

## 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 2011–12**..... **\$185.5m**

**Establishment ceiling 2011–12** (notional annual mid-point salary value) representing an estimated 146 non-directorate posts as at 31 March 2011 rising by nine posts to 155 posts as at 31 March 2012. .... **\$77.3m**

In addition, there will be an estimated 15 directorate posts as at 31 March 2011 rising by one post to 16 posts as at 31 March 2012.

**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

	2009–10 (Actual)	2010–11 (Original)	2010–11 (Revised)	<b>2011–12 (Estimate)</b>
Financial provision (\$m)	136.1	160.8	155.1 (–3.5%)	<b>185.5</b> (+19.6%)
				(or +15.4% on 2010–11 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 industry; Mandatory Provident Fund (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, the Securities and Futures Commission, the Insurance Authority, the MPF 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 2010.

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### *Matters Requiring Special Attention in 2011–12*

5 During 2011–12, the Branch will:

- prepare for the establishment of a financial dispute resolution centre;
- 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 a premier international capital formation centre, asset management centre and offshore Renminbi business centre in Asia;
- continue to improve the quality and competitiveness of our listing regime by legislating for certain disclosure requirements on price sensitive information, 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;
- prepare further enabling legislation for the introduction of a scripless securities market in Hong Kong;
- continue the legislative exercise to enhance the anti-money laundering regulatory regime in respect of the financial sectors;
- continue the legislative exercise for the Companies Bill with a view to modernising and overhauling the legislative framework for the operation of companies in Hong Kong;
- continue to modernise the Trustee Ordinance (Cap. 29) and other relevant ordinances for facilitating the development of financial services market and strengthening the competitiveness of trust services industry in Hong Kong;
- continue to develop a statutory corporate rescue procedure to help companies in financial difficulty turn around;
- continue to monitor the operation of the MPF system, explore initiatives to further enhance the efficiency and effectiveness of the system, and prepare legislative proposals to strengthen the regulation of MPF intermediaries for the implementation of the Employee Choice Arrangement;
- prepare detailed proposals on the establishment of a Policyholders' Protection Fund to better protect policyholder's interests in the event of an insurer's insolvency;
- prepare detailed proposals on the establishment of an independent Insurance Authority and engage stakeholders in the process; and
- continue to promote development of the bond market, including Islamic bonds, in Hong Kong.

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**ANALYSIS OF FINANCIAL PROVISION**

<b>Programme</b>	2009–10 (Actual) (\$m)	2010–11 (Original) (\$m)	2010–11 (Revised) (\$m)	<b>2011–12 (Estimate) (\$m)</b>
Financial Services.....	136.1	160.8	155.1 (–3.5%)	<b>185.5 (+19.6%)</b>
				<b>(or +15.4% on 2010–11 Original)</b>

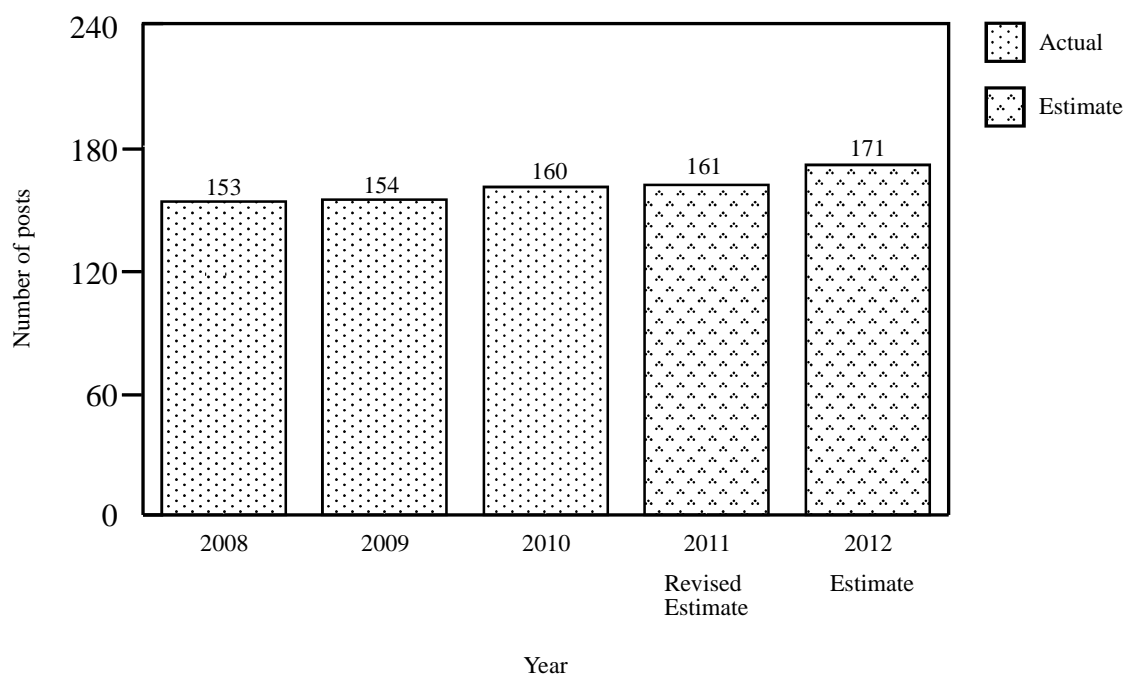
**Analysis of Financial and Staffing Provision**

