

## 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 2017–18** ..... **\$343.6m**

**Establishment ceiling 2017–18** (notional annual mid-point salary value) representing an estimated 156 non-directorate posts as at 31 March 2017 rising by two posts to 158 posts as at 31 March 2018..... **\$107.0m**

In addition, there will be an estimated 16 directorate posts as at 31 March 2017 reducing by one post to 15 posts as at 31 March 2018.

**Commitment balance**..... **\$106.0m**

### Controlling Officer's Report

#### Programme

##### Financial Services

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

#### Detail

	2015–16 (Actual)	2016–17 (Original)	2016–17 (Revised)	<b>2017–18 (Estimate)</b>
Financial provision (\$m)	241.1	765.5	763.2 (–0.3%)	<b>343.6</b> (–55.0%)
				(or –55.1% on 2016–17 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/or introducing legislative proposals covering the banking system; securities and futures market; asset management sector; insurance industry; Mandatory Provident Fund schemes and occupational retirement schemes; companies, trusts, money lending, 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 2016.

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

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### *Matters Requiring Special Attention in 2017–18*

5 During 2017–18, the Branch will:

- engage the industry and formulate proposals to promote the further development of our financial services industry;
- support the work of the Financial Services Development Council in policy research, promotion of the financial services industry and human capital development;
- continue to advance financial co-operation with the Mainland by:
  - enhancing 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
  - promoting Hong Kong’s efforts in implementing initiatives in relation to the National 13<sup>th</sup> Five-Year Plan and participating in the Belt and Road Initiative in respect of the financial services sector;
- continue to promote the development of the bond market;
- continue to promote the development of the asset management industry, including formulating the operational details of the open-ended fund company regime;
- continue to promote the development of financial technologies in Hong Kong;
- continue to oversee the implementation of the pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector;
- continue to oversee the establishment of the new Insurance Authority and manage the transition from the existing insurance regulatory regime to the new one;
- continue to promote the establishment of corporate treasury centres in Hong Kong;
- continue to strengthen banking regulation in line with international standards, including implementation of the Basel III requirements;
- legislate to strengthen the independence of the auditor regulatory regime from the audit profession;
- prepare legislation for introducing a statutory corporate rescue procedure and insolvent trading provisions;
- prepare legislation for the establishment of a Policy Holders’ Protection Scheme 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;
- prepare the relevant subsidiary legislation under the Financial Institutions (Resolution) Ordinance (Cap. 628) to enhance the resolution regime in Hong Kong;
- prepare legislation to enhance Hong Kong’s regulatory regime for combating money laundering and terrorist financing;
- 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
- review implementation of the more stringent licensing conditions on money lender licences and step up public education to raise people’s awareness of debt management, and review the relevant provisions in the Money Lenders Ordinance (Cap. 163) when necessary.

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

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**ANALYSIS OF FINANCIAL PROVISION**

	2015-16 (Actual) (\$m)	2016-17 (Original) (\$m)	2016-17 (Revised) (\$m)	2017-18 (Estimate) (\$m)
<b>Programme</b>				
Financial Services .....	241.1	765.5	763.2 (-0.3%)	343.6 (-55.0%)
				<b>(or -55.1% on 2016-17 Original)</b>

