

**Replies to written questions raised by Finance Committee Members in examining the  
Estimates of Expenditure 2002-03**

**[Bureau Secretary/Controlling Officer : Secretary for Financial Services]  
[Session No. : 2] [File name : FSB-e1.doc<sup>#</sup>]**

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# *The file name will begin with the abbreviated title of the respective bureau/department/organisation, like that of the Reply Serial Number, and followed by "c" or "e" to indicate whether it is prepared in Chinese or in English, e.g. FB-c1.doc/FB-e1.doc. When it is updated, the file should be renamed as FB-c2.doc/FB-e2.doc.*

\* (a) *Hyperlinks to be established for easy access to the respective questions, which are attached in the order of the Reply Serial Number in consecutive pages in the same consolidated computer file; and*

(b) *Bureau Secretary/Controlling Officer should allocate a new set of Reply Serial Number begins with a "S-" for replies to the supplementary oral and written questions, e.g. S-FB001 (likewise, the consolidated computer file should be named as S-FB-c.doc or S-FB-e.doc).*

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
 WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB001

Question Serial No.

0008

Head: 148 – Government Secretariat : Subhead(No. & title): 700  
 Financial Services Bureau      General other non-recurrent

Programme:              Financial Services

Controlling Officer: Secretary for Financial Services

Bureau Secretary: Secretary for Financial Services

Question :

Regarding consultancy studies for policy making and assessment commissioned by the Financial Services Bureau,

- (1) Please provide the following details on the consultancy studies for which financial provision has been allocated in 2001-02 :

Name of consultants (if available)	Description	Consultancy fees	Progress and follow-up action on consultancy studies (in plan / in progress / finished)	The Administration's follow-up action on the study reports (if any)

- (2) Will there be any financial provision allocated for commissioning consultancy studies in 2002-03? If yes, please reply with the following details :

Name of consultants (if available)	Description	Consultancy fees	Status of consultancy studies (in plan / in progress / finished)

Asked by: Hon. HO Sau-lan, Cyd

Reply:

- (1) The details of the consultancy studies for which financial provision has been allocated in 2001-02 are as follows:

Name of consultants (if available)	Description	Consultancy fees	Progress and follow-up action on consultancy studies (in plan / in progress / finished)	The Administration's follow-up action on the study reports (if any)
CityU Professional Services Limited of City University of Hong Kong and The Chinese University of Hong Kong	Consultancy study on corporate governance in Hong Kong (comprises four separate studies)	\$4.406 m	In progress	The Standing Committee on Company Law Reform will have regard to the outcome of the studies in formulating proposals under the Corporate Governance Review.
Arthur Andersen & Co	Consultancy study to review the future role and functions of the Official Receiver's Office	\$6.660 m	In progress	A public consultation exercise will be conducted upon completion of Stage One of the study.
To be engaged	Conducting researches and studies on the recommendations made in the report of the Standing Committee on Company Law Reform	\$0.605 m	In plan	Not applicable.

- (2) The details of the consultancy studies for which financial provision has been allocated in 2002-03 are as follows:

Name of consultants (if available)	Description	Consultancy fees	Status of consultancy studies (in plan / in progress / finished)
CityU Professional Services Limited of City University of Hong Kong and The Chinese University of Hong Kong	Consultancy study on corporate governance in Hong Kong (four separate studies)	\$2.594 m	In progress
Arthur Andersen & Co	Consultancy study to review the future role and functions of the Official Receiver's Office	\$2.540 m	In progress
To be engaged	Conducting researches and studies on the recommendations made in the report of the Standing Committee on Company Law Reform	\$1.815 m	In plan
To be engaged	Consultancy study on the feasibility of establishing insurance policy holders' protection funds in Hong Kong	\$1.800 m	In plan

Signature \_\_\_\_\_

Name in block letters Stephen Ip

Post Title Secretary for Financial Services

Date 20.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB002

Question Serial No.

0570

Head: 148 – Government Secretariat : Subhead(No. & title): 001  
Financial Services Bureau Salaries

Programme: Financial Services

Controlling Officer: Secretary for Financial Services

Bureau Secretary: Secretary for Financial Services

Question :

Please provide details of the 3 permanent posts and 2 supernumerary posts to be created in 2002-03.

Asked by: Hon. NG Leung-sing

Reply:

We have included the necessary provision for 5 posts to be created in the Financial Services Bureau in 2002-03, details of which are as follows:

<b>Posts</b>	<b>Nature</b>	<b>Number</b>
<i>Directorate Posts</i>		
Administrative Officer Staff Grade B	Supernumerary post (3 years)	1
Administrative Officer Staff Grade C	Supernumerary post (3 years)	1
Administrative Officer Staff Grade C	Permanent post	1
<i>Non-Directorate Posts</i>		
Senior Administrative Officer	Permanent post	1
Chief Executive Officer	Permanent post	1

The proposed directorate posts are mainly responsible for the formulation of policies to further develop and promote the financial services industry of Hong Kong, and the implementation of related initiatives with a view to improving the competitiveness of Hong Kong's financial markets and enhancing Hong Kong's status as a major international financial centre. The said policy initiatives mainly include attracting more financial product issuers to Hong Kong, as well as capital and investors from the Mainland and overseas with a view to increasing market liquidity; enhancing the financial infrastructure by introducing a scripless securities market with straight-through processing, so as to improve risk management and increase market efficiency; and updating and simplifying regulatory requirements on the offer of investment products so as to reduce the relevant costs and facilitate market innovation. Building on our strong foundations, the strengthening of efforts in the above areas will further improve the quality and efficiency of our financial services sector, and broaden and deepen our financial markets. At this point,

it is only a budgetary provision, we have yet to finalise the proposal. If we decide that we need these posts, we shall submit detailed proposals to the Establishment Sub-committee / Finance Committee of the Legislative Council.