Provision for 2011–12 is \$30.4 million (19.6%) higher than the revised estimate for 2010–11. This is mainly due to the net increase of ten 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 as well as the risk based capital and other actuarial consultancies, partly offset by anticipated decrease in expenses for allowances.

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



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Sub-head (Code)		Actual expenditure 2009–10	Approved estimate 2010–11	Revised estimate 2010–11	<b>Estimate 2011–12</b>
	\$'000	\$'000	\$'000	\$'000	<b>\$'000</b>
<b>Operating Account</b>					
Recurrent					
000	Operational expenses.....	134,087	160,488	153,847	<b>185,193</b>
003	Recoverable salaries and allowances (General).....	4,856			
	<i>Deduct</i> reimbursements..... <i>Cr.4,856</i>	—	—	—	—
	Total, Recurrent .....	<u>134,087</u>	<u>160,488</u>	<u>153,847</u>	<u><b>185,193</b></u>
Non-Recurrent					
700	General non-recurrent .....	1,980	300	1,215	<b>300</b>
	Total, Non-Recurrent .....	<u>1,980</u>	<u>300</u>	<u>1,215</u>	<u><b>300</b></u>
	Total, Operating Account.....	<u>136,067</u>	<u>160,788</u>	<u>155,062</u>	<u><b>185,493</b></u>
<hr/>					
	Total Expenditure .....	<u><u>136,067</u></u>	<u><u>160,788</u></u>	<u><u>155,062</u></u>	<u><u><b>185,493</b></u></u>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2011–12 for the salaries and expenses of the Financial Services Branch is \$185,493,000. This represents an increase of \$30,431,000 over the revised estimate for 2010–11 and of \$49,426,000 over actual expenditure in 2009–10.

#### *Operating Account*

#### Recurrent

**2** Provision of \$185,193,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Financial Services Branch. The increase of \$31,346,000 (20.4%) over the revised estimate for 2010–11 is mainly due to net increase of ten civil service posts in 2011–12 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 as well as the risk based capital and other actuarial consultancies, partly offset by anticipated decrease in expenses for allowances.

**3** The establishment as at 31 March 2011 will be 161 posts including three supernumerary posts. It is expected that there will be a net increase of ten posts in 2011–12. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2011–12, but the notional annual mid-point salary value of all such posts must not exceed \$77,286,000.

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

	2009–10 (Actual) (\$'000)	2010–11 (Original) (\$'000)	2010–11 (Revised) (\$'000)	<b>2011–12 (Estimate) (\$'000)</b>
Personal Emoluments				
- Salaries .....	88,947	89,876	92,275	<b>99,713</b>
- Allowances .....	5,166	3,766	3,128	<b>2,601</b>
- Job-related allowances.....	—	2	2	<b>2</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution .....	143	133	133	<b>75</b>
- Civil Service Provident Fund contribution .....	195	312	395	<b>879</b>
Departmental Expenses				
- Honoraria for members of committees ....	—	16	16	<b>16</b>
- Hire of services and professional fees .....	9,920	25,851	17,825	<b>29,521</b>
- General departmental expenses.....	29,716	40,532	40,073	<b>52,386</b>
	134,087	160,488	153,847	<b>185,193</b>

**5** Provision of \$4,856,000 under *Subhead 003 Recoverable salaries and allowances (General)* is for salaries and allowances of civil servants working for the rewrite of the Companies Ordinance (Cap. 32). 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 31.3.2010	Revised estimated expenditure for 2010-11	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	656	200	1,144
020	Educational campaign on insurance policy replacement .....		1,315	1,064	40	211
	Total .....		<u>3,315</u>	<u>1,720</u>	<u>240</u>	<u>1,355</u>