

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 2019–20 **\$872.5m**

Establishment ceiling 2019–20 (notional annual mid-point salary value) representing an estimated 97 non-directorate posts as at 31 March 2019 rising by one post to 98 posts as at 31 March 2020 **\$69.2m**

In addition, there will be an estimated 16 directorate posts as at 31 March 2019 and as at 31 March 2020.

Commitment balance..... **\$4,288.6m**

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

	2017–18 (Actual)	2018–19 (Original)	2018–19 (Revised)	2019–20 (Estimate)
Financial provision (\$m)	272.0	739.6	513.9 (–30.5%)	840.5 (+63.6%)
				(or +13.6% on 2018–19 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 and wealth 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 (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 2018.

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Matters Requiring Special Attention in 2019–20

5 During 2019–20, 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 Greater 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 and wealth management industry, including providing profits tax exemption to funds operating in Hong Kong and developing a limited partnership regime for private equity funds in Hong Kong;
- continue to promote the development of financial technologies in Hong Kong;
- continue to promote the development of green finance in Hong Kong;
- continue to oversee the implementation of the pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector and review whether, and if so, what initiatives should be extended upon the completion of the pilot programme;
- 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;
- continue to strengthen the independence of the auditor regulatory regime from the audit profession by monitoring the transition of the FRC from the existing auditor regulatory regime to the new one;
- continue to prepare legislation for introducing a statutory corporate rescue procedure and insolvent trading provisions;
- continue to 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 in formulating a Risk-based Capital Regime for the prudential regulation of insurers;
- prepare legislation for providing tax reliefs to promote the development of marine insurance and underwriting of speciality risks in Hong Kong;
- prepare legislation for allowing the formation of special purpose vehicles in Hong Kong specifically for issuing insurance-linked securities;
- continue to work with the MPFA to develop a centralised platform to facilitate standardisation, streamlining and automation of administration processes of Mandatory Provident Fund registered schemes;
- 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 and oversee the implementation of the relevant measures;
- continue to participate actively in the Financial Action Task Force, and to conclude a mutual evaluation on the anti-money laundering and counter-terrorist financing regime of Hong Kong; 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.

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

	2017–18 (Actual)	2018–19 (Original)	2018–19 (Revised)	2019–20 (Estimate)
Financial provision (\$m)	—	30.6	22.8 (–25.5%)	32.0 (+40.4%)
				(or +4.6% on 2018–19 Original)

¶ This programme was 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. It was incorporated as a company limited by guarantee in September 2018 to enhance its operational efficiency and flexibility. 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 2019–20

9 During 2019–20, the FSDC 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.

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ANALYSIS OF FINANCIAL PROVISION

	2017-18 (Actual) (\$m)	2018-19 (Original) (\$m)	2018-19 (Revised) (\$m)	2019-20 (Estimate) (\$m)
Programme				
(1) Financial Services	272.0	739.6	513.9	840.5
(2) Subvention: Financial Services Development Council.....	—	30.6	22.8	32.0
	<hr/>	<hr/>	<hr/>	<hr/>
	272.0	770.2	536.7 (-30.3%)	872.5 (+62.6%)
				(or +13.3% on 2018-19 Original)

Analysis of Financial and Staffing Provision

Programme (1)

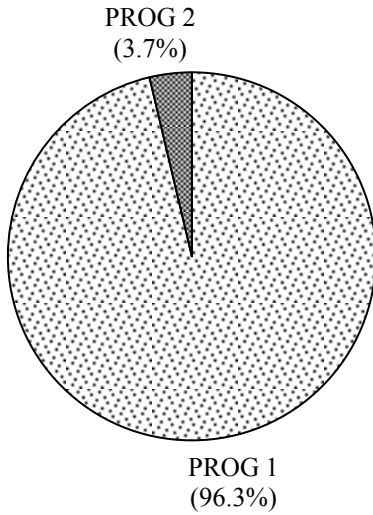
Provision for 2019-20 is \$326.6 million (63.6%) higher than the revised estimate for 2018-19. This is mainly due to the increased cash flow requirement for non-recurrent commitment items and anticipated increase in general departmental expenses. There will be a net increase of one post in 2019-20.

Programme (2)

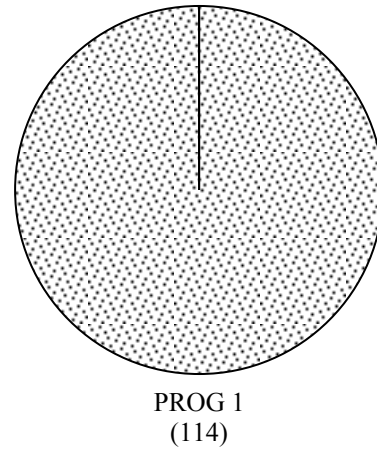
Provision for 2019-20 is \$9.2 million (40.4%) higher than the revised estimate for 2018-19. This is due to the full-year subvention for the FSDC, partly offset by the one-off provision for meeting its set-up cost which is no longer required in 2019-20.

