

## 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 2008–09**..... **\$127.3m**

**Establishment ceiling 2008–09** (notional annual mid-point salary value) representing an estimated 139 non-directorate posts as at 31 March 2008 and as at 31 March 2009 ..... **\$62.6m**

In addition, there will be an estimated 14 directorate posts as at 31 March 2008 and as at 31 March 2009.

**Commitment balance** ..... **\$2.9m**

### Controlling Officer's Report

#### Programme

##### Financial Services

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

#### Detail

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	<b>2008–09 (Estimate)</b>
Financial provision (\$m)	102.9	123.8	108.9 (–12.0%)	<b>127.3</b> (+16.9%)
				(or +2.8% on 2007–08 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 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 2007.

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

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### ***Matters Requiring Special Attention in 2008–09***

5 During 2008–09, the Branch will:

- continue to enhance the awareness of investor protection;
- continue to facilitate and co-ordinate the initiatives taken by relevant authorities to enhance the quality of the capital market in Hong Kong;
- facilitate the development of an Islamic bond market in Hong Kong;
- continue to 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 and examine possible initiatives to further enhance the efficiency and effectiveness of the system;
- outline proposals on the setting up of an independent Insurance Authority for consultation with stakeholders;
- continue to take forward the rewrite of the Companies Ordinance, with a view to modernising and overhauling the legislative framework affecting the operation of companies in Hong Kong;
- review the provisions of the Trustee Ordinance for the purpose of facilitating the development of the financial services market;
- continue to oversee the smooth implementation of the Official Receiver's Office's outsourcing schemes, including the pilot outsourcing scheme for the administration of debtor-petition summary bankruptcy cases;
- advance financial co-operation with the Mainland and develop a mutually assisting, complementary and interactive relationship between the financial systems of the two places, including strengthening co-operation with the Pan-Pearl River Delta region on financial services;
- continue to enhance Hong Kong's position as a major asset management centre in Asia;
- continue to follow up the action agenda of the Economic Summit on China's 11th Five-Year Plan to promote integration of the financial systems of Hong Kong and the Mainland, and strengthen Hong Kong's position as an international financial centre;
- lead financial services delegations to selected cities in the Mainland and in Asia to showcase Hong Kong's position as an international financial centre in general and to promote Hong Kong as a preferred listing venue in particular; and
- continue to 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.

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

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**ANALYSIS OF FINANCIAL PROVISION**

<b>Programme</b>	2006-07 (Actual) (\$m)	2007-08 (Original) (\$m)	2007-08 (Revised) (\$m)	<b>2008-09 (Estimate) (\$m)</b>
Financial Services .....	102.9	123.8	108.9 (-12.0%)	<b>127.3 (+16.9%)</b>
				<b>(or +2.8% on 2007-08 Original)</b>

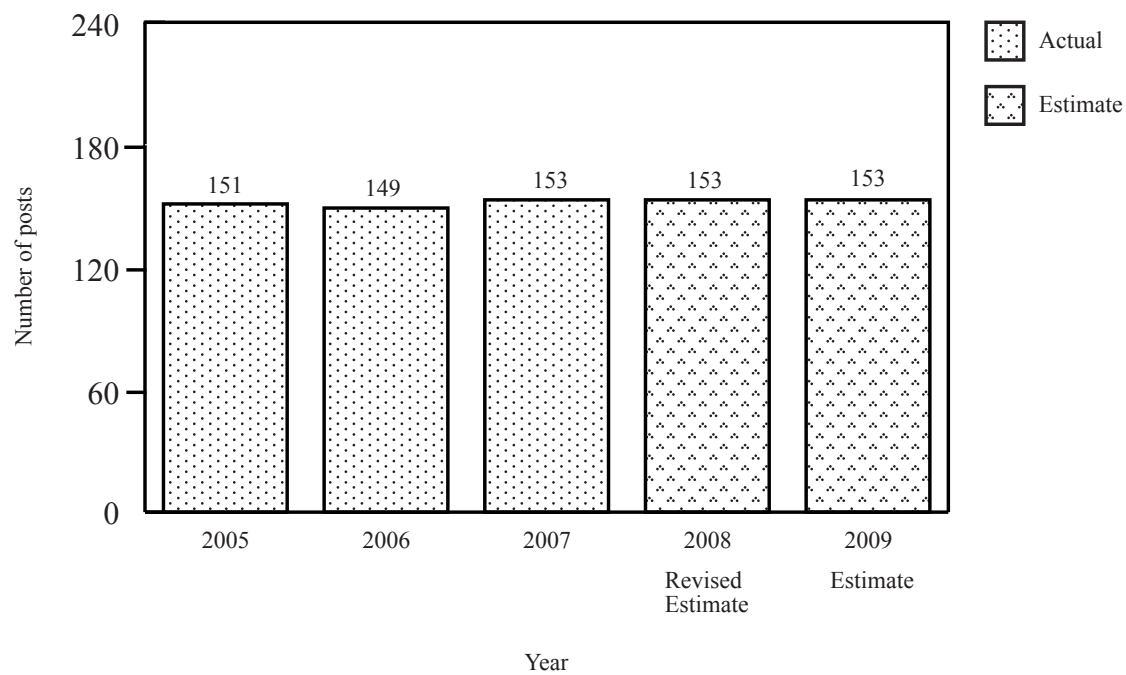
**Analysis of Financial and Staffing Provision**