The non-directorate posts proposed to be created are mainly responsible for assisting in the formulation of policies regarding the development and promotion of Hong Kong's financial markets and the implementation of related initiatives, and co-ordinating the administrative matters of the various tribunals and appeal boards / panels under the Financial Services Bureau. We intend to create these 2 posts in accordance with established procedures.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Stephen Ip

Post Title \_\_\_\_\_ Secretary for Financial Services

Date \_\_\_\_\_ 20.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB003

Question Serial No.

0571

Head: 148 – Government Secretariat : Subhead(No. & title): 111 Hire  
Financial Services Bureau of services and professional fees

Programme: Financial Services

Controlling Officer: Secretary for Financial Services

Bureau Secretary: Secretary for Financial Services

Question :

The estimate under Subhead 111 (Hire of services and professional fees) will increase by 88.9% due to the anticipated increase in expenditure arising from hearings of the Insider Dealings Tribunal in 2002-03. Please explain the reasons in detail.

Asked by: Hon. NG Leung-sing

Reply:

The provision for Subhead 111 “Hire of services and professional fees” in 2002-03 is \$26.75 million. Of this, \$19.7 million is to support the operation of the Insider Dealing Tribunal (IDT). The remaining provision is to support the operation of the Market Misconduct Tribunal (MMT) and the Securities and Futures Appeals Tribunal (SFAT), which will be set up under the Securities and Futures Ordinance (SFO).

In preparing the estimates for 2002-03, we assume that the IDT will handle 10 cases during the year. The relevant costs differ from case to case depending on the complexity and the time required for hearings. Taking into account the various costs and expenses involved, we estimate each case would cost about \$1.97 million. The total cost of processing 10 cases is therefore \$19.7 million.

The revised estimate under Subhead 111 for 2001-02 is \$14.16 million. The provision for 2002-03 is higher than the revised estimate for 2001-02 mainly because –

- (a) We estimate that the IDT would need to handle 10 cases in 2002-03, compared to 7 cases processed in 2001-02. Of the 7 cases, one was completed within 2001-02. The IDT is still processing the other 6 cases and it is expected that costs will continue to be incurred on these cases in 2002-03. Separately, the Securities and Futures Commission (SFC) has referred new cases to the Financial Secretary. They are currently being processed by the Department of Justice. More referrals are expected in the next few months. These will be heard by the IDT as appropriate in 2002-03.
- (b) In addition, the new MMT to be set up under the SFO will handle five new

types of market misconduct in addition to insider dealing. Similarly, the ambit of the SFAT has been broadened under the SFO. We expect the MMT and SFAT to handle more cases than their predecessors, namely, the IDT and the Securities and Futures Appeals Panel.

Owing to the above reasons, the estimated expenditure for 2002-03 is considerably higher than the revised estimate for 2001-02.

Signature \_\_\_\_\_

Name in block letters Stephen Ip

Post Title Secretary for Financial Services

Date 21.3.2002



Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB004

Question Serial No.

0572

Head: 148 – Government Secretariat : Subhead(No. & title):700  
Financial Services Bureau      General other non-recurrent

Programme:            Financial Services

Controlling Officer: Secretary for Financial Services

Bureau Secretary:    Secretary for Financial Services

Question :

Please set out the plan, estimated expenditure, details, timetable and objective of the review of the Government's role in insolvency administration.

Asked by:    Hon. NG Leung-sing

Reply:

We have commissioned a consultancy study to review the Government's role in insolvency administration. The approved commitment for the consultancy study is \$9.2 million. The consultancy study aims to –

- (a) review the Official Receiver's existing role in the provision of insolvency administration services and to identify what future role the Official Receiver should play;
- (b) recommend how the contracting out schemes of the Official Receiver's Office should be improved;
- (c) recommend what changes need to be made to the present modus operandi of the Official Receiver's Office against the future role of the Official Receiver; and
- (d) formulate implementation plans for the proposed changes.

The consultancy study is expected to comprise two stages, with a public consultation exercise in between. Stage One is expected to be completed around the middle of the year.

Signature \_\_\_\_\_

Name in block letters      Stephen Ip

Post Title      Secretary for Financial Services

Date      20.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB005

Question Serial No.

0710

Head: 148 – Government Secretariat : Subhead(No. & title): 001  
Financial Services Bureau      Salaries

Programme:            Financial Services

Controlling Officer: Secretary for Financial Services

Bureau Secretary:    Secretary for Financial Services

Question :

According to descriptions of expenditure on personal emoluments in the recurrent account, it is expected that 3 permanent posts and 2 supernumerary posts will be created in 2002-03. What are the details of these 5 posts?

