

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 2014–15 **\$312.9m**

Establishment ceiling 2014–15 (notional annual mid-point salary value) representing an estimated 154 non-directorate posts as at 31 March 2014 rising by two posts to 156 posts as at 31 March 2015 **\$109.3m**

In addition, there will be an estimated 19 directorate posts as at 31 March 2014 reducing by two posts to 17 posts as at 31 March 2015.

Commitment balance **\$84.5m**

Controlling Officer's Report

Programme

Financial Services

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

Detail

	2012–13 (Actual)	2013–14 (Original)	2013–14 (Revised)	2014–15 (Estimate)
Financial provision (\$m)	216.9	239.2	239.1 (—)	312.9 (+30.9%)
				(or +30.8% on 2013–14 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 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 2013.

Head 148 — GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND THE TREASURY BUREAU (FINANCIAL SERVICES BRANCH)

Matters Requiring Special Attention in 2014–15

5 During 2014–15, the Branch will:

- engage the industry and formulate proposals to promote the further development of our financial services industry through the Financial Services Development Council and other platforms;
- 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;
- work closely with the relevant ministries in the Central Government and the Asia-Pacific Economic Cooperation (APEC) for smooth organisation of the APEC Finance Ministers' Meeting in Hong Kong in September 2014;
- continue to promote the development of the bond market, Islamic finance and asset management industry;
- legislate for the establishment of an independent Insurance Authority;
- promote the new Companies Ordinance (Cap. 622) and ensure its smooth implementation;
- introduce legislation to enable the introduction of an uncertificated securities regime;
- formulate legislative proposals to establish a regulatory regime for stored value facilities and retail payment systems in Hong Kong;
- continue to strengthen banking regulation in line with international standards, including implementation of the Basel III requirements;
- consult the public on the proposal of including in each MPF scheme a core fund as the default fund, which will be subject to fee control and based on a long-term investment strategy;
- introduce legislative amendments to simplify operational requirements for trustees of MPF schemes; and allow early withdrawal of MPF benefits on the ground of terminal illness as well as phased withdrawal of MPF benefits;
- consult the public on proposals to further enhance the independence of the auditor regulatory regime from the audit profession;
- prepare legislation for improving the corporate insolvency regime, and develop detailed proposals to introduce a statutory corporate rescue procedure for stakeholders engagement;
- prepare legislation for the establishment of a Policyholders' Protection Fund to better protect policyholders' interests in the event of insolvency of an insurer;
- continue industry engagement on the introduction of a risk-based capital framework for the prudential regulation of insurers;
- consult the public and develop legislative proposals on establishing an effective resolution regime for financial institutions in Hong Kong;
- continue to oversee the implementation of the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615) in respect of the financial sectors, and participate actively in the Financial Action Task Force; and
- formulate proposals to improve the “abscondee” regime under the Bankruptcy Ordinance (Cap. 6).

**Head 148 — GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND
THE TREASURY BUREAU (FINANCIAL SERVICES BRANCH)**

ANALYSIS OF FINANCIAL PROVISION

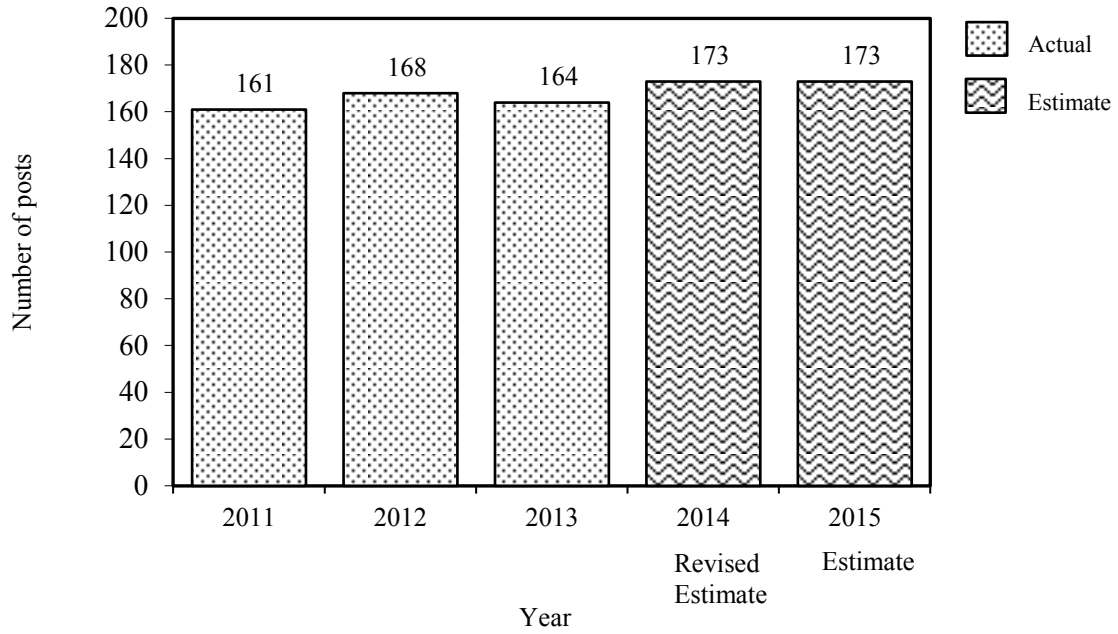
Programme	2012-13 (Actual) (\$m)	2013-14 (Original) (\$m)	2013-14 (Revised) (\$m)	2014-15 (Estimate) (\$m)
Financial Services	216.9	239.2	239.1 (—)	312.9 (+30.9%)
				(or +30.8% on 2013-14 Original)

