

## 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 2004–05** ..... **\$152.2m**

**Establishment ceiling 2004–05** (notional annual mid-point salary value) representing an estimated 168 non-directorate posts as at 31 March 2004 and as at 31 March 2005 ..... **\$69.7m**

In addition there will be an estimated 16 directorate posts as at 31 March 2004 rising by one post to 17 posts as at 31 March 2005.

**Commitment balance** ..... **\$16.2m**

### Controlling Officer's Report

#### Programme

##### Financial Services

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

#### Detail

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	<b>2004–05 (Estimate)</b>
Financial provision (\$m)	146.6	159.4	145.1 (–9.0%)	<b>152.2</b> (+4.9%)
				(or –4.5% on 2003–04 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;
- provide a business environment which is open, fair and conducive to financial 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 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;
- 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 2003.

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### *Matters Requiring Special Attention in 2004–05*

5 During 2004–05, the branch will:

- oversee the implementation of the Securities and Futures Ordinance;
- follow up the consultation on proposals to enhance the regulation of listing;
- oversee the implementation of a series of measures to improve market infrastructure to enhance the security, integrity, diversity and efficiency of settlement and clearing systems for securities and funds;
- facilitate and co-ordinate the initiatives taken by relevant authorities to enhance the quality of the capital market in Hong Kong;
- ensure successful implementation of a Deposit Protection Scheme in Hong Kong;
- monitor the implementation of a Commercial Credit Reference Agency by the banking industry;
- introduce legislation for providing statutory backing for the Hong Kong Monetary Authority's oversight of important clearing and settlement systems and for settlement finality in such systems;
- 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 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;
- introduce legislative amendments to facilitate the outsourcing of bankruptcy cases to the private sector;
- take forward the initiatives to enhance the self regulatory regime of the accounting profession and the proposals to enhance the oversight of the public interest activities of auditors and financial reporting; and
- continue with the legislative process in relation to the Companies (Amendment) Bill 2003 which seeks to improve the prospectus regime, enhance shareholder remedies, align the definition of "subsidiary" for the purpose of preparing group accounts with the International Accounting Standards and improve the registration regime for overseas companies.

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**ANALYSIS OF FINANCIAL PROVISION**

<b>Programme</b>	2002-03 (Actual) (\$m)	2003-04 (Original) (\$m)	2003-04 (Revised) (\$m)	<b>2004-05 (Estimate) (\$m)</b>
Financial Services .....	146.6	159.4	145.1 (-9.0%)	<b>152.2 (+4.9%)</b>
				<b>(or -4.5% on 2003-04 Original)</b>

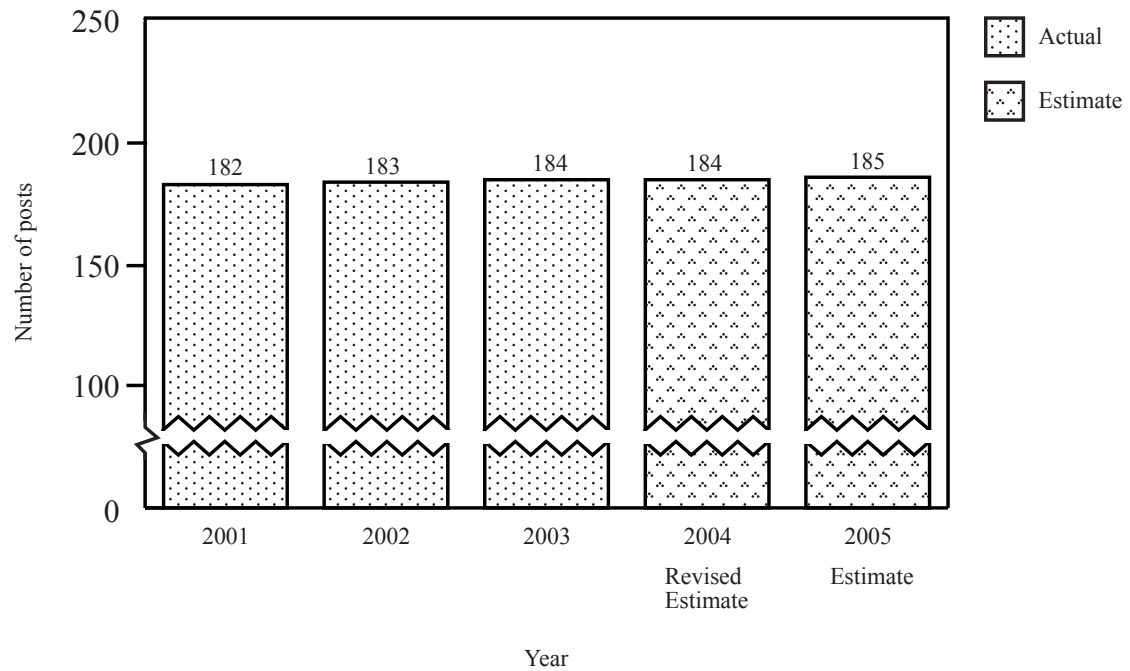
**Analysis of Financial and Staffing Provision**