Asked by:    Hon. TSANG Yok-sing, Jasper

Reply:

We have included the necessary provision for 5 posts to be created in the Financial Services Bureau in 2002-03, details of which are as follows:

<b>Posts</b>	<b>Nature</b>	<b>Number</b>
<i>Directorate Posts</i>		
Administrative Officer Staff Grade B	Supernumerary post (3 years)	1
Administrative Officer Staff Grade C	Supernumerary post (3 years)	1
Administrative Officer Staff Grade C	Permanent post	1
<i>Non-Directorate Posts</i>		
Senior Administrative Officer	Permanent post	1
Chief Executive Officer	Permanent post	1

The proposed directorate posts are mainly responsible for the formulation of policies to further develop and promote the financial services industry of Hong Kong, and the implementation of related initiatives with a view to improving the competitiveness of Hong Kong's financial markets and enhancing Hong Kong's status as a major international financial centre. The said policy initiatives mainly include attracting more financial product issuers to Hong Kong, as well as capital and investors from the Mainland and overseas with a view to increasing market liquidity; enhancing the financial infrastructure by introducing a scripless securities market with straight-through processing, so as to improve risk management and increase market efficiency; and updating and simplifying regulatory requirements on the offer of investment products so as to reduce the relevant costs and facilitate market innovation. Building on our strong foundations, the strengthening of efforts in the above areas will further improve the quality and efficiency of

our financial services sector, and broaden and deepen our financial markets. At this point, it is only a budgetary provision, we have yet to finalise the proposal. If we decide that we need these posts, we shall submit detailed proposals to the Establishment Sub-committee / Finance Committee of the Legislative Council.

The non-directorate posts proposed to be created are mainly responsible for assisting in the formulation of policies regarding the development and promotion of Hong Kong's financial markets and the implementation of related initiatives, and co-ordinating the administrative matters of the various tribunals and appeal boards / panels under the Financial Services Bureau. We intend to create these 2 posts in accordance with established procedures.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Stephen Ip

Post Title \_\_\_\_\_ Secretary for Financial Services

Date \_\_\_\_\_ 20.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB006

Question Serial No.

0900

Head: 148 – Government Secretariat : Subhead(No. & title):  
Financial Services Bureau

Programme: Financial Services

Controlling Officer: Secretary for Financial Services

Bureau Secretary: Secretary for Financial Services

Question :

The Mandatory Provident Fund Scheme has been implemented for over one year. What is the progress of the review on the scheme? Are there any proposals to seek further improvement? What expenses will be involved?

Asked by: Hon. CHAN Kam-lam

Reply:

The Mandatory Provident Fund (MPF) System was implemented in December 2000. In view of its significant impact on the community, the MPF Schemes Operation Review Committee (the Review Committee) was established by the Mandatory Provident Fund Schemes Authority (MPFA) in August 2001 to review the administrative and operational aspects of the MPF System and to recommend legislative changes, in order to enhance the effectiveness and efficiency of the MPF System. It completed the first phase of its work in end 2001. In the light of the recommendations of MPFA, we intend to put forward proposals to amend the Mandatory Provident Fund Schemes Ordinance to –

- (i) adjust the minimum level of relevant income for MPF contributions;
- (ii) improve the regulation of MPF schemes and enhance protection for scheme members;
- (iii) simplify the administration of MPF schemes;
- (iv) improve provisions on regulation of MPF investment; and
- (v) implement certain technical amendments.

On 7 January 2002, we briefed the Legislative Council Panel on Financial Affairs on the proposed legislative amendments. We will introduce an amendment bill into the Legislative Council in the second quarter of the year.

The review is carried out by MPFA through the Review Committee. The resource

required for preparing the proposed legislative amendments will be absorbed by existing provision within the Administration. The review will not incur extra expenditure on the part of the Administration.

Signature \_\_\_\_\_

Name in block letters Stephen Ip

Post Title Secretary for Financial Services

Date 20.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB007

Question Serial No.

0901

Head: 148 – Government Secretariat : Subhead(No. & title): 001  
Financial Services Bureau Salaries

Programme: Financial Services

Controlling Officer: Secretary for Financial Services

Bureau Secretary: Secretary for Financial Services

Question :

Please provide details on the rank and duties of the vacant posts to be filled in 2002-03 together with the expenditure involved.

Asked by: Hon. CHAN Kam-lam

Reply:

We have included the necessary provision for 5 posts to be created in the Financial Services Bureau in 2002-03, details of which are as follows:

<b>Posts</b>	<b>Nature</b>	<b>Number</b>	<b>Notional Annual Mid-point Salary</b>
<b><i>Directorate Posts</i></b>			
Administrative Officer Staff Grade B	Supernumerary post (3 years)	1	\$1.659 m
Administrative Officer Staff Grade C	Supernumerary post (3 years)	1	\$1.515 m
Administrative Officer Staff Grade C	Permanent post	1	\$1.515 m
<b><i>Non-Directorate Posts</i></b>			
Senior Administrative Officer	Permanent post	1	\$1.034m
Chief Executive Officer	Permanent post	1	\$1.034m

