

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 2010–11 **\$160.8m**

Establishment ceiling 2010–11 (notional annual mid-point salary value) representing an estimated 145 non-directorate posts as at 31 March 2010 rising by five posts to 150 posts as at 31 March 2011..... **\$72.6m**

In addition, there will be an estimated 15 directorate posts as at 31 March 2010 and as at 31 March 2011.

Commitment balance..... **\$1.4m**

Controlling Officer's Report

Programme

Financial Services

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

Detail

	2008–09 (Actual)	2009–10 (Original)	2009–10 (Revised)	2010–11 (Estimate)
Financial provision (\$m)	8,726.9#	140.2	140.2 (—)	160.8 (+14.7%)
				(or +14.7% on 2009–10 Original)

Among the actual expenditure, \$8,592 million were payment of special contributions into the Mandatory Provident Fund (MPF) accounts of eligible persons. Discounting this sum the actual expenditure was only \$134.9 million.

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, MPF schemes and occupational retirement schemes; 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 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 2009.

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Matters Requiring Special Attention in 2010–11

5 During 2010–11, 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;
- 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 advance financial co-operation with the Mainland to enhance the two-way flow of financial institutions, financial products, capital and talent between Hong Kong and the Mainland;
- continue to enhance Hong Kong's position as an international capital formation centre, asset management centre and offshore Renminbi business centre in Asia;
- continue to facilitate and co-ordinate the initiatives taken by relevant authorities to enhance the quality of the capital market in Hong Kong, including the proposed transfer of the public offering regime for all structured products from the Companies Ordinance to the Securities and Futures Ordinance;
- continue to improve the quality and competitiveness of our listing regime by codifying certain disclosure requirements on price sensitive information in the statute, having regard to market views and latest market development;
- continue to provide policy input and support to the reviews on banking-related matters and follow-up action, including those on strengthening the supervisory framework for authorised institutions and enhancing the Deposit Protection Scheme;
- introduce legislation into the Legislative Council to enhance the anti-money laundering regulatory regime in respect of the financial sectors;
- continue to take forward the rewrite of the Companies Ordinance, with a view to modernising and overhauling the legislative framework for the operation of companies in Hong Kong;
- introduce a Companies (Amendment) Bill into the Legislative Council to allow electronic incorporation of companies and filing of documents;
- continue to review the provisions of the Trustee Ordinance for facilitating the development of financial services market and strengthening the competitiveness of trust services industry in Hong Kong;
- continue to take forward the review of proposals for introducing a corporate rescue procedure to help companies in financial difficulty turn around;
- continue to monitor the operation of the MPF system, explore possible initiatives to further enhance the efficiency and effectiveness of the system, and oversee the implementation of proposals to increase employees' control over their MPF investment;
- prepare proposals on the establishment of an independent Insurance Authority for consultation with stakeholders;
- prepare proposals on the establishment of a Policyholders' Protection Fund in collaboration with the industry to better protect policyholder's interests in the event of an insurer's insolvency;
- continue to facilitate the development of an Islamic bond market in Hong Kong; and
- continue to oversee the smooth implementation of outsourcing schemes by the ORO.

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ANALYSIS OF FINANCIAL PROVISION

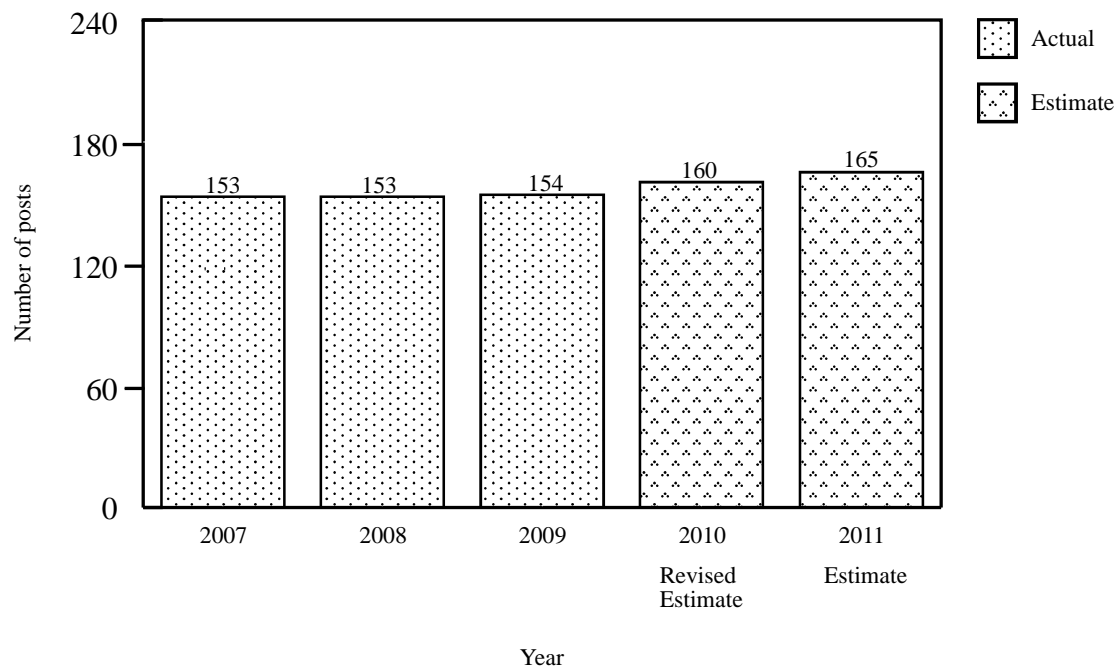
Programme	2008–09 (Actual) (\$m)	2009–10 (Original) (\$m)	2009–10 (Revised) (\$m)	2010–11 (Estimate) (\$m)
Financial Services	8,726.9	140.2	140.2 (—)	160.8 (+14.7%)
				(or +14.7% on 2009–10 Original)