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Allocation of provision to programmes (2019-20)

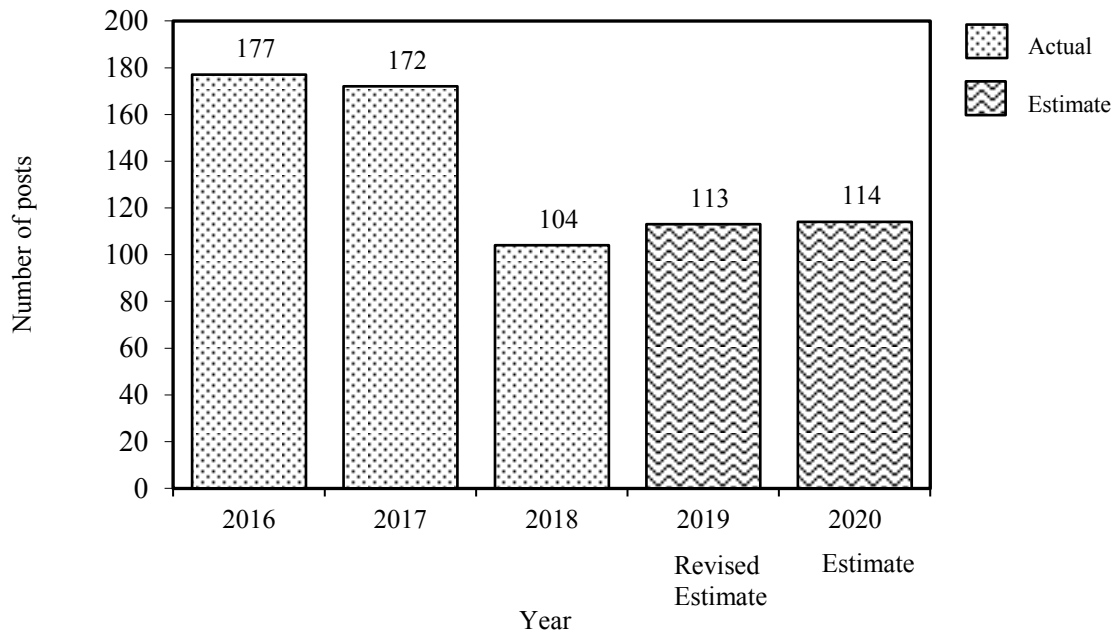


Staff by programme (as at 31 March 2020)



(No government staff under PROG 2)

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



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Sub-head (Code)	Actual expenditure 2017–18	Approved estimate 2018–19	Revised estimate 2018–19	Estimate 2019–20	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	232,100	222,297	198,002	235,147
	Total, Recurrent.....	232,100	222,297	198,002	235,147
Non-Recurrent					
700	General non-recurrent	39,873	540,635	331,381	637,363
	Total, Non-Recurrent.....	39,873	540,635	331,381	637,363
	Total, Operating Account	271,973	762,932	529,383	872,510
Capital Account					
Subventions					
	Financial Services Development Council (block vote).....	—	7,300	7,300	—
	Total, Subventions	—	7,300	7,300	—
	Total, Capital Account.....	—	7,300	7,300	—
	Total Expenditure	271,973	770,232	536,683	872,510

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Details of Expenditure by Subhead

The estimate of the amount required in 2019–20 for the salaries and expenses of the Financial Services Branch is \$872,510,000. This represents an increase of \$335,827,000 over the revised estimate for 2018–19 and \$600,537,000 over the actual expenditure in 2017–18.

Operating Account

Recurrent

2 Provision of \$235,147,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Financial Services Branch. This represents an increase of \$37,145,000 (18.8%) over the revised estimate for 2018–19. This is mainly due to the full-year subvention for the Financial Services Development Council and anticipated increase in general departmental expenses.

3 The establishment as at 31 March 2019 will be 113 posts including three supernumerary posts. It is expected that there will be a net increase of one post in 2019–20. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2019–20, but the notional annual mid-point salary value of all such posts must not exceed \$69,249,000.

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

	2017–18 (Actual) (\$'000)	2018–19 (Original) (\$'000)	2018–19 (Revised) (\$'000)	2019–20 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	122,309	96,900	95,000	101,200
- Allowances.....	6,381	5,690	5,500	6,000
- Job-related allowances.....	1	2	2	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	144	129	200	179
- Civil Service Provident Fund contribution.....	4,658	5,424	5,800	6,509
Departmental Expenses				
- Hire of services and professional fees	25,626	32,600	27,000	30,000
- General departmental expenses	72,981	58,272	49,000	59,257
Subventions				
- Financial Services Development Council..	—	23,280	15,500	32,000
	232,100	222,297	198,002	235,147

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2018	Revised estimated expenditure for 2018–19	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700	<i>General non-recurrent</i>					
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	—	30,000	470,000
803	Provision of seed capital to the Financial Reporting Council#.....		400,000#	—	—	400,000
807	Funding requirements for a centralised platform for the administration of Mandatory Provident Fund registered schemes#.....		3,367,150#	—	—	3,367,150
888	Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector.....		100,000	35,132	23,381	41,487
	Total		<u>4,377,150</u>	<u>35,132</u>	<u>53,381</u>	<u>4,288,637</u>

This is a new item, funding for which is sought in the context of the Appropriation Bill 2019.