Provision for 2004-05 is \$7.1 million (4.9%) higher than the revised estimate for 2003-04. This is mainly due to an anticipated increase in expenditure arising from hearings of tribunal cases in 2004-05 compared with the less-than-expected number of cases processed in 2003-04, increases in cashflow requirements for non-recurrent items, the creation of one directorate post and the need to accommodate officers on pre-retirement leave, partly offset by the effect of the 2004 and 2005 civil service pay cut.

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



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Sub-head (Code)	Actual expenditure 2002-03	Approved estimate 2003-04	Revised estimate 2003-04	<b>Estimate 2004-05</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses.....	—	143,516	135,235	<b>139,584</b>
	Salaries .....	107,047	—	—	—
	Allowances .....	2,991	—	—	—
	Job-related allowances .....	6	—	—	—
	Honoraria for members of committees .....	221	—	—	—
	Hire of services and professional fees .....	14,346	—	—	—
	General departmental expenses .....	14,180	—	—	—
	Total, Recurrent .....	138,791	143,516	135,235	<b>139,584</b>
Non-Recurrent					
700	General non-recurrent.....	7,563	15,895	9,887	<b>12,603</b>
	Total, Non-Recurrent .....	7,563	15,895	9,887	<b>12,603</b>
	Total, Operating Account.....	146,354	159,411	145,122	<b>152,187</b>
<b>Capital Account</b>					
Plant, Equipment and Works					
	Minor plant, vehicles and equipment (block vote).....	212	—	—	—
	Total, Plant, Equipment and Works .....	212	—	—	—
	Total, Capital Account .....	212	—	—	—
	Total Expenditure.....	146,566	159,411	145,122	<b>152,187</b>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2004–05 for the salaries and expenses of the Financial Services Branch is \$152,187,000. This represents an increase of \$7,065,000 over the revised estimate for 2003–04 and of \$5,621,000 over actual expenditure in 2002–03.

#### *Operating Account*

#### Recurrent

**2** Provision of \$139,584,000 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 2004 will be 184 permanent posts. It is expected that one permanent post will be created in 2004–05. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2004–05, but the notional annual mid-point salary value of all such posts must not exceed \$69,662,000.

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

	2002–03 (Actual) (\$'000)	2003–04 (Original) (\$'000)	2003–04 (Revised) (\$'000)	<b>2004–05 (Estimate) (\$'000)</b>
Personal Emoluments				
- Salaries.....	107,047	106,248	101,894	<b>102,811</b>
- Allowances.....	2,991	3,519	2,824	<b>3,147</b>
- Job-related allowances .....	6	7	2	<b>1</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	120	120	<b>144</b>
Departmental Expenses				
- Honoraria for members of committees.....	221	284	222	<b>238</b>
- Hire of services and professional fees.....	14,346	19,158	16,068	<b>19,111</b>
- General departmental expenses.....	14,180	14,180	14,105	<b>14,132</b>
	138,791	143,516	135,235	<b>139,584</b>

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**Commitments**

Sub-head (Code)	Item (Code)	Ambit	Approved	Accumulated	Revised	Balance
			commitment	expenditure to 31.3.2003	estimated expenditure for 2003-04	
			\$'000	\$'000	\$'000	\$'000
<b><i>Operating Account</i></b>						
700		<i>General non-recurrent</i>				
	001	Undertaking economic research projects for the Asia-Pacific Economic Cooperation .....	2,400	1,803	—	597
	004	Contracting out economic research projects .....	5,450	5,257	—	193
	013	Consultancy study on corporate governance in Hong Kong .....	7,000	3,545	1,000	2,455
	014	Initiatives to co-ordinate the human resources development for the financial services sector .....	2,000	38	400	1,562
	015	Consultancy study to review the future role and functions of the Official Receiver's Office .....	9,200	4,500	—	4,700
	019	Consultancy study on the feasibility of establishing policyholders' protection funds .....	4,800	362	3,260	1,178
	020	Educational campaign on insurance policy replacement .....	1,315	549	181	585
	022	Hire of econometric modelling services to enable projections on government revenues and fiscal position .....	1,570	203	800	567
	023	Consultancy study on establishing the supervisory framework of assets of long term insurers in Hong Kong .....	5,000	—	1,520	3,480
	664	Consultancy study on a comprehensive review and enhancement of the GDP forecasting framework .....	2,420	1,149	426	845
		<b>Total .....</b>	<b>41,155</b>	<b>17,406</b>	<b>7,587</b>	<b>16,162</b>