

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 2023–24 **\$792.4m**

Establishment ceiling 2023–24 (notional annual mid-point salary value) representing an estimated 97 non-directorate posts as at 31 March 2023 reducing by three posts to 94 posts as at 31 March 2024..... **\$71.1m**

In addition, there will be an estimated 12 directorate posts as at 31 March 2023 and as at 31 March 2024.

Commitment balance..... **\$3,863.9m**

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

	2021–22 (Actual)	2022–23 (Original)	2022–23 (Revised)	2023–24 (Estimate)
Financial provision (\$m)	1,084.2	1,079.9	1,149.4 (+6.4%)	760.7# (–33.8%)
				(or –29.6% on 2022–23 Original)

The provision for 2023–24 comprises cash flow requirements for the eMPF Platform Project (\$234.3 million) and other initiatives (\$526.4 million). The provision is lower than the revised estimate of \$1,149.4 million for 2022–23, mainly due to the one-off cash flow requirement for the eMPF Platform Project in 2022–23 including (i) \$195.5 million cash advance to assist the eMPF Platform Company Limited in meeting its company expenditures before it is able to fully recoup its operational costs from the eMPF Platform fee payable by MPF trustees upon phased onboarding to the eMPF Platform, and (ii) \$196.1 million financial assistance to be disbursed to five MPF trustees when they complete onboarding as early adopters.

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 Accounting and Financial Reporting Council (AFRC);

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- 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 2022.

Matters Requiring Special Attention in 2023–24

5 During 2023–24, 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;
- promote the issuance and trading of Renminbi securities in Hong Kong;
- promote the development of the bond market;
- promote the development of the asset and wealth management industry, including introducing tax concessions to eligible transactions of family-owned investment holding vehicles, attracting more family offices to set up operation or expand their business in Hong Kong, reviewing the existing tax concession measures applicable to funds and carried interest on a continuous basis, 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 Financial Technology Internship Scheme for Post-secondary Students in Hong Kong and the Guangdong-Hong Kong-Macao Greater Bay Area, and oversee the Pilot Green and Sustainable Finance Capacity Building Support Scheme, the Pilot Scheme on Training Subsidies for Fintech Practitioners, and the extended Pilot Programme to Enhance Talent Training for the Insurance Sector and the Asset and Wealth Management Sector to foster talent development in these aspects in Hong Kong;
- prepare legislation for introducing a company re-domiciliation regime;
- develop legislative proposals to strengthen regulation of crowdfunding activities;
- 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 AFRC 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 with international standards; and
 - conducting public consultation on the detailed proposals for a policy holders' protection scheme to better protect policy holders' interests in case an insurance company becomes insolvent;
- enhance Hong Kong's regulatory regime for combatting money laundering and terrorist financing by, inter alia, overseeing the implementation of a licensing regime on "virtual asset" service providers and 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;

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- operationalise the resolution regime established under the Financial Institutions (Resolution) Ordinance (Cap. 628); and
- oversee the operation of the Hong Kong Growth Portfolio and transition to the new Hong Kong Investment Corporation.

Programme (2): Subvention: Financial Services Development Council

	2021–22 (Actual)	2022–23 (Original)	2022–23 (Revised)	2023–24 (Estimate)
Financial provision (\$m)	32.0	31.7	31.7 (—)	31.7 (—)
				(or same as 2022–23 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 2023–24

9 During 2023–24, 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.

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ANALYSIS OF FINANCIAL PROVISION

	2021–22 (Actual) (\$m)	2022–23 (Original) (\$m)	2022–23 (Revised) (\$m)	2023–24 (Estimate) (\$m)
Programme				
(1) Financial Services	1,084.2	1,079.9	1,149.4	760.7
(2) Subvention: Financial Services Development Council	32.0	31.7	31.7	31.7
	<hr/>	<hr/>	<hr/>	<hr/>
	1,116.2	1,111.6	1,181.1 (+6.3%)	792.4 (–32.9%)
				(or –28.7% on 2022–23 Original)

Analysis of Financial and Staffing Provision

Programme (1)

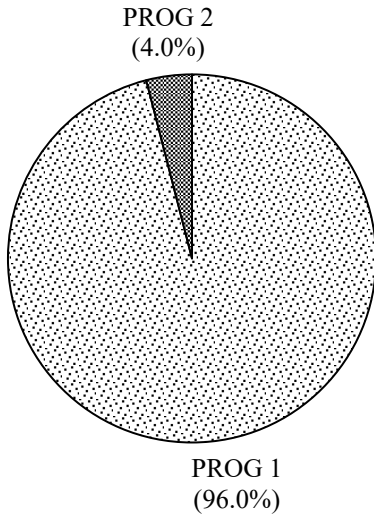
Provision for 2023–24 is \$388.7 million (33.8%) lower than the revised estimate for 2022–23. This is mainly due to the reduced cash flow requirement for non-recurrent commitment item for the eMPF Platform project. There will be a net decrease of three posts in 2023–24.

Programme (2)

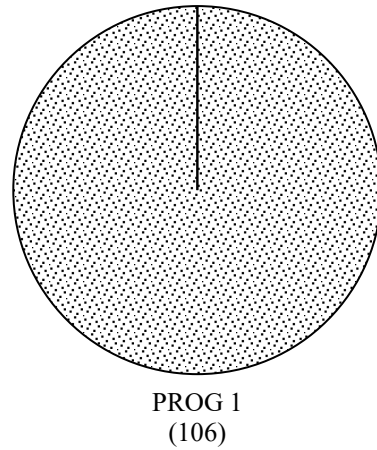
Provision for 2023–24 is the same as the revised estimate for 2022–23.

