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 2018–19 .... **$770.2m**

Establishment ceiling 2018–19 (notional annual mid-point salary value) representing an estimated 89 non-directorate posts as at 31 March 2018 rising by nine posts to 98 posts as at 31 March 2019...... **$64.9m**

In addition, there will be an estimated 15 directorate posts as at 31 March 2018 rising by one post to 16 posts as at 31 March 2019.

Commitment balance.. **$853.5m**

Controlling Officer's Report

Programmes

Programme (1) Financial Services
Programme (2) Subvention: Financial Services Development Council

These programmes contribute to Policy Area 1: Financial Services (Secretary for Financial Services and the Treasury).

Detail

Programme (1): Financial Services

	2016–17 (Actual)	2017–18 (Original)	2017–18 (Revised)	**2018–19 (Estimate)**
Financial provision ($m)	764.9	343.6	281.8 (–18.0%)	**739.6** (+162.5%)
				(or +115.3% on 2017–18 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/or introducing legislative proposals covering the banking system; securities and futures market; asset management sector; insurance industry; Mandatory Provident Fund schemes and occupational retirement schemes; companies, trusts, money lending, corporate insolvency, individual bankruptcy and accountancy matters; as well as financial co-operation with the Mainland;
- assisting the Financial Secretary in overseeing the relevant regulatory authorities, including the Securities and Futures Commission, the Insurance Authority (IA), 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 2017.

Matters Requiring Special Attention in 2018–19

5 During 2018–19, 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;
  - 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; and
  - promoting Hong Kong's efforts in implementing initiatives in relation to the National 13th Five-Year Plan, the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Bay Area development in respect of the financial services sector;
- continue to promote the development of the bond market;
- continue to promote the development of the asset management industry, including formulating the operational details of the open-ended fund company (OFC) regime and extending profits tax exemption to onshore privately offered OFCs;
- continue to promote the development of financial technologies in Hong Kong;
- promote the development of green finance;
- continue to oversee the implementation of the pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector;
- continue to oversee the transition from the existing self-regulatory regime for insurance intermediaries to a statutory licensing regime administered by the IA;
- continue to promote the establishment of corporate treasury centres in Hong Kong;
- continue to strengthen banking regulation in line with international standards, including implementation of the Basel III requirements;
- legislate to strengthen the independence of the auditor regulatory regime from the audit profession;
- prepare legislation for introducing a statutory corporate rescue procedure and insolvent trading provisions;
- prepare legislation for the establishment of a Policy Holders' Protection Scheme to better protect policyholders' interests in the event of the insolvency of an insurer;
- continue to work with the IA to engage the industry to formulate a Risk-based Capital Regime for the prudential regulation of insurers;
- continue to operationalise the resolution regime established under the Financial Institutions (Resolution) Ordinance (Cap. 628);
- continue to enhance Hong Kong's regulatory regime for combating money laundering and terrorist financing, including through implementation of the newly amended Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615);
- continue to participate actively in the Financial Action Task Force (FATF), and to prepare for a mutual evaluation to be conducted by the FATF; and
- continue to monitor compliance with the more stringent licensing conditions by licensed money lenders and conduct public education to raise people's awareness of money-lending related malpractices.

Programme (2): Subvention: Financial Services Development Council¶

	2016–17 (Actual)	2017–18 (Original)	2017–18 (Revised)	**2018–19 (Estimate)**
Financial provision ($m)	—	—	—	**30.6**

¶ A new programme introduced as from 2018–19.

Aim

6 The aim is to support the Financial Services Development Council (FSDC) in conducting strategic studies, providing advice, fostering market development and nurturing talent, with a view to enhancing Hong Kong's competitiveness in the international financial market.

Brief Description

7 The FSDC was established in January 2013 to support the sustained development of Hong Kong's financial services industry. The objectives of the FSDC are to:

- advise the Government on strategies and measures to expand the scope of Hong Kong's financial markets and enhance the competitiveness of Hong Kong as an international financial centre,
- support the financial services industry in developing the core competence and knowledge of its practitioners, and
- promote Hong Kong's financial services industry and Hong Kong as an international financial centre in the Mainland and overseas.

8 The FSDC engages the industry and carries out its mission under three broad themes of research, market promotion and human capital development.

