Controlling officer: the Permanent Secretary for Financial Services and the Treasury (Financial Services) will account for expenditure under this Head.

Estimate 2015–16 ........................................................................................................................................ $229.8m

Establishment ceiling 2015–16 (notional annual mid-point salary value) representing an estimated 156 non-directorate posts as at 31 March 2015 rising by three posts to 159 posts as at 31 March 2016................................................................................................................................. $98.3m

In addition, there will be an estimated 17 directorate posts as at 31 March 2015 rising by one post to 18 posts as at 31 March 2016.

Controlling Officer’s Report

Programme

Financial Services

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

Detail

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<tr>
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</thead>
<tbody>
<tr>
<td>Financial provision ($m)</td>
<td>231.0</td>
<td>312.9</td>
<td>235.6</td>
<td>229.8</td>
</tr>
<tr>
<td></td>
<td>(–24.7%)</td>
<td>(–2.5%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(or –26.6% on 2014–15 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; asset management sector; 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 2014.
Matters Requiring Special Attention in 2015–16

During 2015–16, the Branch will:

• engage the industry and formulate proposals to promote the further development of our financial services industry;

• continue to advance financial co-operation with the Mainland by:
  – reinforcing the offshore Renminbi business platform, and
  – deepening the mutual access between financial markets in Hong Kong and the Mainland and pursuing initiatives under the Mainland and Hong Kong Closer Economic Partnership Arrangement and other co-operation frameworks;

• continue to promote the development of the bond market;

• continue to promote the development of asset management industry, including to:
  – legislate for a new open-ended fund company structure to expand Hong Kong’s legal framework for investment fund vehicles, and
  – legislate for profits tax exemption for offshore private equity funds;

• legislate for the establishment of an independent Insurance Authority;

• legislate to enable the introduction of an uncertificated securities regime;

• formulate legislative proposals to attract more corporate treasury activities to Hong Kong;

• legislate for the 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;

• prepare legislation for introducing a core fund which will be subject to fee control and based on a long-term investment strategy, as the default fund of each MPF scheme;

• prepare legislation for introducing an automatic mechanism for adjusting the minimum and maximum levels of relevant income for MPF mandatory contributions;

• formulate legislative proposals to enhance the independence of the auditor regulatory regime from the audit profession having regard to public comments;

• introduce legislation to improve the corporate insolvency regime, and further engage stakeholders and prepare legislation for introducing a statutory corporate rescue procedure;

• prepare legislation for the establishment of a Policyholders’ Protection Fund to better protect policyholders’ interests in the event of the 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 to establish 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

• introduce legislation to reform the “abscondee” regime under the Bankruptcy Ordinance (Cap. 6).
### Analysis of Financial Provision

<table>
<thead>
<tr>
<th>Programme</th>
<th>2013–14 (Actual) ($m)</th>
<th>2014–15 (Original) ($m)</th>
<th>2014–15 (Revised) ($m)</th>
<th>2015–16 (Estimate) ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td>231.0</td>
<td>312.9</td>
<td>235.6</td>
<td>229.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

(Or −26.6% on 2014–15 Original)

**Analysis of Financial and Staffing Provision**

Provision for 2015–16 is $5.8 million (2.5%) lower than the revised estimate for 2014–15. This is mainly due to the completion of the disbursement of the committed funding approved by the Finance Committee of the Legislative Council for the Financial Dispute Resolution Centre, partly offset by the projected increase in expenditure on salaries for new civil service posts and non-civil service contract staff.
Changes in the size of the establishment (as at 31 March)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revised Estimate</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>168</td>
<td>168</td>
</tr>
<tr>
<td>2013</td>
<td>164</td>
<td>164</td>
</tr>
<tr>
<td>2014</td>
<td>171</td>
<td>171</td>
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<tr>
<td>2015</td>
<td>173</td>
<td>173</td>
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<tr>
<td>2016</td>
<td>177</td>
<td>177</td>
</tr>
</tbody>
</table>
--- | --- | --- | --- | ---
### Operating Account

#### Recurrent

000 Operational expenses ......................... | 202,839 | 228,407 | 214,551 | 229,784

Total, Recurrent ................................ | 202,839 | 228,407 | 214,551 | 229,784

#### Non-Recurrent

General non-recurrent ......................... | 28,112 | 84,488 | 21,000 | —

Total, Non-Recurrent .......................... | 28,112 | 84,488 | 21,000 | —

Total, Operating Account ...................... | 230,951 | 312,895 | 235,551 | 229,784

---

Total Expenditure ............................. | 230,951 | 312,895 | 235,551 | 229,784
**Details of Expenditure by Subhead**

The estimate of the amount required in 2015–16 for the salaries and expenses of the Financial Services Branch is $229,784,000. This represents a decrease of $5,767,000 against the revised estimate for 2014–15 and of $1,167,000 against the actual expenditure in 2013–14.

**Operating Account**

Recurrence

2 Provision of $229,784,000 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 2015 will be 168 permanent posts and five supernumerary posts. It is expected that there will be an increase of four posts in 2015–16. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2015–16, but the notional annual mid-point salary value of all such posts must not exceed $98,294,000.

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

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Personal Emoluments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Salaries</td>
<td>119,702</td>
<td>129,342</td>
<td>126,401</td>
<td>132,348</td>
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<tr>
<td>- Allowances</td>
<td>4,979</td>
<td>6,263</td>
<td>5,040</td>
<td>6,129</td>
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<tr>
<td>- Job-related allowances</td>
<td>—</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Personnel Related Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Mandatory Provident Fund contribution</td>
<td>214</td>
<td>243</td>
<td>170</td>
<td>169</td>
</tr>
<tr>
<td>- Civil Service Provident Fund contribution</td>
<td>2,158</td>
<td>3,838</td>
<td>3,290</td>
<td>4,038</td>
</tr>
<tr>
<td>Departmental Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Hire of services and professional fees</td>
<td>13,666</td>
<td>23,000</td>
<td>12,000</td>
<td>14,619</td>
</tr>
<tr>
<td>- General departmental expenses</td>
<td>62,120</td>
<td>65,719</td>
<td>67,648</td>
<td>72,479</td>
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<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
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