Analysis of Financial and Staffing Provision

Provision for 2014-15 is \$73.8 million (30.9%) higher than the revised estimate for 2013-14. This is mainly due to the additional provision for organising the APEC Finance Ministers' Meeting in Hong Kong in September 2014.

Head 148 — GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND THE TREASURY BUREAU (FINANCIAL SERVICES BRANCH)

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



**Head 148 — GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND
THE TREASURY BUREAU (FINANCIAL SERVICES BRANCH)**

Sub-head (Code)	Actual expenditure 2012–13	Approved estimate 2013–14	Revised estimate 2013–14	Estimate 2014–15	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	188,768	210,835	210,835	228,407
	Total, Recurrent.....	<u>188,768</u>	<u>210,835</u>	<u>210,835</u>	<u>228,407</u>
Non-Recurrent					
700	General non-recurrent	28,084	28,338	28,290	84,488
	Total, Non-Recurrent.....	<u>28,084</u>	<u>28,338</u>	<u>28,290</u>	<u>84,488</u>
	Total, Operating Account	216,852	239,173	239,125	312,895
	<hr/>				
	Total Expenditure	<u><u>216,852</u></u>	<u><u>239,173</u></u>	<u><u>239,125</u></u>	<u><u>312,895</u></u>

Head 148 — GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND THE TREASURY BUREAU (FINANCIAL SERVICES BRANCH)

Details of Expenditure by Subhead

The estimate of the amount required in 2014–15 for the salaries and expenses of the Financial Services Branch is \$312,895,000. This represents an increase of \$73,770,000 over the revised estimate for 2013–14 and of \$96,043,000 over actual expenditure in 2012–13.

Operating Account

Recurrent

2 Provision of \$228,407,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Financial Services Branch. The increase of \$17,572,000 (8.3%) over the revised estimate for 2013–14 is mainly due to the additional salary provision for organising the Asia-Pacific Economic Cooperation Finance Ministers' Meeting in Hong Kong in September 2014 and the anticipated increase in expenditure for employing non-civil service contract staff in the Office of the Commissioner of Insurance.

3 The establishment as at 31 March 2014 will be 166 permanent posts and seven supernumerary posts. No net change in establishment is expected in 2014–15. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2014–15, but the notional annual mid-point salary value of all such posts must not exceed \$109,338,000.

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

	2012–13 (Actual) (\$'000)	2013–14 (Original) (\$'000)	2013–14 (Revised) (\$'000)	2014–15 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	111,622	111,328	119,864	129,342
- Allowances.....	5,159	6,546	5,312	6,263
- Job-related allowances.....	—	2	1	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	200	229	220	243
- Civil Service Provident Fund contribution.....	1,392	2,123	2,353	3,838
Departmental Expenses				
- Hire of services and professional fees	14,382	23,719	22,300	23,000
- General departmental expenses	56,013	66,888	60,785	65,719
	188,768	210,835	210,835	228,407

**Head 148 — GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND
THE TREASURY BUREAU (FINANCIAL SERVICES BRANCH)**

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment \$'000	Accumulated expenditure to 31.3.2013 \$'000	Revised estimated expenditure for 2013–14 \$'000	Balance \$'000
<i>Operating Account</i>						
700	<i>General non-recurrent</i>					
020	Educational campaign on insurance policy replacement.....		1,315	1,177	100	38
853	Financial Dispute Resolution Centre.....		92,000	43,000	28,000	21,000
890	Asia-Pacific Economic Cooperation Finance Ministers' Meeting 2014.....		63,450	—	—	63,450
	Total		<u>156,765</u>	<u>44,177</u>	<u>28,100</u>	<u>84,488</u>