Matters Requiring Special Attention in 2018–19

9 During 2018–19, the FSDC will be incorporated as a company limited by guarantee to enhance its operational efficiency and flexibility. It will continue to:

- engage the industry and provide advice on the strategic directions for the development of Hong Kong as an international financial centre,
- promote Hong Kong's financial services industry in the Mainland and overseas through organising and participating in a wide range of marketing campaigns, and
- help nurture human capital for Hong Kong's financial services industry with outreach programmes for students and practitioners.

ANALYSIS OF FINANCIAL PROVISION

Programme	2016–17 (Actual) ($m)	2017–18 (Original) ($m)	2017–18 (Revised) ($m)	**2018–19 (Estimate) ($m)**
(1) Financial Services	764.9	343.6	281.8	**739.6**
(2) Subvention: Financial Services Development Council	—	—	—	**30.6**
	764.9	343.6	281.8 (–18.0%)	**770.2 (+173.3%)**
				(or +124.2% on 2017–18 Original)

Analysis of Financial and Staffing Provision

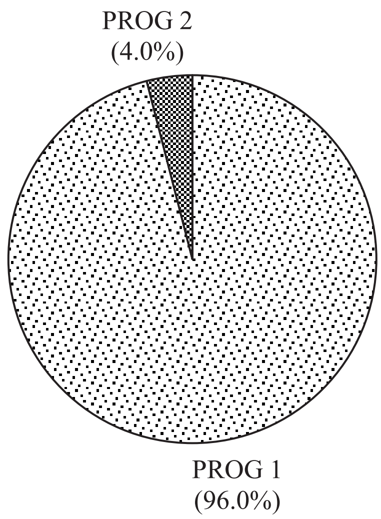
Programme (1)

Provision for 2018–19 is $457.8 million (162.5%) higher than the revised estimate for 2017–18. This is mainly due to the increased cash flow requirement for non-recurrent commitment items and a net increase of ten posts in 2018–19, partly offset by the decrease in operating expenses.

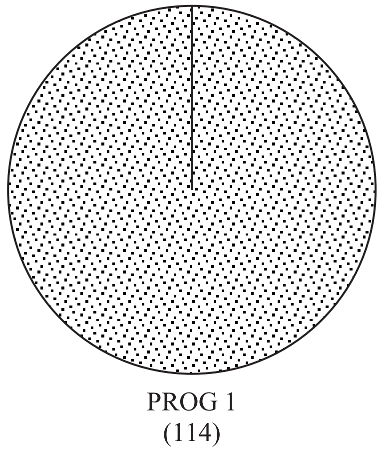
Programme (2)

Provision for 2018–19 is $30.6 million. This is the provision for the FSDC to meet the set-up cost and operating expenses upon its incorporation as a company limited by guarantee.

Allocation of provision to programmes (2018-19)