The proposed directorate posts are mainly responsible for the formulation of policies to further develop and promote the financial services industry of Hong Kong, and the implementation of related initiatives with a view to improving the competitiveness of Hong Kong's financial markets and enhancing Hong Kong's status as a major international financial centre. The said policy initiatives mainly include attracting more financial product issuers to Hong Kong, as well as capital and investors from the Mainland and overseas with a view to increasing market liquidity; enhancing the financial infrastructure by introducing a scripless securities market with straight-through processing, so as to improve risk management and increase market efficiency; and updating and simplifying regulatory requirements on the offer of investment products so as to reduce the relevant

costs and facilitate market innovation. Building on our strong foundations, the strengthening of efforts in the above areas will further improve the quality and efficiency of our financial services sector, and broaden and deepen our financial markets. At this point, it is only a budgetary provision, we have yet to finalise the proposal. If we decide that we need these posts, we shall submit detailed proposals to the Establishment Sub-committee / Finance Committee of the Legislative Council.

The non-directorate posts proposed to be created are mainly responsible for assisting in the formulation of policies regarding the development and promotion of Hong Kong's financial markets and the implementation of related initiatives, and co-ordinating the administrative matters of the various tribunals and appeal boards / panels under the Financial Services Bureau. We intend to create these 2 posts in accordance with established procedures.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Stephen Ip

Post Title \_\_\_\_\_ Secretary for Financial Services

Date \_\_\_\_\_ 20.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB008

Question Serial No.

0941

Head: 148 – Government Secretariat : Subhead(No. & title): 001  
Financial Services Bureau Salaries

Programme: Financial Services

Controlling Officer: Secretary for Financial Services

Bureau Secretary: Secretary for Financial Services

Question :

The Financial Services Bureau anticipates that 3 permanent posts and 2 supernumerary posts will be created in 2002-03. Please specify the rank, job content and the expenses involved for each post.

Asked by: Hon. TIEN Pei-chun, James

Reply:

We have included the necessary provision for 5 posts to be created in the Financial Services Bureau in 2002-03, details of which are as follows:

<b>Posts</b>	<b>Nature</b>	<b>Number</b>	<b>Notional Annual Mid-point Salary</b>
<b><i>Directorate Posts</i></b>			
Administrative Officer Staff Grade B	Supernumerary post (3 years)	1	\$1.659 m
Administrative Officer Staff Grade C	Supernumerary post (3 years)	1	\$1.515 m
Administrative Officer Staff Grade C	Permanent post	1	\$1.515 m
<b><i>Non-Directorate Posts</i></b>			
Senior Administrative Officer	Permanent post	1	\$1.034m
Chief Executive Officer	Permanent post	1	\$1.034m

The proposed directorate posts are mainly responsible for the formulation of policies to further develop and promote the financial services industry of Hong Kong, and the implementation of related initiatives with a view to improving the competitiveness of Hong Kong's financial markets and enhancing Hong Kong's status as a major international financial centre. The said policy initiatives mainly include attracting more financial product issuers to Hong Kong, as well as capital and investors from the Mainland and overseas with a view to increasing market liquidity; enhancing the financial infrastructure by introducing a scripless securities market with straight-through processing, so as to improve risk management and increase market efficiency; and updating and simplifying



regulatory requirements on the offer of investment products so as to reduce the relevant costs and facilitate market innovation. Building on our strong foundations, the strengthening of efforts in the above areas will further improve the quality and efficiency of our financial services sector, and broaden and deepen our financial markets. At this point, it is only a budgetary provision, we have yet to finalise the proposal. If we decide that we need these posts, we shall submit detailed proposals to the Establishment Sub-committee / Finance Committee of the Legislative Council.

The non-directorate posts proposed to be created are mainly responsible for assisting in the formulation of policies regarding the development and promotion of Hong Kong's financial markets and the implementation of related initiatives, and co-ordinating the administrative matters of the various tribunals and appeal boards / panels under the Financial Services Bureau. We intend to create these 2 posts in accordance with established procedures.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Stephen Ip

Post Title \_\_\_\_\_ Secretary for Financial Services

Date \_\_\_\_\_ 20.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB009

Question Serial No.

0942

Head: 148 – Government Secretariat : Subhead(No. & title): 111 Hire  
Financial Services Bureau of services and professional fees

Programme: Financial Services

Controlling Officer: Secretary for Financial Services

Bureau Secretary: Secretary for Financial Services

Question :

The estimated expenditure for Subhead 111 “Hire of services and professional fees” has increased substantially from the revised estimate of \$14,161,000 in 2001-02 to \$26,748,000 in 2002-03. Please specify the reasons and the work involved.

Asked by: Hon. TIEN Pei-chun, James

Reply:

The provision for Subhead 111 “Hire of services and professional fees” in 2002-03 is \$26.75 million. Of this, \$19.7 million is to support the operation of the Insider Dealing Tribunal (IDT). The remaining provision is to support the operation of the Market Misconduct Tribunal (MMT) and the Securities and Futures Appeals Tribunal (SFAT), which will be set up under the Securities and Futures Ordinance (SFO).

In preparing the estimates for 2002-03, we assume that the IDT will handle 10 cases during the year. The relevant costs differ from case to case depending on the complexity and the time required for hearings. Taking into account the various costs and expenses involved, we estimate each case would cost about \$1.97 million. The total cost of processing 10 cases is therefore \$19.7 million.

