposals 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, the Mandatory Provident Fund (MPF) Schemes Authority and the newly-established Financial Reporting Council;
- co-ordinating and facilitating the 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 were broadly achieved in 2006.

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Matters Requiring Special Attention in 2007–08

5 During 2007–08, the Branch will:

- 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;
- continue to enhance the awareness of investor protection;
- facilitate and co-ordinate the initiatives taken by relevant authorities to enhance the quality of the capital market in Hong Kong;
- monitor the implementation of the Deposit Protection Scheme;
- monitor the implementation of the new capital framework for authorised institutions known as Basel II i.e. the latest international capital adequacy and disclosure standards for banks;
- oversee the implementation of initiatives arising from the development of financial markets including those under the Mainland and Hong Kong Closer Economic Partnership Arrangement;
- continue to monitor the operation of the MPF system, including the introduction of amendments to the MPF Schemes Ordinance to give effect to a number of proposals to enhance the administration, efficiency and operation of the MPF schemes;
- formulate proposals on the setting up of an independent Insurance Authority for consultation with stakeholders;
- 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;
- take forward the rewrite of the Companies Ordinance, with a view to modernising and overhauling the legislative framework for the incorporation and registration/regulation of companies;
- provide for the smooth implementation of the Official Receiver's Office's outsourcing of the administration of debtor-petition summary bankruptcy cases;
- strengthen co-operation with the Pan-Pearl River Delta region on financial services;
- host the Asian Financial Forum to reinforce Hong Kong's prestige as an international financial centre;
- continue to enhance Hong Kong's position as a major asset management centre in Asia; and
- follow up the action agenda recommended by the Focus Group on Financial Services established under the Economic Summit on "China's 11th Five-Year Plan and the Development of Hong Kong" to capitalise on the opportunities associated with China's 11th Five-Year Plan and strengthen Hong Kong's position as an international financial centre.

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ANALYSIS OF FINANCIAL PROVISION

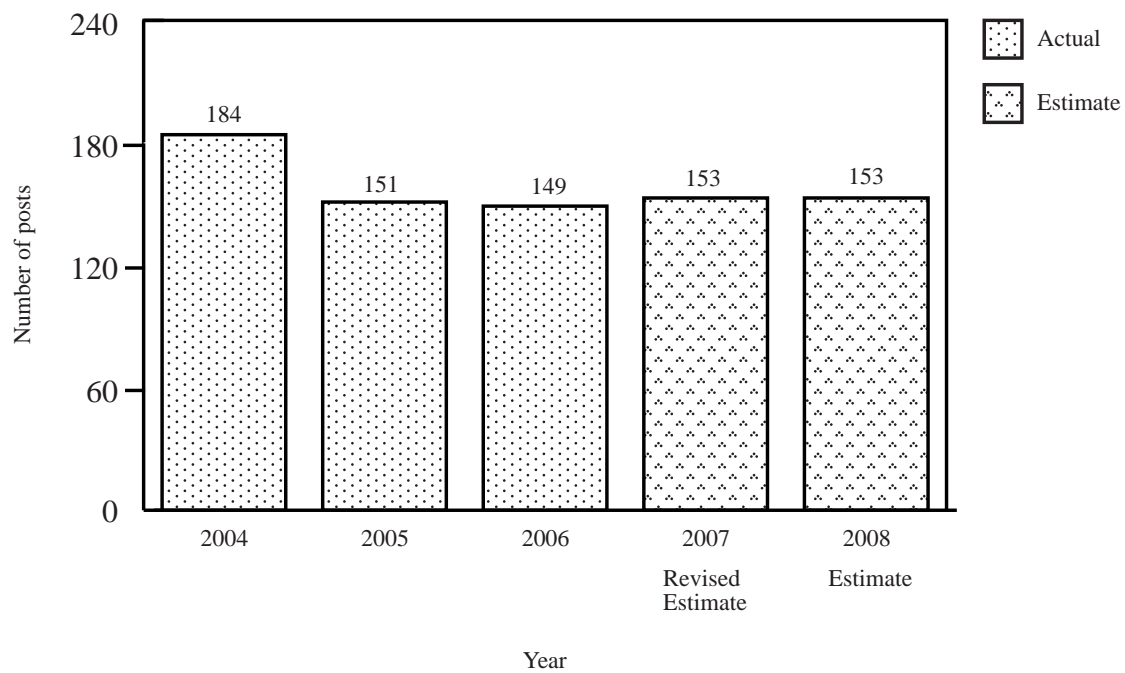
Programme	2005-06 (Actual) (\$m)	2006-07 (Original) (\$m)	2006-07 (Revised) (\$m)	2007-08 (Estimate) (\$m)
Financial Services	101.2	126.4	105.0 (-16.9%)	123.8 (+17.9%)
				(or -2.1% on 2006-07 Original)