Provision for 2008-09 is \$18.4 million (16.9%) higher than the revised estimate for 2007-08. This is mainly due to the increased provision for hire of professional services and for meeting the expenses on the hearing of tribunal cases on insider dealings and market misconduct in 2008-09, as well as additional requirement for general departmental expenses, partly offset by reduced cash flow requirement for non-recurrent items.

**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 2006-07	Approved estimate 2007-08	Revised estimate 2007-08	<b>Estimate 2008-09</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	101,351	120,305	103,196	<b>125,592</b>
003	Recoverable salaries and allowances (General) .....	4,647			
	<i>Deduct</i> reimbursements .....	<i>Cr. 4,647</i>	—	—	—
	Total, Recurrent.....	101,351	120,305	103,196	<b>125,592</b>
Non-Recurrent					
700	General non-recurrent .....	1,507	3,452	5,655	<b>1,735</b>
	Total, Non-Recurrent.....	1,507	3,452	5,655	<b>1,735</b>
	Total, Operating Account .....	102,858	123,757	108,851	<b>127,327</b>
	Total Expenditure .....	102,858	123,757	108,851	<b>127,327</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 2008–09 for the salaries and expenses of the Financial Services Branch is \$127,327,000. This represents an increase of \$18,476,000 over the revised estimate for 2007–08 and of \$24,469,000 over actual expenditure in 2006–07.

#### *Operating Account*

#### Recurrent

**2** Provision of \$125,592,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Financial Services Branch. The increase of \$22,396,000 (21.7%) over the revised estimate for 2007–08 is mainly due to the increased provision for hire of professional services and for meeting the expenses on the hearing of tribunal cases on insider dealings and market misconduct in 2008–09, as well as additional requirement for general departmental expenses.

**3** The establishment as at 31 March 2008 will be 151 permanent posts and two supernumerary posts. No net change in establishment is expected in 2008–09. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2008–09, but the notional annual mid-point salary value of all such posts must not exceed \$62,633,000.

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

	2006–07 (Actual) (\$'000)	2007–08 (Original) (\$'000)	2007–08 (Revised) (\$'000)	2008–09 (Estimate) (\$'000)
Personal Emoluments				
- Salaries .....	74,885	79,310	78,692	79,267
- Allowances .....	2,939	3,237	3,176	3,411
- Job-related allowances .....	—	2	2	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution .....	72	96	76	96
- Civil Service Provident Fund contribution .....	—	96	41	28
Departmental Expenses				
- Honoraria for members of committees .....	—	16	16	16
- Hire of services and professional fees .....	12,134	24,759	6,594	21,385
- General departmental expenses .....	11,321	12,789	14,599	21,387
	101,351	120,305	103,196	125,592

**5** Provision of \$4,647,000 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.

**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 31.3.2007	Revised estimated expenditure for 2007–08	Balance
			\$'000	\$'000	\$'000	\$'000
<b><i>Operating Account</i></b>						
700	<i>General non-recurrent</i>					
014	Initiatives to co-ordinate the human resources development for the financial services sector .....		2,000	423	200	1,377
020	Educational campaign on insurance policy replacement .....		1,315	926	154	235
995	Consultancy study on the establishment of an independent Insurance Authority in Hong Kong.....		4,800	—	3,500	1,300
	Total .....		<u>8,115</u>	<u>1,349</u>	<u>3,854</u>	<u>2,912</u>