The revised estimate under Subhead 111 for 2001-02 is \$14.16 million. The provision for 2002-03 is higher than the revised estimate for 2001-02 mainly because –

- (a) We estimate that the IDT would need to handle 10 cases in 2002-03, compared to 7 cases processed in 2001-02. Of the 7 cases, one was completed within 2001-02. The IDT is still processing the other 6 cases and it is expected that costs will continue to be incurred on these cases in 2002-03. Separately, the Securities and Futures Commission (SFC) has referred new cases to the Financial Secretary. They are currently being processed by the Department of Justice. More referrals are expected in the next few months. These will be heard by the IDT as appropriate in 2002-03.
- (b) In addition, the new MMT to be set up under the SFO will handle five new

types of market misconduct in addition to insider dealing. Similarly, the ambit of the SFAT has been broadened under the SFO. We expect the MMT and SFAT to handle more cases than their predecessors, namely, the IDT and the Securities and Futures Appeals Panel.

Owing to the above reasons, the estimated expenditure for 2002-03 is considerably higher than the revised estimate for 2001-02.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Stephen Ip

Post Title \_\_\_\_\_ Secretary for Financial Services

Date \_\_\_\_\_ 21.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB010

Question Serial No.

1002

Head: 148 – Government Secretariat : Subhead(No. & title): 111 Hire  
Financial Services Bureau of services and professional fees

Programme: Financial Services

Controlling Officer: Secretary for Financial Services

Bureau Secretary: Secretary for Financial Services

Question :

Regarding the 8.7% increase in estimated expenditure for 2002-03 over the previous year, one of the reasons is that the expenditure incurred by tribunal hearings is expected to increase. On what basis does the Administration arrive at such an estimation?

Asked by: Hon. LAU Hon-chuen, Ambrose

Reply:

The provision for Subhead 111 “Hire of services and professional fees” in 2002-03 is \$26.75 million. Of this, \$19.7 million is to support the operation of the Insider Dealing Tribunal (IDT). The remaining provision is to support the operation of the Market Misconduct Tribunal (MMT) and the Securities and Futures Appeals Tribunal (SFAT), which will be set up under the Securities and Futures Ordinance (SFO).

In preparing the estimates for 2002-03, we assume that the IDT will handle 10 cases during the year. The relevant costs differ from case to case depending on the complexity and the time required for hearings. Taking into account the various costs and expenses involved, we estimate each case would cost about \$1.97 million. The total cost of processing 10 cases is therefore \$19.7 million.

The revised estimate under Subhead 111 for 2001-02 is \$14.16 million. The provision for 2002-03 is higher than the revised estimate for 2001-02 mainly because –

- (a) We estimate that the IDT would need to handle 10 cases in 2002-03, compared to 7 cases processed in 2001-02. Of the 7 cases, one was completed within 2001-02. The IDT is still processing the other 6 cases and it is expected that costs will continue to be incurred on these cases in 2002-03. Separately, the Securities and Futures Commission (SFC) has referred new cases to the Financial Secretary. They are currently being processed by the Department of Justice. More referrals are expected in the next few months. These will be heard by the IDT as appropriate in 2002-03.
- (b) In addition, the new MMT to be set up under the SFO will handle five new types

of market misconduct in addition to insider dealing. Similarly, the ambit of the SFAT has been broadened under the SFO. We expect the MMT and SFAT to handle more cases than their predecessors, namely, the IDT and the Securities and Futures Appeals Panel.

Owing to the above reasons, the estimated expenditure for 2002-03 is considerably higher than the revised estimate for 2001-02.

Signature \_\_\_\_\_

Name in block letters                     Stephen Ip                    

Post Title                     Secretary for Financial Services                    

Date                     21.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB011

Question Serial No.

1003

Head: 148 – Government Secretariat : Subhead(No. & title):  
Financial Services Bureau

Programme: Financial Services

Controlling Officer: Secretary for Financial Services

Bureau Secretary: Secretary for Financial Services

Question :

The Administration will oversee the implementation of initiatives under the Financial Market Development Task Force in 2002-03. What specific work and expenditure will be involved?

Asked by: Hon. LAU Hon-chuen, Ambrose

Reply:

The Financial Market Development Task Force (the Task Force) is chaired by the Secretary for Financial Services. Its members include the Chief Executive, Hong Kong Monetary Authority; Chairman, Securities and Futures Commission; Managing Director, Mandatory Provident Fund Schemes Authority; Director-General of Investment Promotion; and Commissioner of Insurance. The Task Force is responsible for coordinating and taking forward initiatives to develop the financial markets, with a view to strengthening Hong Kong's status as an international financial centre. There are five Working Groups under the Task Force which, in consultation with the market practitioners, provide advice on market development issues in banking, securities and futures, debt, fund management, and insurance respectively. Through the Working Groups, the Task Force is examining ways to attract more financial product issuers and more capital and investors to Hong Kong. Key areas include streamlining procedures, lowering costs, facilitating market development and introducing new investment products. Specific work includes consulting the financial services sector, identifying the most effective ways of achieving our objectives and implementing them through administrative or legislative measures.