Analysis of Financial and Staffing Provision

Provision for 2007-08 is \$18.8 million (17.9%) higher than the revised estimate for 2006-07. This is mainly due to the increased provision for conducting a consultancy study and for meeting the expenses on the hearing of tribunal cases on insider dealings and market misconduct in 2007-08, full-year provision for posts created and vacancies filled in 2006-07, additional requirement for general departmental expenses and increased cash flow requirement for non-recurrent items.

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



**Head 148 — GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND
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Sub-head (Code)		Actual expenditure 2005-06	Approved estimate 2006-07	Revised estimate 2006-07	Estimate 2007-08
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses.....	96,701	122,816	102,688	120,305
003	Recoverable salaries and allowances (General).....	4,428			
	<i>Deduct</i> reimbursements..... <i>Cr. 4,428</i>	—	—	—	—
	Total, Recurrent	<u>96,701</u>	<u>122,816</u>	<u>102,688</u>	<u>120,305</u>
Non-Recurrent					
700	General non-recurrent.....	4,488	3,603	2,359	3,452
	Total, Non-Recurrent	<u>4,488</u>	<u>3,603</u>	<u>2,359</u>	<u>3,452</u>
	Total, Operating Account.....	<u>101,189</u>	<u>126,419</u>	<u>105,047</u>	<u>123,757</u>
<hr/>					
	Total Expenditure.....	<u><u>101,189</u></u>	<u><u>126,419</u></u>	<u><u>105,047</u></u>	<u><u>123,757</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2007–08 for the salaries and expenses of the Financial Services Branch is \$123,757,000. This represents an increase of \$18,710,000 over the revised estimate for 2006–07 and of \$22,568,000 over actual expenditure in 2005–06.

Operating Account

Recurrent

2 Provision of \$120,305,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Financial Services Branch. The increase of \$17,617,000 (17.2%) over the revised estimate for 2006–07 is mainly due to the increased provision for conducting a consultancy study and for meeting the expenses on the hearing of tribunal cases on insider dealings and market misconduct in 2007–08, full-year provision for posts created and vacancies filled in 2006–07 and additional requirement for general departmental expenses.

3 The establishment as at 31 March 2007 will be 151 permanent posts and two supernumerary posts. No change in establishment is expected in 2007–08. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2007–08, but the notional annual mid-point salary value of all such posts must not exceed \$57,265,000.

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

	2005–06 (Actual) (\$'000)	2006–07 (Original) (\$'000)	2006–07 (Revised) (\$'000)	2007–08 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	74,067	79,591	75,047	79,310
- Allowances.....	3,426	3,977	2,979	3,237
- Job-related allowances	—	2	2	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	71	108	72	96
- Civil Service Provident Fund contribution.....	—	—	—	96
Departmental Expenses				
- Honoraria for members of committees.....	90	16	16	16
- Hire of services and professional fees.....	8,495	21,873	13,714	24,759
- General departmental expenses.....	10,552	17,249	10,858	12,789
	96,701	122,816	102,688	120,305

5 Provision of \$4,428,000 under *Subhead 003 Recoverable salaries and allowances (General)* is for salaries and allowances of civil servants working for the rewrite of the Companies Ordinance. The gross provision must not be exceeded without the prior approval of the Secretary for Financial Services and the Treasury. Expenditure under this subhead is reimbursed by the Companies Registry Trading Fund.

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2006	Revised estimated expenditure for 2006-07	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	365	150	1,485
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	926	—	389
023	Consultancy study on establishing the supervisory framework of assets of long term insurers in Hong Kong.....		5,000	1,520	760	2,720
	Total.....		<u>13,115</u>	<u>4,984</u>	<u>2,359</u>	<u>5,772</u>