

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 2012–13..... **\$218.1m**

Establishment ceiling 2012–13 (notional annual mid-point salary value) representing an estimated 153 non-directorate posts as at 31 March 2012 reducing by six posts to 147 posts as at 31 March 2013 **\$83.5m**

In addition, there will be an estimated 16 directorate posts as at 31 March 2012 rising by one post to 17 posts as at 31 March 2013.

Commitment balance **\$78.3m**

Controlling Officer's Report

Programme

Financial Services

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

Detail

	2010–11 (Actual)	2011–12 (Original)	2011–12 (Revised)	2012–13 (Estimate)
Financial provision (\$m)	144.7	185.5	198.7 (+7.1%)	218.1 (+9.8%)
				(or +17.6% on 2011–12 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 Mandatory Provident Fund Schemes Authority (MPFA) 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 2011.

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Matters Requiring Special Attention in 2012–13

5 During 2012–13, the Branch will:

- establish a financial dispute resolution centre and oversee its implementation of a financial dispute resolution scheme;
- continue to advance financial and related co-operation with the Mainland by:
 - pursuing initiatives and overseeing their implementation under the Mainland and Hong Kong Closer Economic Partnership Arrangement and other co-operation frameworks such as the Framework Agreement on Hong Kong/Guangdong Co-operation;
 - co-ordinating the implementation of new measures announced by Vice Premier Li Keqiang in August 2011 and promoting financial co-operation at the central and regional levels; and
 - continuing to reinforce our offshore Renminbi business platform;
- continue to improve the quality and competitiveness of Hong Kong’s listing regime by introducing certain statutory disclosure requirements on price sensitive information;
- continue to provide policy input and support to the reviews on banking-related matters and follow-up actions, including those on strengthening the supervisory framework for authorised institutions;
- prepare legislative proposals to establish a regulatory regime for the over-the-counter derivatives market to fulfil international obligations and to enhance financial stability;
- work on further enabling legislation for the introduction of a scripless securities market in Hong Kong;
- oversee the implementation of the newly enacted Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615), which will commence operation on 1 April 2012, 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;
- modernise the corporate insolvency regime, and continue to take forward the proposal to introduce a statutory corporate rescue procedure to help companies in financial difficulty turn around;
- continue to monitor the operation of the MPF system and liaise with the MPFA on its on-going review to further enhance the efficiency and effectiveness of the system, including the withdrawal of benefits, cost structure of trustees, and the establishment of a central database as part of the feasibility study on full portability;
- continue the legislative exercise to enhance the regulation of the MPF intermediaries to pave the way for the implementation of the Employee Choice Arrangement in November 2012;
- prepare legislation for the establishment of an automatic levying mechanism for the MPF Schemes Compensation Fund;
- prepare consultation conclusions and 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 draft key legislative provisions for the establishment of an independent Insurance Authority for stakeholder engagement; and
- continue to promote development of the bond market, including Islamic bonds, in Hong Kong.

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ANALYSIS OF FINANCIAL PROVISION

