

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 2022–23 **\$1,111.6m**

Establishment ceiling 2022–23 (notional annual mid-point salary value) representing an estimated 98 non-directorate posts as at 31 March 2022 reducing by one post to 97 posts as at 31 March 2023.... **\$74.4m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2022 and as at 31 March 2023.

Commitment balance..... **\$4,698.1m**

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

	2020–21 (Actual)	2021–22 (Original)	2021–22 (Revised)	2022–23 (Estimate)
Financial provision (\$m)	8,988.3	2,258.0	1,113.8 (–50.7%)	1,079.9 (–3.0%)
				(or –52.2% on 2021–22 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 operation; 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, 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, including formulating policies on financial technology development and green finance; 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 2021.

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

Matters Requiring Special Attention in 2022–23

5 During 2022–23, the Branch will:

- engage the industry and formulate proposals to promote the further development of our financial services industry;
- advance financial co-operation with the Mainland, including fulfilling the goals set out in the National 14th Five-Year Plan and promoting Hong Kong's efforts in initiatives in relation to the Guangdong-Hong Kong-Macao Greater Bay Area development in respect of the financial services sector;
- seek to expand further the channels for the two-way flow of cross-boundary Renminbi funds and develop offshore Renminbi products and tools;
- promote the development of the bond market;
- promote the development of the asset and wealth management industry, including considering the provision of tax concessions to further attract family offices to establish a presence in Hong Kong and continuing to provide financial subsidies for the setting up of open-ended fund companies and real estate investment trusts in Hong Kong;
- promote the development of green and sustainable finance in Hong Kong in tandem with national and international development;
- promote the development of financial technologies in Hong Kong;
- introduce the Pilot Green and Sustainable Finance Capacity Building Support Scheme and the Pilot Scheme on Training Subsidies for Fintech Practitioners to foster talent development in these aspects in Hong Kong;
- work with the MPFA and the eMPF Platform Company Limited to develop the eMPF Platform to facilitate standardisation, streamlining and automation of administration processes of Mandatory Provident Fund registered schemes;
- work with the FRC to implement the new independent regulatory regime for the accounting profession and auditors with continuous improvements;
- promote the development of the insurance industry, including:
 - preparing legislation for the implementation of a Risk-based Capital Regime to align Hong Kong's regulatory regime with international standards; and
 - conducting public consultation on specific content of a Policy Holders' Protection Scheme to better protect policyholders' interests in case an insurance company becomes insolvent;
- enhance Hong Kong's regulatory regime for combatting money laundering and terrorist financing by, inter alia, introducing a licensing regime on "virtual asset" service providers, oversee the implementation of the relevant measures, and participate actively in inter-governmental organisations such as the Financial Action Task Force and the Asia/Pacific Group on Money Laundering;
- strengthen regulation of licensed money lenders and conduct public education to raise awareness on prudent borrowing;
- strengthen banking regulation in line with international standards, including implementation of the Basel III requirements;
- implement by phases the new Companies Registry inspection arrangements to enhance personal data protection;
- enhance the efficiency of administration of corporate insolvency and personal bankruptcy;
- operationalise the resolution regime established under the Financial Institutions (Resolution) Ordinance (Cap. 628); and
- oversee the operation of the Hong Kong Growth Portfolio.

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

Programme (2): Subvention: Financial Services Development Council

	2020–21 (Actual)	2021–22 (Original)	2021–22 (Revised)	2022–23 (Estimate)
Financial provision (\$m)	31.8	32.0	32.0 (—)	31.7 (–0.9%)
				(or –0.9% on 2021–22 Original)

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 2022–23

- 9 During 2022–23, the FSDC will continue to:
- engage the industry and provide strategic advice for the further development of Hong Kong as an international financial centre;
 - promote Hong Kong's financial services industry locally, 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.

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

ANALYSIS OF FINANCIAL PROVISION

	2020–21 (Actual) (\$m)	2021–22 (Original) (\$m)	2021–22 (Revised) (\$m)	2022–23 (Estimate) (\$m)
Programme				
(1) Financial Services.....	8,988.3	2,258.0	1,113.8	1,079.9
(2) Subvention: Financial Services Development Council	31.8	32.0	32.0	31.7
	<u>9,020.1</u>	<u>2,290.0</u>	<u>1,145.8</u> (–50.0%)#	<u>1,111.6</u> (–3.0%)

**(or –51.5% on
2021–22 Original)**

The difference between the revised estimate for 2021–22 and the original estimate is mainly due to the reduced cash flow requirement of \$1,136,900,000 for the eMPF Platform Project in 2021–22 to dovetail with the contract payment schedule of the Project and the lower-than-expected operating expenditure of the eMPF Platform Company incorporated in March 2021.

Analysis of Financial and Staffing Provision

Programme (1)

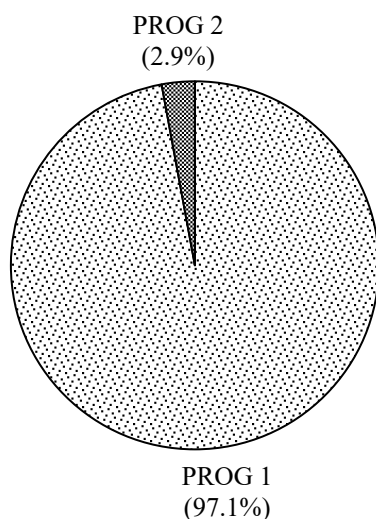
Provision for 2022–23 is \$33.9 million (3.0%) lower than the revised estimate for 2021–22. This is mainly due to the reduced cash flow requirement for non-recurrent commitment items and the decreased provision for departmental expenses. There will be a net decrease of one post in 2022–23.