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Allocation of provision to programmes (2023-24)

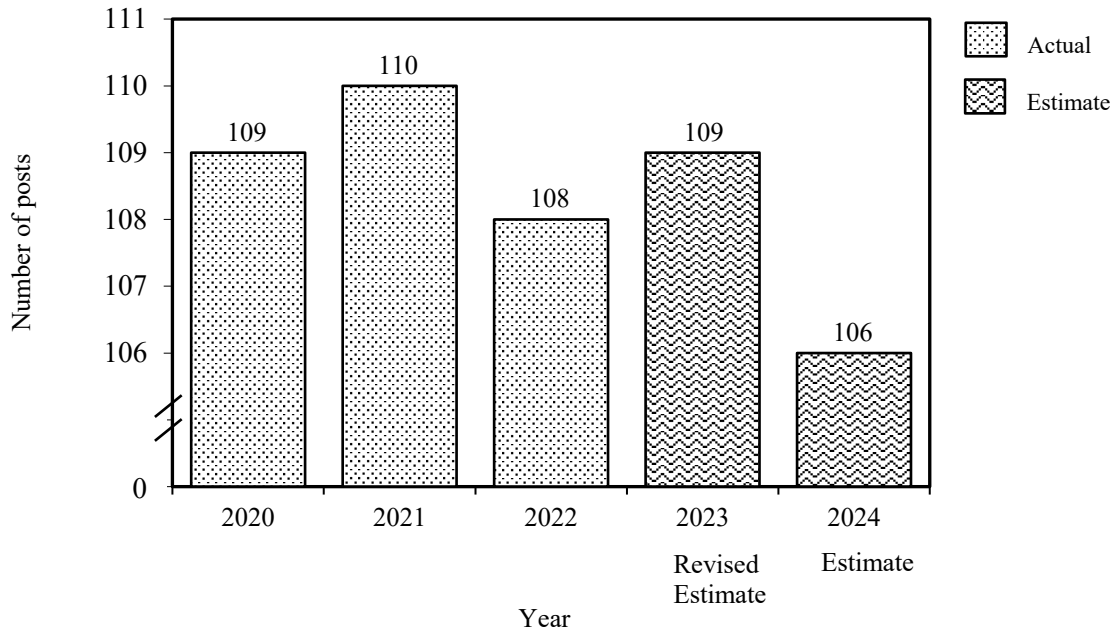


Staff by programme (as at 31 March 2024)



(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 2021–22	Approved estimate 2022–23	Revised estimate 2022–23	Estimate 2023–24	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	260,006	246,020	246,020	246,595
	Total, Recurrent.....	260,006	246,020	246,020	246,595
Non-Recurrent					
700	General non-recurrent	856,232	865,608	935,071	545,755
	Total, Non-Recurrent.....	856,232	865,608	935,071	545,755
	Total, Operating Account	1,116,238	1,111,628	1,181,091	792,350
	Total Expenditure	1,116,238	1,111,628	1,181,091	792,350

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Details of Expenditure by Subhead

The estimate of the amount required in 2023–24 for the salaries and expenses of the Financial Services Branch is \$792,350,000. This represents a decrease of \$388,741,000 against the revised estimate for 2022–23 and \$323,888,000 against the actual expenditure in 2021–22.

Operating Account

Recurrent

2 Provision of \$246,595,000 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 2023 will be 109 posts including three supernumerary posts. It is expected that there will be a net decrease of three posts in 2023–24. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2023–24, but the notional annual mid-point salary value of all such posts must not exceed \$71,146,000.

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

	2021–22 (Actual) (\$'000)	2022–23 (Original) (\$'000)	2022–23 (Revised) (\$'000)	2023–24 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	98,684	101,500	100,202	98,044
- Allowances	7,771	8,509	8,099	7,477
- Job-related allowances.....	1	2	20	2
Personnel Related Expenses				
- Mandatory Provident Fund contribution	206	202	202	188
- Civil Service Provident Fund contribution	7,712	9,255	9,255	10,120
Departmental Expenses				
- Hire of services and professional fees	56,571	26,080	28,566	26,297
- General departmental expenses	57,061	68,772	67,976	72,767
Subventions				
- Financial Services Development Council ..	32,000	31,700	31,700	31,700
	260,006	246,020	246,020	246,595

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment \$'000	Accumulated expenditure to 31.3.2022 \$'000	Revised estimated expenditure for 2022–23 \$'000	Balance \$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	802	Funding for promoting and facilitating the development of the financial services sector@	1,285,000@	483,303	299,069	502,628
	807	Funding requirements for the eMPF Platform for the administration of Mandatory Provident Fund registered schemes.....	4,939,276	1,010,475	631,872	3,296,929
	888	Pilot programme to enhance talent training for the insurance sector and the asset and wealth management sector^.....	155,000^	86,488	4,130	64,382
		Total	6,379,276	1,580,266	935,071	3,863,939

@ The commitment for the item, as approved in 2018–19, 2021–22 and 2022–23, was \$1,273 million. An increase in commitment of \$12 million is sought in the context of the Appropriation Bill 2023.

^ The commitment for the item, as approved in 2016–17, was \$100 million. An increase in commitment of \$55 million is sought in the context of the Appropriation Bill 2023.