

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 2016–17 **\$765.5m**

Establishment ceiling 2016–17 (notional annual mid-point salary value) representing an estimated 159 non-directorate posts as at 31 March 2016 reducing by three posts to 156 posts as at 31 March 2017..... **\$103.4m**

In addition, there will be an estimated 18 directorate posts as at 31 March 2016 reducing by one post to 17 posts as at 31 March 2017.

Commitment balance..... **\$581.2m**

Controlling Officer's Report

Programme

Financial Services

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

Detail

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	2016–17 (Estimate)
Financial provision (\$m)	239.4	229.8	245.9 (+7.0%)	765.5 (+211.3%)
				(or +233.1% on 2015–16 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 policies and introducing legislative proposals covering the banking system; securities and futures market; asset management sector; insurance industry; Mandatory Provident Fund (MPF) schemes and occupational retirement schemes; companies, trusts, corporate insolvency, individual bankruptcy and accountancy matters; as well as financial co-operation with the Mainland;
- assisting the Financial Secretary in overseeing the relevant regulatory authorities, including the Securities and Futures Commission, the Insurance Authority, the Mandatory Provident Fund Schemes Authority and the Financial Reporting Council;
- co-ordinating and facilitating the implementation of new initiatives on financial infrastructure to enhance Hong Kong's competitiveness;
- facilitating market innovation to deepen and broaden the market; 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 2015.

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Matters Requiring Special Attention in 2016–17

5 During 2016–17, the Branch will:

- engage the industry and formulate proposals to promote the further development of our financial services industry;
- continue to advance financial co-operation with the Mainland by:
 - reinforcing the offshore Renminbi business platform,
 - deepening the mutual access between financial markets in Hong Kong and the Mainland and pursuing initiatives under the Mainland and Hong Kong Closer Economic Partnership Arrangement and other co-operation frameworks, and
 - supporting efforts to promote Hong Kong’s participation in the Belt and Road Initiative;
- continue to promote the development of the bond market;
- continue to promote the development of asset management industry, including to legislate for a new open-ended fund company structure to expand Hong Kong’s legal framework for investment fund vehicles;
- promote the development of financial technologies in Hong Kong, having regard to the recommendations made by the Steering Group on Financial Technologies;
- implement the pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector;
- continue to modernise the insurance regulatory framework by overseeing the establishment of the new Insurance Authority and managing the transition from the existing insurance regulatory regime to the new one;
- legislate for a more conducive environment to attract more corporate treasury activities to Hong Kong;
- continue to strengthen banking regulation in line with international standards, including implementation of the Basel III requirements;
- legislate for the introduction of a highly standardised and fee-controlled Default Investment Strategy as the default investment arrangement of each MPF scheme;
- prepare legislation for strengthening the independence of the auditor regulatory regime from the audit profession;
- legislate to improve the corporate winding-up regime, and further engage stakeholders and prepare legislation for introducing a statutory corporate rescue procedure and insolvent trading provisions;
- prepare legislation for the establishment of a Policyholders’ Protection Fund to better protect policyholders’ interests in the event of the insolvency of an insurer;
- continue to engage the industry to formulate a risk-based capital framework for the prudential regulation of insurers;
- legislate for the establishment of an effective resolution regime for financial institutions in Hong Kong;
- continue to oversee the implementation of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) in respect of the financial sectors, and participate actively in the Financial Action Task Force; and
- examine the existing regulatory arrangements of money lenders and related intermediaries to enhance protection for borrowers, and review the relevant provisions in the existing Money Lenders Ordinance (Cap. 163) when necessary; as well as step up public education to raise people’s awareness of debt management.

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ANALYSIS OF FINANCIAL PROVISION

