

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 2013–14	\$239.2m
Establishment ceiling 2013–14 (notional annual mid-point salary value) representing an estimated 147 non-directorate posts as at 31 March 2013 rising by three posts to 150 posts as at 31 March 2014.....	\$88.0m
In addition, there will be an estimated 17 directorate posts as at 31 March 2013 and as at 31 March 2014.	
Commitment balance	\$50.4m

Controlling Officer's Report

Programme

Financial Services

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

Detail

	2011–12 (Actual)	2012–13 (Original)	2012–13 (Revised)	2013–14 (Estimate)
Financial provision (\$m)	190.3	218.1	217.9 (–0.1%)	239.2 (+9.8%)
				(or +9.7% on 2012–13 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, trusts, 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 (FRC);
- 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 2012.

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Matters Requiring Special Attention in 2013–14

5 During 2013–14, the Branch will:

- continue to advance financial and related co-operation with the Mainland by:
 - reinforcing the offshore Renminbi business platform; and
 - co-ordinating the implementation of relevant measures announced by the Central Authorities and pursuing initiatives under the Mainland and Hong Kong Closer Economic Partnership Arrangement and other co-operation frameworks;
- establish the Financial Services Development Council to explore ways to complement the internationalisation of the financial market of our country, facilitate the further development of Hong Kong's financial services industry and tender advice and proposals to the Government;
- continue to promote the development of the bond market and asset management industry;
- legislate for a comparable taxation regime for common types of Islamic bonds vis-à-vis conventional bonds in terms of tax and stamp duty liabilities;
- modernise the trust law to enhance the competitiveness of the trust services industry;
- prepare for the implementation of the newly enacted Companies Ordinance, including the making of necessary subsidiary legislation;
- improve the quality and competitiveness of the listing regime by a legislative proposal to strengthen the regulation of sponsors;
- join hands with the FRC and the accounting profession to formulate proposals to further enhance the independence of the auditor oversight regime for listed companies;
- formulate legislative proposals to improve the corporate insolvency regime and introduce a statutory corporate rescue procedure;
- continue to strengthen the regulation for the banking industry in line with international standards, including implementation of the Basel III requirements;
- introduce legislation to establish a regulatory regime for the over-the-counter derivatives market to fulfil international obligations and to enhance financial stability;
- take forward the legislative proposal for introducing a scripless securities market;
- oversee the implementation of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) in respect of the financial sectors;
- join hands with the MPFA to drive down MPF fees and enhance the MPF System, including withdrawal of MPF accrued benefits;
- prepare legislation for the establishment of a Policyholders' Protection Fund to better protect policyholders' interests in the event of insolvency of an insurer;
- introduce legislation for the establishment of an independent Insurance Authority; and
- continue engagement with the industry on the introduction of a risk-based capital framework for the prudential regulation of insurers.

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ANALYSIS OF FINANCIAL PROVISION

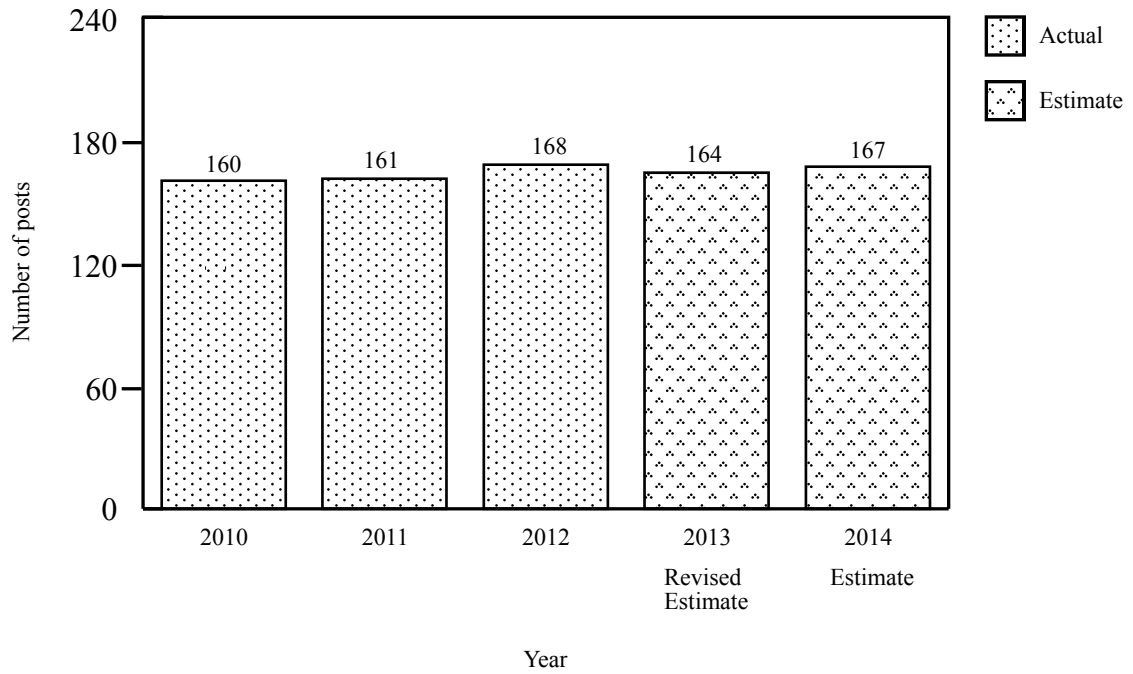
Programme	2011-12 (Actual) (\$m)	2012-13 (Original) (\$m)	2012-13 (Revised) (\$m)	2013-14 (Estimate) (\$m)
Financial Services	190.3	218.1	217.9 (-0.1%)	239.2 (+9.8%)
				(or +9.7% on 2012-13 Original)