The Task Force will be supported by an officer holding a Senior Administrative Officer post, which will be created in 2002-03. One of the major duties of the incumbent is to support the Task Force in pursuing the market development initiatives and monitoring the progress of implementation. The notional annual mid-point salary of the post is \$1.034 million.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Stephen Ip \_\_\_\_\_

Post Title \_\_\_\_\_ Secretary for Financial Services \_\_\_\_\_

Date \_\_\_\_\_ 20.3.2002 \_\_\_\_\_

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB012

Question Serial No.

1004

Head: 148 – Government Secretariat : Subhead(No. & title):001  
Financial Services Bureau Salaries

Programme: Financial Services

Controlling Officer: Secretary for Financial Services

Bureau Secretary: Secretary for Financial Services

Question :

It is expected that three permanent posts and two supernumerary posts will be created in 2002-03. What are the respective duties of such posts? Of the overall increase in departmental expenses, what percentage does the expenditure involved account for?

Asked by: Hon. LAU Hon-chuen, Ambrose

Reply:

We have included the necessary provision for 5 posts to be created in the Financial Services Bureau in 2002-03, details of which are as follows:

<b>Posts</b>	<b>Nature</b>	<b>Number</b>
<b><i>Directorate Posts</i></b>		
Administrative Officer Staff Grade B	Supernumerary post (3 years)	1
Administrative Officer Staff Grade C	Supernumerary post (3 years)	1
Administrative Officer Staff Grade C	Permanent post	1
<b><i>Non-Directorate Posts</i></b>		
Senior Administrative Officer	Permanent post	1
Chief Executive Officer	Permanent post	1

The proposed directorate posts are mainly responsible for the formulation of policies to further develop and promote the financial services industry of Hong Kong, and the implementation of related initiatives with a view to improving the competitiveness of Hong Kong's financial markets and enhancing Hong Kong's status as a major international financial centre. The said policy initiatives mainly include attracting more financial product issuers to Hong Kong, as well as capital and investors from the Mainland and overseas with a view to increasing market liquidity; enhancing the financial infrastructure by introducing a scripless securities market with straight-through processing, so as to improve risk management and increase market efficiency; and updating and simplifying regulatory requirements on the offer of investment products so as to reduce the relevant costs and facilitate market innovation. Building on our strong foundations, the strengthening of efforts in the above areas will further improve the quality and efficiency of



our financial services sector, and broaden and deepen our financial markets. At this point, it is only a budgetary provision, we have yet to finalise the proposal. If we decide that we need these posts, we shall submit detailed proposals to the Establishment Sub-committee / Finance Committee of the Legislative Council.

The non-directorate posts proposed to be created are mainly responsible for assisting in the formulation of policies regarding the development and promotion of Hong Kong's financial markets and the implementation of related initiatives, and co-ordinating the administrative matters of the various tribunals and appeal boards / panels under the Financial Services Bureau. We intend to create these 2 posts in accordance with established procedures.

The provision for the Financial Services Bureau for 2002-03 is 8.7% higher than the revised estimate for 2001-02. The provision required for the 5 proposed posts accounts for 33.2% of the increase.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ Stephen Ip

Post Title \_\_\_\_\_ Secretary for Financial Services

Date \_\_\_\_\_ 20.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB013

Question Serial No.

0711

Head:26-Census and Statistics Department      Subhead(No. & title): 000 Operational Expenses

Programme:

Controlling Officer: Commissioner for Census and Statistics

Bureau Secretary: Secretary for Financial Services

Question :

With regard to the Operational Expenses in the 2002-03 Estimates,

- a) The provision for Personal Emoluments increases slightly to \$486 million. However, the provision for Allowances decreases substantially to \$9,333,000, representing a 34.9% decrease against the revised estimate for 2001-02. Why is it so?
- b) The estimated Departmental Expenses also reduce greatly, representing a decrease of 78.9% against the revised estimate for 2001-02. What accounts for the decrease?

Asked by: Hon. TSANG Yok-sing, Jasper

Reply:

- (a) The provision for the Subhead Allowances decreases substantially because, with the work of the 2001 Population Census largely completed in 2001-02, the provision for overtime allowances, acting allowances and honoraria for staff engaged in the related work is greatly reduced.
- (b) As field operation of the 2001 Population Census has completed, operating expenses for employment of census officers for conducting household visits are not required in 2002-03. Besides, administrative expenses related to the Population Census are also reduced. As a result, the provision for the Subhead Departmental Expenses decreases significantly.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

FREDERICK W H HO

Post Title \_\_\_\_\_

Commissioner for Census & Statistics

Date \_\_\_\_\_

20.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB014

Question Serial No.

1053

Head: 26 Census and Statistics Department      Subhead(No. & title):

Programme:            (5) Price/Industry/Service Statistics

Controlling Officer: Commissioner for Census and Statistics

Bureau Secretary:    Secretary for Financial Services  
   Secretary for Commerce and Industry

Question :

Please answer the following questions related to Programme (5) :

- (a) The Census & Statistics Department plans to compile more science and technology statistics and product statistics of the services industries in the next financial year. What would be the expenditure involved? What are the uses of the statistics?
- (b) The Census & Statistics Department plans to conduct an annual survey to collect data from the business sector for the first time in early 2002. What would be the expenditure involved? In what ways would this survey differ from the other existing ones? What are the uses of the survey results to the business sector in Hong Kong?