Programme (2)

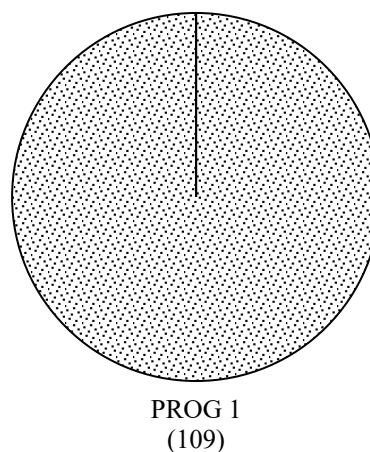
Provision for 2022–23 is \$0.3 million (0.9%) lower than the revised estimate for 2021–22.

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

*Allocation of provision
to programmes
(2022-23)*

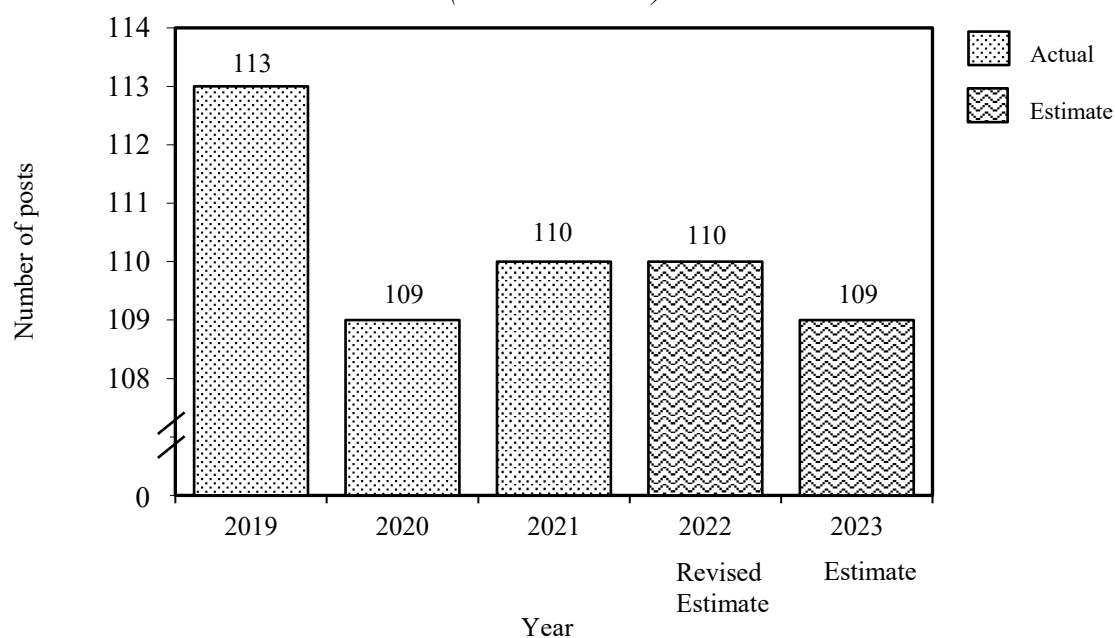


*Staff by programme
(as at 31 March 2023)*



(No government staff under PROG 2)

*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 2020–21	Approved estimate 2021–22	Revised estimate 2021–22	Estimate 2022–23
		\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses	219,994	255,635	255,635	246,020
	Total, Recurrent.....	219,994	255,635	255,635	246,020
Non-Recurrent					
700	General non-recurrent	8,800,098	2,034,337	890,161	865,608
	Total, Non-Recurrent.....	8,800,098	2,034,337	890,161	865,608
	Total, Operating Account	9,020,092	2,289,972	1,145,796	1,111,628
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	Total Expenditure	9,020,092	2,289,972	1,145,796	1,111,628
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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 2022–23 for the salaries and expenses of the Financial Services Branch is \$1,111,628,000. This represents a decrease of \$34,168,000 against the revised estimate for 2021–22 and \$7,908,464,000 against the actual expenditure in 2020–21.

Operating Account

Recurrent

2 Provision of \$246,020,000 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 2022 will be 110 posts including three supernumerary posts. It is expected that there will be a net decrease of one post in 2022–23. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2022–23, but the notional annual mid-point salary value of all such posts must not exceed \$74,418,000.

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

	2020–21 (Actual) (\$'000)	2021–22 (Original) (\$'000)	2021–22 (Revised) (\$'000)	2022–23 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	97,040	107,500	100,500	101,500
- Allowances	5,456	6,000	7,414	8,509
- Job-related allowances.....	1	2	1	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution	185	193	209	202
- Civil Service Provident Fund contribution	7,169	8,104	7,878	9,255
Departmental Expenses				
- Hire of services and professional fees	10,639	26,000	49,143	26,080
- General departmental expenses	67,683	75,836	58,490	68,772
Subventions				
- Financial Services Development Council ..	31,821	32,000	32,000	31,700
	219,994	255,635	255,635	246,020

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

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2021	Revised estimated expenditure for 2021–22	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	802	Funding for promoting and facilitating the development of the financial services sector#.....	1,273,000#	252,982	254,318	765,700
	807	Funding requirements for the eMPF Platform for the administration of Mandatory Provident Fund registered schemes	4,939,276	395,382	625,755	3,918,139
	888	Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector	100,000	78,258	7,500	14,242
		Total	6,312,276	726,622	887,573	4,698,081

The commitment for the item, as approved in 2018–19 and 2021–22, was \$1,020 million. An increase in the commitment is sought in the context of the Appropriation Bill 2022.