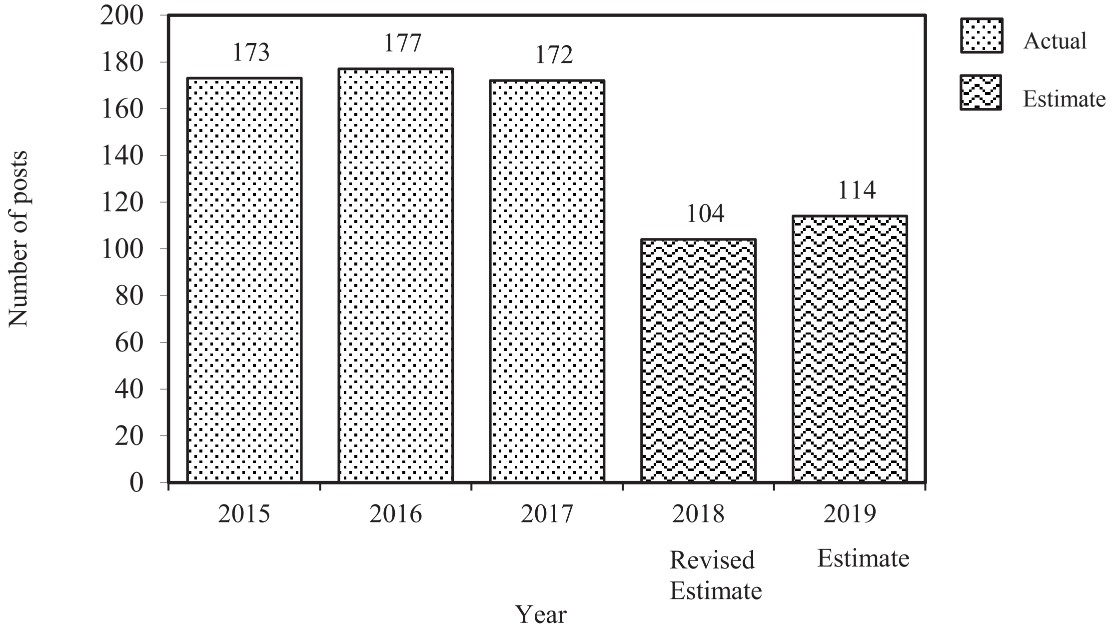


Staff by programme (as at 31 March 2019)



(No government staff under PROG 2)

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



Sub-head (Code)		Actual expenditure 2016–17	Approved estimate 2017–18	Revised estimate 2017–18	**Estimate 2018–19**
		$'000	$'000	$'000	**$'000**
	Operating Account				
	Recurrent				
000	Operational expenses	289,742	280,863	241,387	**222,297**
	Total, Recurrent	289,742	280,863	241,387	**222,297**
	Non-Recurrent				
700	General non-recurrent	475,200	62,725	40,455	**540,635**
	Total, Non-Recurrent	475,200	62,725	40,455	**540,635**
	Total, Operating Account	764,942	343,588	281,842	**762,932**
	Capital Account				
	Subventions				
88G	Financial Services Development Council (block vote)	—	—	—	**7,300**
	Total, Subventions	—	—	—	**7,300**
	Total, Capital Account	—	—	—	**7,300**
	Total Expenditure	764,942	343,588	281,842	**770,232**

Details of Expenditure by Subhead

The estimate of the amount required in 2018–19 for the salaries and expenses of the Financial Services Branch is $770,232,000. This represents an increase of $488,390,000 over the revised estimate for 2017–18 and $5,290,000 over the actual expenditure in 2016–17.

Operating Account

Recurrent

2 Provision of $222,297,000 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 2018 will be 104 posts including two supernumerary posts. It is expected that there will be a net increase of ten posts including one supernumerary post in 2018–19. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2018–19, but the notional annual mid-point salary value of all such posts must not exceed $64,859,000.

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

	2016–17 (Actual) ($’000)	2017–18 (Original) ($’000)	2017–18 (Revised) ($’000)	**2018–19 (Estimate) ($’000)**
Personal Emoluments				
- Salaries	139,184	143,749	123,000	**96,900**
- Allowances	8,411	9,747	6,510	**5,690**
- Job-related allowances	1	2	2	**2**
Personnel Related Expenses				
- Mandatory Provident Fund contribution	157	123	145	**129**
- Civil Service Provident Fund contribution	3,933	4,646	4,730	**5,424**
Departmental Expenses				
- Hire of services and professional fees	39,359	33,314	27,000	**32,600**
- General departmental expenses	98,697	89,282	80,000	**58,272**
Subventions				
- Financial Services Development Council	—	—	—	**23,280**
	289,742	280,863	241,387	**222,297**

Capital Account

Subventions

5 Provision of $7,300,000 under *Subhead 88G Financial Services Development Council (block vote)* is for fitting-out works, information technology infrastructure, systems and equipment of the new office of the Financial Services Development Council upon its incorporation as a company limited by guarantee.

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2017	Revised estimated expenditure for 2017–18	Balance
			$'000	$'000	$'000	$'000
Operating Account						
700		*General non-recurrent*				
	801	Consultancy study for establishing a Risk-based Capital Regime	10,000	—	—	10,000
	802	Funding for promoting and facilitating the development of the financial services sector#	500,000#	—	—	500,000
	804	Provision to the Insurance Authority#	200,000#	—	—	200,000
	805	Contribution to the Asian Infrastructure Investment Bank Project Preparation Special Fund#	78,000#	—	—	78,000
	888	Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector	100,000	25,200	9,955	64,845
	889	Exit package for Insurance Officer Grade Officers	31,200	—	30,500	700
		Total	919,200	25,200	40,455	853,545

\# This is a new item, funding for which is sought in the context of the Appropriation Bill 2018.