Asked by: Hon. TIEN Pei-chun, James

Reply:

- (a) In the 2000 Policy Address, the Government committed to compiling more statistics on science and technology (S&T) so as to provide an objective and quantitative basis for innovation-and-technology policy formulation and evaluation, manpower planning and benchmarking our S&T capabilities against other economies. Preparatory work has started in 2001-02. The expenditure in 2002-03 would be \$5.3 million. As for compilation of more service product statistics, the resources within the Census and Statistics Department will be redeployed with no additional funding involved. Such statistics can be used to enhance our understanding of the structure and operating characteristics of the services industries, thus facilitating the Government and businesses in making decisions relevant to such industries.
- (b) The survey in question is the "Annual Survey of Innovation Activities in the Business Sector for 2001", which is part of the plan for compiling S&T statistics. It aims to collect information on innovation activities, including research and development, in the business sector. The annual expenditure for the survey would be about \$1.5 million. The data collection period is from February to June 2002. Apart from being useful to the Government in policy formulation, the survey results will also provide local businesses and overseas investors with information on the level of innovation and quality of human resources in Hong Kong for reference in making business and investment decisions.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_

FREDERICK W H HO

Post Title \_\_\_\_\_

Commissioner for Census and Statistics

Date \_\_\_\_\_

20.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB015

Head: 106  
Miscellaneous  
Services

Subhead(No. & title):  
795 Contribution to the sixth replenishment  
of the Asian Development Fund  
819 Contribution to the seventh replenishment  
of the Asian Development Fund

Question Serial No.

0772

Programme:

Controlling Officer: Chief Executive, Hong Kong Monetary Authority

Bureau Secretary: Secretary for Financial Services

Question: Why the estimates of contributions to the sixth replenishment of the Asian Development Fund (ADF VII) (subhead 795) and to the seventh replenishment of the Asian Development Fund (ADF VIII) (subhead 819) increased by 9.9% and 32% respectively when comparing with their respective estimates in 2001-02?

Asked by: Hon. *TSANG Yok-sing, Jasper, JP*

Reply:

The increases in the estimates of contributions to the sixth (ADF VII) and seventh (ADF VIII) replenishments in 2002-03 compared with that in 2001-02 reflect the increases in the amounts of drawdowns for the periods for the respective programmes as per their encashment schedules agreed by the Asian Development Bank (ADB) and the donors (please see the attached drawdown forecast).

There was no change to Hong Kong's commitments under ADF VII (US\$15.39 million) and ADF VIII (US\$16.28 million). Under ADB's encashment schedules, the peak of the drawdowns under ADF VII will be in 2002-03 while that of ADF VIII will be in 2005-06. The amount of total drawdown under ADF VII and ADF VIII will peak at US\$5.12 million (around HK\$40 million) in 2004-05.

Signature \_\_\_\_\_

Name in block letter Joseph YAM

Post Title Chief Executive, Hong Kong Monetary Authority

Date 21 March 2002

**ADF Drawdown Forecasts: Hong Kong, China**  
**For the Fiscal Years 2001-2008**  
**(US\$ million)**

<b>Fiscal Year</b>	<b>ADF VII</b>	<b>ADF VIII</b>	<b>Total</b>
2001-2002			
July 2001	1.062	0.618	1.680
February 2002	<u>1.247</u>	<u>0.627</u>	<u>1.874</u>
	2.309	1.245	3.554
2002-2003			
July 2002	1.247	0.627	1.874
February 2003	<u>1.293</u>	<u>1.018</u>	<u>2.311</u>
	<b>2.540</b>	1.645	4.185
2003-2004			
July 2003	1.293	1.018	2.311
February 2004	<u>1.185</u>	<u>1.522</u>	<u>2.707</u>
	2.478	2.540	5.018
2004-2005			
July 2004	1.185	1.522	2.707
February 2005	<u>0.816</u>	<u>1.595</u>	<u>2.411</u>
	2.001	3.117	<b>5.118</b>
2005-2006			
July 2005	0.816	1.595	2.411
February 2006	<u>0.469</u>	<u>1.644</u>	<u>2.113</u>
	1.285	<b>3.239</b>	4.524
2006-2007			
July 2006	0.469	1.644	2.113
February 2007	<u>0.191</u>	<u>1.425</u>	<u>1.616</u>
	0.660	3.069	3.729
2007-2008			
July 2007	0.191	1.425	1.616
Prior to July 2001	3.926	-	3.926
<b>Total</b>	<b>15.39</b>	<b>16.28</b>	<b>31.67</b>

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB016

Question Serial No.

0683

Head: 116 – Official Receiver's Office Subhead(No. & title): -

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Bureau Secretary: Secretary for Financial Services

Question :

Does the indicator of average case load per Insolvency Officer include the monitoring of cases contracted out to private sector insolvency practitioners? If yes, please state the actual number of contracted out cases being monitored by each Insolvency Officer on average in the past two years and the estimated number of such cases this year.

Asked by: Hon. NG Leung-sing

Reply:

The indicator of average active case load per Insolvency Officer includes the monitoring of active liquidation cases that have been contracted out to private sector insolvency practitioners. The numbers of such cases per Insolvency Officer for the year 2000, 2001 and 2002 (estimated) are 7, 16 and 20 respectively.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ E T O'Connell

Post Title \_\_\_\_\_ Official Receiver

Date \_\_\_\_\_ 20.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB017

Question Serial No.