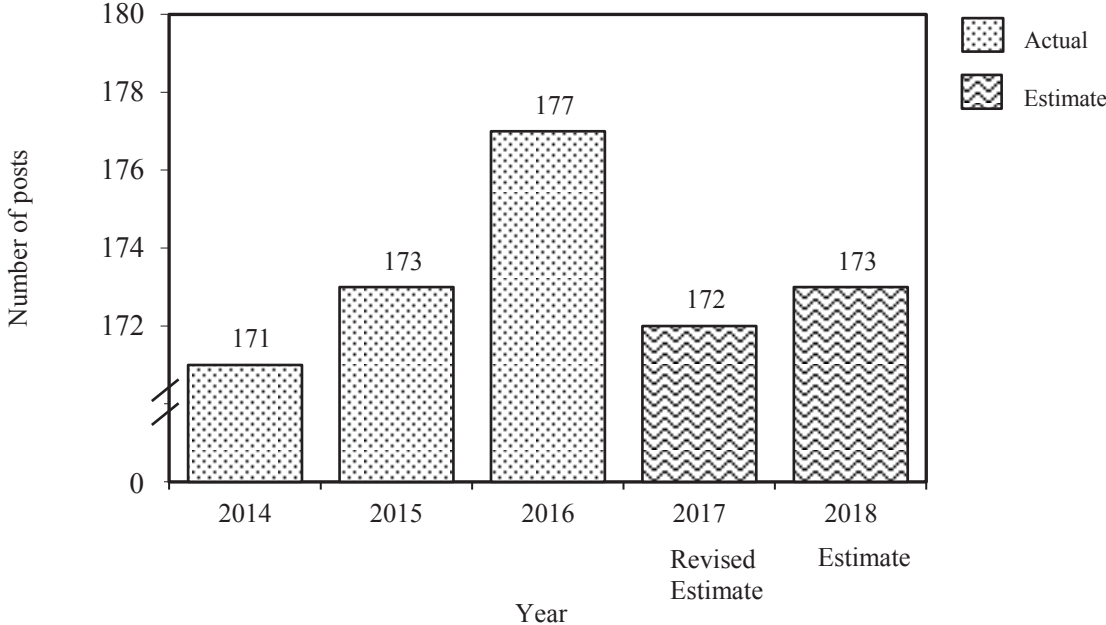
**Analysis of Financial and Staffing Provision**

Provision for 2017-18 is \$419.6 million (55.0%) lower than the revised estimate for 2016-17. This is mainly due to lapse of non-recurrent provision for the establishment of an independent Insurance Authority. There will be a net increase of one post in 2017-18.

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

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



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

Sub-head (Code)	Actual expenditure 2015–16	Approved estimate 2016–17	Revised estimate 2016–17	<b>Estimate 2017–18</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	238,082	292,813	287,959	<b>280,863</b>
	Total, Recurrent.....	238,082	292,813	287,959	<b>280,863</b>
Non-Recurrent					
700	General non-recurrent .....	3,000	472,700	475,200	<b>62,725</b>
	Total, Non-Recurrent.....	3,000	472,700	475,200	<b>62,725</b>
	Total, Operating Account .....	241,082	765,513	763,159	<b>343,588</b>
	Total Expenditure .....	241,082	765,513	763,159	<b>343,588</b>

## 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 2017–18 for the salaries and expenses of the Financial Services Branch is \$343,588,000. This represents a decrease of \$419,571,000 against the revised estimate for 2016–17 and an increase of \$102,506,000 over the actual expenditure in 2015–16.

#### *Operating Account*

#### Recurrent

2 Provision of \$280,863,000 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 2017 will be 172 posts including three supernumerary posts. It is expected that there will be a net increase of one post in 2017–18. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2017–18, but the notional annual mid-point salary value of all such posts must not exceed \$106,975,000.

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

	2015–16 (Actual) (\$'000)	2016–17 (Original) (\$'000)	2016–17 (Revised) (\$'000)	<b>2017–18 (Estimate) (\$'000)</b>
Personal Emoluments				
- Salaries.....	133,616	136,961	142,490	<b>143,749</b>
- Allowances.....	7,519	7,938	8,639	<b>9,747</b>
- Job-related allowances.....	1	2	2	<b>2</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	155	184	159	<b>123</b>
- Civil Service Provident Fund contribution.....	3,452	4,032	4,069	<b>4,646</b>
Departmental Expenses				
- Hire of services and professional fees .....	13,286	42,200	36,050	<b>33,314</b>
- General departmental expenses .....	80,053	101,496	96,550	<b>89,282</b>
	238,082	292,813	287,959	<b>280,863</b>

**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 31.3.2016	Revised estimated expenditure for 2016–17	Balance
			\$'000	\$'000	\$'000	\$'000
<b><i>Operating Account</i></b>						
700		<i>General non-recurrent</i>				
	888	Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector.....	100,000	—	25,200	74,800
	889	Exit package for Insurance Officer Grade Officers .....	31,200	—	—	31,200
		Total .....	<u>131,200</u>	<u>—</u>	<u>25,200</u>	<u>106,000</u>