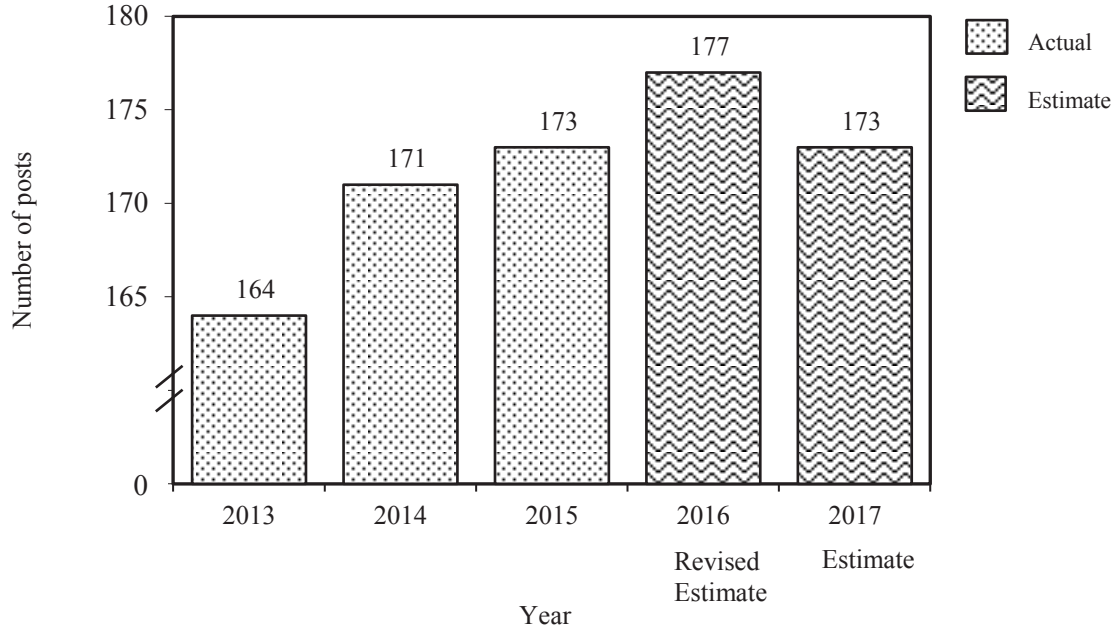
Programme	2014–15 (Actual) (\$m)	2015–16 (Original) (\$m)	2015–16 (Revised) (\$m)	2016–17 (Estimate) (\$m)
Financial Services	239.4	229.8	245.9 (+7.0%)	765.5 (+211.3%)
				(or +233.1% on 2015–16 Original)

Analysis of Financial and Staffing Provision

Provision for 2016–17 is \$519.6 million (211.3%) higher than the revised estimate for 2015–16. This is mainly due to the non-recurrent provisions for the establishment of an independent Insurance Authority, the exit package for the Insurance Officer Grade officers, and the pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector.

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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 2014–15	Approved estimate 2015–16	Revised estimate 2015–16	Estimate 2016–17	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	218,409	229,784	245,920	292,813
	Total, Recurrent.....	<u>218,409</u>	<u>229,784</u>	<u>245,920</u>	<u>292,813</u>
Non-Recurrent					
700	General non-recurrent	21,000	—	—	472,700
	Total, Non-Recurrent.....	<u>21,000</u>	<u>—</u>	<u>—</u>	<u>472,700</u>
	Total, Operating Account	239,409	229,784	245,920	765,513
	Total Expenditure	<u><u>239,409</u></u>	<u><u>229,784</u></u>	<u><u>245,920</u></u>	<u><u>765,513</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2016–17 for the salaries and expenses of the Financial Services Branch is \$765,513,000. This represents an increase of \$519,593,000 over the revised estimate for 2015–16 and \$526,104,000 over the actual expenditure in 2014–15.

Operating Account

Recurrent

2 Provision of \$292,813,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Financial Services Branch. The increase of \$46,893,000 (19.1%) over the revised estimate for 2015–16 is mainly due to the provisions for promoting development of financial technologies, enhancing public education for and support to people in financial distress, the consultancy study on the establishment of a risk-based capital framework for the prudential regulation of insurers, the consultancy study on the operating budget of the Financial Reporting Council under the new regulatory regime for listed entity auditor and the tenth Asian Financial Forum, and the anticipated increase in expenses on the hearing of tribunal cases on market misconduct and securities and futures appeals, the salaries for non-civil service contract staff and the repayment of bona vacantia receipts.

3 The establishment as at 31 March 2016 will be 177 posts including six supernumerary posts. It is expected that there will be a net decrease of four posts including two supernumerary posts in 2016–17. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2016–17, but the notional annual mid-point salary value of all such posts must not exceed \$103,384,000.

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

	2014–15 (Actual) (\$'000)	2015–16 (Original) (\$'000)	2015–16 (Revised) (\$'000)	2016–17 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	126,020	132,348	136,930	136,961
- Allowances.....	4,998	6,129	7,598	7,938
- Job-related allowances.....	—	2	1	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	153	169	165	184
- Civil Service Provident Fund contribution.....	3,229	4,038	3,499	4,032
Departmental Expenses				
- Hire of services and professional fees	11,997	14,619	14,619	42,200
- General departmental expenses	72,012	72,479	83,108	101,496
	218,409	229,784	245,920	292,813

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2015	Revised estimated expenditure for 2015–16	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	887	Establishment of an independent Insurance Authority#	450,000#	—	—	450,000
	888	Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector#	100,000#	—	—	100,000
	889	Exit package for Insurance Officer Grade officers#	31,200#	—	—	31,200
		Total	<u>581,200</u>	<u>—</u>	<u>—</u>	<u>581,200</u>

This is a new item, funding for which is sought in the context of the Appropriation Bill 2016.