0684

Head: 116 – Official Receiver's Office Subhead(No. & title): 111 Hire  
of Services and Professional  
Fees

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Bureau Secretary: Secretary for Financial Services

Question :

Please state the number of cases contracted out to private sector insolvency practitioners (including all the cases with realisable assets over or under \$200,000) and the resources involved in 2000-01 and 2001-02, as well as the proposed number of cases to be contracted out and the resources required in 2002-03.

Asked by: Hon. NG Leung-sing

Reply:

In 2000-01, 280 summary and non-remunerative liquidation cases (each with estimated realisable assets of less than \$200,000) and 80 non-summary liquidation cases (each with estimated realisable assets of more than \$200,000) were contracted out to private sector insolvency practitioners. In general, private sector insolvency practitioners seek to cover their fees by the assets realised in the insolvent estate. However, due to the nature of the summary and non-remunerative cases, the relevant insolvency practitioner may receive an amount (up to the limit submitted in the tender) if he fails to realise sufficient assets to cover his costs. The resources involved in 2000-01 in respect of contracting out summary and non-remunerative liquidation cases were \$8 million.

It is estimated that in 2001-02, 810 summary and non-remunerative liquidation cases and 45 non-summary liquidation cases will be contracted out to private sector insolvency practitioners. The estimated resources incurred in respect of contracting out summary and non-remunerative liquidation cases are \$13 million.

We expect to contract out 1,110 summary and non-remunerative liquidation cases and 60 non-summary liquidation cases to private sector insolvency practitioners in 2002-03. The estimated resources to be incurred in respect of contracting out summary and non-remunerative liquidation cases are \$15 million.

Signature

Name in block letters

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E T O'Connell

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Post Title

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Official Receiver

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Date

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20.3.2002

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Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB018

Question Serial No.

0685

Head: 116 – Official Receiver's Office Subhead(No. & title): -

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Bureau Secretary: Secretary for Financial Services

Question :

Are there any analysis and comparison of cost-effectiveness being made between the cases contracted out and the cases handled by the Official Receiver's Office? If yes, what are the details? If no, what are the reasons?

Asked by: Hon. NG Leung-sing

Reply:

The complexity of liquidation cases, be it summary or non-summary, varies significantly, hence it would not be possible to make a realistic comparison between the costs of handling such cases by the Official Receiver's Office (ORO) and the private sector insolvency practitioners. We believe that contracting out arrangements are conducive to allowing the market to come up with the most economical solution to deliver liquidation services, thereby improving the cost-effectiveness of the process. Furthermore, such arrangement has provided the ORO with the flexibility to redeploy staff to handle the increasing number of bankruptcy cases efficiently.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ E T O'Connell

Post Title \_\_\_\_\_ Official Receiver

Date \_\_\_\_\_ 20.3.2002

Examination of Estimates of Expenditure 2002-03  
**CONTROLLING OFFICER'S REPLY TO  
WRITTEN/SUPPLEMENTARY QUESTION**

Reply Serial No.

FSB019

Question Serial No.

0990

Head: 116 – Official Receiver's Office Subhead(No. & title): -

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Bureau Secretary: Secretary for Financial Services

Question :

- (a) What was the number of summary and non-remunerative liquidation cases contracted out to private sector insolvency practitioners in 2001-02?
- (b) The Official Receiver's Office (ORO) plans to continue the contracting out programme in item (a) and to make similar contracting out arrangements for non-summary liquidation cases this year. What will be the costs required if these cases are handled by the ORO? How long does it take to handle a liquidation case at present? What is the impact of increasing the number and types of contracting out cases on the improvement of cost-effectiveness?

Asked by: Hon. LI Ka-cheung, Eric

Reply:

- (a) It is expected that a total of 810 summary and non-remunerative liquidation cases will be contracted out to private sector insolvency practitioners through a tendering exercise in 2001-02.
- (b) For non-summary liquidation cases, private sector insolvency practitioners are appointed as liquidators by the court and their fees and charges are recovered from the realised assets of the insolvent estate. The contracting out arrangements through a tendering process mentioned in (a) above do not apply to non-summary cases and there is no intention to change the present arrangements. The complexity of liquidation cases, be it summary or non-summary, varies from case to case significantly, hence it would not be possible to make a realistic comparison between the costs of handling such cases by the Official Receiver's Office (ORO) and the private sector insolvency practitioners. In relation to the time frame, private sector insolvency practitioners taking up summary and non-remunerative liquidation cases are required to complete each case within a year. However, it is not possible to set a general timeframe for the completion of non-summary cases as the progress and thus the processing time required would hinge on the circumstances of each case. We believe that contracting out arrangements are conducive to allowing the market

to come up with the most economical solution to deliver liquidation services, thereby improving the cost-effectiveness of the process. Furthermore, such arrangement has provided the ORO with the flexibility to redeploy staff to handle the increasing number of bankruptcy cases efficiently.

Signature \_\_\_\_\_

Name in block letters \_\_\_\_\_ E T O'Connell

Post Title \_\_\_\_\_ Official Receiver

Date \_\_\_\_\_ 20.3.2002