

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 2009–10 **\$140.2m**

Establishment ceiling 2009–10 (notional annual mid-point salary value) representing an estimated 139 non-directorate posts as at 31 March 2009 rising by six posts to 145 posts as at 31 March 2010 **\$70.4m**

In addition, there will be an estimated 15 directorate posts as at 31 March 2009 and 31 March 2010.

Commitment balance **\$1.7m**

Controlling Officer's Report

Programme

Financial Services

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

Detail

	2007–08 (Actual)	2008–09 (Original)	2008–09 (Revised)	2009–10 (Estimate)
Financial provision (\$m)	103.8	127.3	136.9 (+7.5%)	140.2 (+2.4%)
				(or +10.1% on 2008–09 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; 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 (HKMA), the Securities and Futures Commission (SFC), 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 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 (ORO).
- 4 The aims of the programme were broadly achieved in 2008.

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Matters Requiring Special Attention in 2009–10

5 During 2009–10, the Branch will:

- continue to take forward in phases the recommendations in the reports prepared by the HKMA and the SFC on the Lehman Brothers Minibonds incident so as to further improve our regulatory framework and enhance investor protection, particularly with regard to the regulation of securities business conducted by authorised institutions;
- continue to facilitate and co-ordinate the initiatives taken by relevant authorities to enhance the quality of the capital market in Hong Kong;
- continue to facilitate the development of an Islamic bond market in Hong Kong;
- continue to oversee the implementation of initiatives for 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 including preparation of legislative proposals to increase employees' control over their MPF investment;
- oversee the implementation of the exercise of injecting \$6,000 into MPF accounts of eligible recipients to enhance retirement protection for the lower-income working people;
- prepare proposals on the setting up of an independent Insurance Authority for consultation with stakeholders;
- examine, in collaboration with the insurance industry, possible options on the development of a Policyholders' Protection Fund;
- 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;
- continue to 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 outsourcing schemes by the ORO, including the pilot outsourcing scheme for the administration of debtor-petition summary bankruptcy cases;
- revisit proposals, in consultation with stakeholders, for introducing a corporate rescue procedure to help companies in financial difficulty turn around;
- continue to 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 following up the action agenda of the Economic Summit on China's 11th Five-Year Plan;
- continue to enhance Hong Kong's position as a major asset management centre in Asia;
- continue to improve the quality and competitiveness of our listing regime by considering how best to give statutory backing to certain important listing requirements, having regard to market views and latest market development;
- co-ordinate the review of financial systems and relevant preventive measures to enhance the anti-money laundering and counter financing of terrorism regime in Hong Kong; and
- provide policy input and support to the reviews on banking-related matters, including those on strengthening the supervisory framework for authorised institutions and on the coverage and protection limit of the Deposit Protection Scheme.

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ANALYSIS OF FINANCIAL PROVISION