Analysis of Financial and Staffing Provision

Provision for 2010–11 is \$20.6 million (14.7%) higher than the revised estimate for 2009–10. This is mainly due to the net increase of five posts to meet operational needs, increased provision for general departmental expenses, hire of professional services for meeting the expenses on the hearing of tribunal cases on market misconduct and securities and futures appeals, partly offset by anticipated decrease in expenses for allowances 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 2008-09	Approved estimate 2009-10	Revised estimate 2009-10	Estimate 2010-11
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses.....	132,075	139,858	137,081	160,488
003	Recoverable salaries and allowances (General).....	4,780			
	<i>Deduct</i> reimbursements..... <i>Cr.4,780</i>	—	—	—	—
	Total, Recurrent.....	<u>132,075</u>	<u>139,858</u>	<u>137,081</u>	<u>160,488</u>
Non-Recurrent					
700	General non-recurrent.....	8,594,792	360	3,133	300
	Total, Non-Recurrent.....	<u>8,594,792</u>	<u>360</u>	<u>3,133</u>	<u>300</u>
	Total, Operating Account.....	<u>8,726,867</u>	<u>140,218</u>	<u>140,214</u>	<u>160,788</u>
<hr/>					
	Total Expenditure.....	<u><u>8,726,867</u></u>	<u><u>140,218</u></u>	<u><u>140,214</u></u>	<u><u>160,788</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2010–11 for the salaries and expenses of the Financial Services Branch is \$160,788,000. This represents an increase of \$20,574,000 over the revised estimate for 2009–10 and a decrease of \$8,566,079,000 against the actual expenditure in 2008–09.

Operating Account

Recurrent

2 Provision of \$160,488,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Financial Services Branch. The increase of \$23,407,000 (17.1%) over the revised estimate for 2009–10 is mainly due to net increase of five civil service posts in 2010–11 to meet operational needs, increased provision for general departmental expenses, hire of professional services for meeting the expenses on the hearing of tribunal cases on market misconduct and securities and futures appeals, partly offset by anticipated decrease in expenses for allowances.

3 The establishment as at 31 March 2010 will be 157 permanent posts and three supernumerary posts. It is expected that there will be a net increase of five posts in 2010–11. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2010–11, but the notional annual mid-point salary value of all such posts must not exceed \$72,639,000.

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

	2008–09 (Actual) (\$'000)	2009–10 (Original) (\$'000)	2009–10 (Revised) (\$'000)	2010–11 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	83,471	90,429	89,098	89,876
- Allowances.....	4,055	5,390	5,503	3,766
- Job-related allowances	2	2	2	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	86	96	143	133
- Civil Service Provident Fund contribution.....	35	—	198	312
Departmental Expenses				
- Honoraria for members of committees.....	—	16	16	16
- Hire of services and professional fees.....	10,275	19,400	11,478	25,851
- General departmental expenses.....	34,151	24,525	30,643	40,532
	132,075	139,858	137,081	160,488

5 Provision of \$4,780,000 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 31.3.2009	Revised estimated expenditure for 2009–10	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	512	300	1,188
020	Educational campaign on insurance policy replacement.....		1,315	926	160	229
	Total.....		<u>3,315</u>	<u>1,438</u>	<u>460</u>	<u>1,417</u>