Analysis of Financial and Staffing Provision

Provision for 2013-14 is \$21.3 million (9.8%) higher than the revised estimate for 2012-13. This is mainly due to anticipated increase in expenditure for employing non-civil service contract staff in the Office of the Commissioner of Insurance, and expenses for commissioning the Risk-based Capital Consultancy Study in respect of the insurers.

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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 2011-12	Approved estimate 2012-13	Revised estimate 2012-13	Estimate 2013-14
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses	175,210	189,846	189,846	210,835
003	Recoverable salaries and allowances (General).....	3,631			
	<i>Deduct</i> reimbursements..... <i>Cr. 3,631</i>	—	—	—	—
	Total, Recurrent	<u>175,210</u>	<u>189,846</u>	<u>189,846</u>	<u>210,835</u>
Non-Recurrent					
700	General non-recurrent	15,131	28,290	28,102	28,338
	Total, Non-Recurrent	<u>15,131</u>	<u>28,290</u>	<u>28,102</u>	<u>28,338</u>
	Total, Operating Account.....	190,341	218,136	217,948	239,173
<hr/>					
	Total Expenditure	<u><u>190,341</u></u>	<u><u>218,136</u></u>	<u><u>217,948</u></u>	<u><u>239,173</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2013–14 for the salaries and expenses of the Financial Services Branch is \$239,173,000. This represents an increase of \$21,225,000 over the revised estimate for 2012–13 and of \$48,832,000 over actual expenditure in 2011–12.

Operating Account

Recurrent

2 Provision of \$210,835,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Financial Services Branch. The increase of \$20,989,000 (11.1%) over the revised estimate for 2012–13 is mainly due to anticipated increase in expenditure for employing non-civil service contract staff in the Office of the Commissioner of Insurance, and expenses for commissioning the Risk-based Capital Consultancy Study in respect of the insurers.

3 The establishment as at 31 March 2013 will be 159 permanent posts and five supernumerary posts. It is expected that there will be a net increase of three posts in 2013–14. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2013–14, but the notional annual mid-point salary value of all such posts must not exceed \$88,009,000.

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

	2011–12 (Actual) (\$'000)	2012–13 (Original) (\$'000)	2012–13 (Revised) (\$'000)	2013–14 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	107,432	109,199	112,778	111,328
- Allowances	2,927	2,651	5,297	6,546
- Job-related allowances.....	—	2	2	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution	153	161	214	229
- Civil Service Provident Fund contribution	945	1,100	1,483	2,123
Departmental Expenses				
- Honoraria for members of committees	—	16	—	—
- Hire of services and professional fees	19,055	28,400	20,677	23,719
- General departmental expenses	44,698	48,317	49,395	66,888
	175,210	189,846	189,846	210,835

5 Provision of \$3,631,000 under *Subhead 003 Recoverable salaries and allowances (General)* is for salaries and allowances of civil servants working for the newly enacted Companies Ordinance and relevant subsidiary legislation. 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 31.3.2012	Revised estimated expenditure for 2012–13	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	674	92	1,234
020	Educational campaign on insurance policy replacement		1,315	1,177	10	128
853	Financial Dispute Resolution Centre		92,000	15,000	28,000	49,000
	Total		<u>95,315</u>	<u>16,851</u>	<u>28,102</u>	<u>50,362</u>