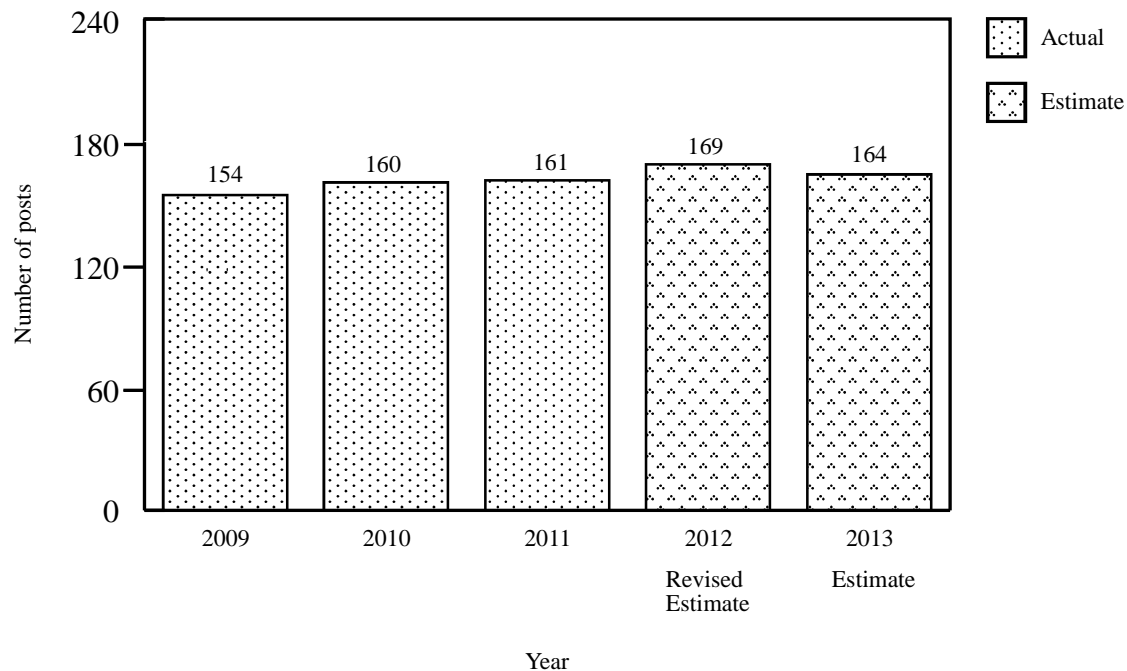
Programme	2010–11 (Actual) (\$m)	2011–12 (Original) (\$m)	2011–12 (Revised) (\$m)	2012–13 (Estimate) (\$m)
Financial Services	144.7	185.5	198.7 (+7.1%)	218.1 (+9.8%)
				(or +17.6% on 2011–12 Original)

Analysis of Financial and Staffing Provision

Provision for 2012–13 is \$19.4 million (9.8%) higher than the revised estimate for 2011–12. This is mainly due to the injection of non-recurrent provision for meeting the first year operating cost of the Financial Dispute Resolution Centre.

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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 2010–11	Approved estimate 2011–12	Revised estimate 2011–12	Estimate 2012–13
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses	143,732	185,193	183,409	189,846
003	Recoverable salaries and allowances (General)..... 3,515				
	Deduct reimbursements..... <i>Cr.3,515</i>	—	—	—	—
	Total, Recurrent	143,732	185,193	183,409	189,846
Non-Recurrent					
700	General non-recurrent	975	300	15,270	28,290
	Total, Non-Recurrent	975	300	15,270	28,290
	Total, Operating Account	144,707	185,493	198,679	218,136
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	Total Expenditure	144,707	185,493	198,679	218,136

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Details of Expenditure by Subhead

The estimate of the amount required in 2012–13 for the salaries and expenses of the Financial Services Branch is \$218,136,000. This represents an increase of \$19,457,000 over the revised estimate for 2011–12 and of \$73,429,000 over actual expenditure in 2010–11.

Operating Account

Recurrent

2 Provision of \$189,846,000 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 2012 will be 165 permanent posts and four supernumerary posts. It is expected that there will be a net decrease of five posts in 2012–13. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2012–13, but the notional annual mid-point salary value of all such posts must not exceed \$83,473,000.

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

	2010–11 (Actual) (\$'000)	2011–12 (Original) (\$'000)	2011–12 (Revised) (\$'000)	2012–13 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	91,557	99,713	107,300	109,199
- Allowances	3,290	2,601	2,704	2,651
- Job-related allowances.....	—	2	2	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution	140	75	145	161
- Civil Service Provident Fund contribution	380	879	935	1,100
Departmental Expenses				
- Honoraria for members of committees	—	16	16	16
- Hire of services and professional fees	13,401	29,521	26,261	28,400
- General departmental expenses	34,964	52,386	46,046	48,317
	143,732	185,193	183,409	189,846

5 Provision of \$3,515,000 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 31.3.2011	Revised estimated expenditure for 2011–12	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	656	200	1,144
020	Educational campaign on insurance policy replacement		1,315	1,064	70	181
853	Financial Dispute Resolution Centre		92,000	—	15,000	77,000
	Total		<u>95,315</u>	<u>1,720</u>	<u>15,270</u>	<u>78,325</u>