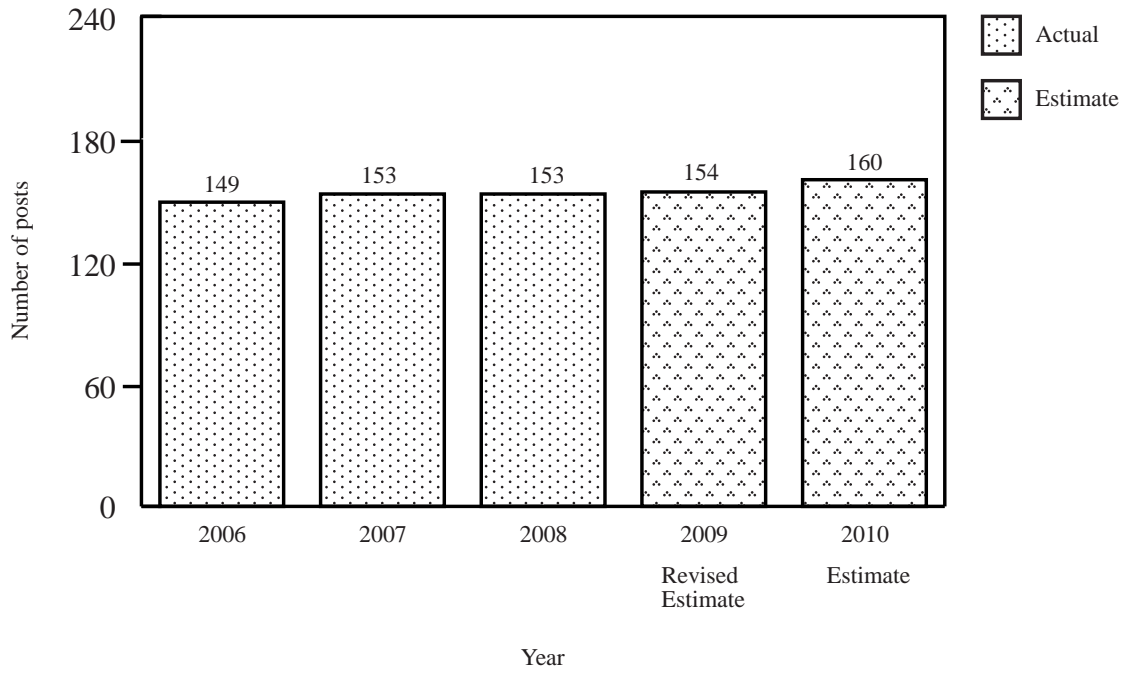
Programme	2007-08 (Actual) (\$m)	2008-09 (Original) (\$m)	2008-09 (Revised) (\$m)	2009-10 (Estimate) (\$m)
Financial Services	103.8	127.3	136.9 (+7.5%)	140.2 (+2.4%)
				(or +10.1% on 2008-09 Original)

Analysis of Financial and Staffing Provision

Provision for 2009-10 is \$3.3 million (2.4%) higher than the revised estimate for 2008-09. This is mainly due to the net increase of six posts to meet operational needs, increased provision for hire of professional services and for meeting the expenses on the hearing of tribunal cases on market misconduct, partly offset by the anticipated decrease in general departmental expenses and reduced 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 2007-08	Approved estimate 2008-09	Revised estimate 2008-09	Estimate 2009-10
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses	101,495	125,592	132,550	139,858
003	Recoverable salaries and allowances (General)	4,940			
	<i>Deduct</i> reimbursements	<i>Cr.4,940</i>	—	—	—
	Total, Recurrent	<u>101,495</u>	<u>125,592</u>	<u>132,550</u>	<u>139,858</u>
Non-Recurrent					
700	General non-recurrent	2,301	1,735	4,367	360
	Total, Non-Recurrent	<u>2,301</u>	<u>1,735</u>	<u>4,367</u>	<u>360</u>
	Total, Operating Account	103,796	127,327	136,917	140,218
<hr/>					
	Total Expenditure	<u><u>103,796</u></u>	<u><u>127,327</u></u>	<u><u>136,917</u></u>	<u><u>140,218</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2009–10 for the salaries and expenses of the Financial Services Branch is \$140,218,000. This represents an increase of \$3,301,000 over the revised estimate for 2008–09 and of \$36,422,000 over actual expenditure in 2007–08.

Operating Account

Recurrent

2 Provision of \$139,858,000 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 2009 will be 151 permanent posts and three supernumerary posts. It is expected that there will be a net increase of six posts in 2009–10. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2009–10, but the notional annual mid-point salary value of all such posts must not exceed \$70,444,000.

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

	2007–08 (Actual) (\$'000)	2008–09 (Original) (\$'000)	2008–09 (Revised) (\$'000)	2009–10 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	78,570	79,267	83,948	90,429
- Allowances	3,207	3,411	4,126	5,390
- Job-related allowances	1	2	2	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution	77	96	84	96
- Civil Service Provident Fund contribution	21	28	—	—
Departmental Expenses				
- Honoraria for members of committees	—	16	16	16
- Hire of services and professional fees	4,485	21,385	10,856	19,400
- General departmental expenses	15,134	21,387	33,518	24,525
	101,495	125,592	132,550	139,858

5 Provision of \$4,940,000 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 31.3.2008	Revised estimated expenditure for 2008-09	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	465	200	1,335
	020	Educational campaign on insurance policy replacement	1,315	926	50	339
		Total	<u>3,315</u>	<u>1,391</u>	<u>250</u>	<u>1,674</u>