

**Guidelines on avoidance of conflict of interest for
civil servants involved in drawing up the Budget**

This paper sets out the guidelines that apply to civil servants, including those involved in drawing up the Budget, on the avoidance of conflict of interest and the declaration of investment.

General guidelines issued by CSB

2. The avoidance of conflict of interest is the subject of a CSB circular which sets out in general terms guidelines reminding each and every civil servant to be vigilant at all times against any real or apparent conflict of interest situation that may arise or has arisen between his official duties and his private interests. He must report to his supervisor immediately as and when any such situation comes to light.

3. The circular sets out the common areas in which a conflict of interest situation may arise between an officer's official duties and his private interest. Through the circular, officers are advised, amongst other things, to refrain from acquiring any investment or any financial or other interest which may lead to a conflict of interest with his official duties, and to avoid putting himself in a position of obligation to anyone who has or may have official dealings with his department. Guidance is given to staff on how to avoid putting himself in a position where he might arouse any suspicion of dishonesty, or of using his official position (or information obtained in his official capacity) to benefit himself or favour his family and friends.

4. For officers holding designated posts (mainly posts with access to sensitive information), they are required vide another CSB circular to regularly declare their private investments, irrespective of whether a conflict of interest exists. These declarations are examined by designated senior officers in CSB or the relevant bureaux/departments who should consider taking appropriate management actions when an actual/potential conflict of interest situation is identified.

5. In the same circular, bureaux/departments are encouraged to prescribe supplementary investment and declaration guidelines specific to their operational needs and circumstances, for staff who are particularly susceptible to accusations of conflict of interest because of the nature of their duties.

6. Any officer who fails to abide by the above guidelines renders himself liable to disciplinary action.

Supplementary guidelines issued by the Treasury Branch

7. On the basis of the general guidelines described above, the Treasury Branch (TB) has issued its supplementary departmental guidelines. The relevant internal circular reminds staff of the two afore-mentioned CSB circulars and it repeats some of the key requirements in the circulars. In addition, in connection with the declaration of investments during the budgetary exercise, it adds the requirement that, during the period of the exercise, the designated officers report investment transactions “irrespective of the amount” involved (as compared to the CSB general requirement which applies to transactions “equivalent to or exceeding HK\$200,000 or three months’ salary in value, whichever is the less”). A copy of the internal

circular is at **Annex**.

8. Further to the above circular, TB issues every year a standard internal memo to its officers involved in the work of the Financial Secretary's Budgetary Strategy Group, to remind them of the requirements in respect of conflict of interest and declaration of investment. The memo also prescribes the dates of that year's budgetary exercise.

Classification of Budget Strategy Group (BSG) papers

9. BSG papers are as a rule classified SECRET. Access to such papers is strictly limited on a "need to know" basis, and the papers are subject to additional handling procedures. The SECRET classification reminds all officials concerned of the very high sensitivity of the information in the papers and the importance to avoid disseminating the information or using it for any purposes other than the preparation of the Budget.

Civil Service Bureau
Financial Services and the Treasury Bureau (The Treasury Branch)
March 2003

FINANCE BUREAU INTERNAL CIRCULAR NO. 4/2002

Conflict of Interest and Declaration of Investments

Civil Service Bureau (CSB) Circular N19/92 gives general guidance on how conflicts of interest between an officer's official duties and his private interest can be avoided. CSB Circular No. 9/2001 stipulates the guidelines for civil servants to declare private investments in and outside Hong Kong. This Circular reminds officers of such guidelines and announces additional restrictions on investments and declaration requirements for officers in Finance Bureau (FB). It replaces FBIC 2/2002.

General Guidelines

Definition of investments

2. CSB Circular No. 9/2001 sets out the guidelines for civil servants to declare private investments in and outside Hong Kong. As defined in CSR 463(1), "investments" for declaration and reporting -

- (a) include any investment, shareholding or direct or indirect interest in any company or undertaking (including company directorship), and any interest in land or buildings (including self-occupied property) in Hong Kong and/or in places outside Hong Kong;
- (b) include but are not limited to -
 - (i) securities listed on the Stock Exchange of Hong Kong;
 - (ii) futures and options contracts and other products traded on the Hong Kong Futures Exchange;
 - (iii) Tracker Fund of Hong Kong; and
 - (iv) any investment listed above which belongs to an officer but is held in the name of his/her spouse or of any other person or agent or company acting on his/her behalf,

/(c)

- (c) but, subject to CSR 464(a), exclude -
- (i) unit trusts, mutual funds and life insurance policies;
 - (ii) bank deposits (irrespective of currencies);
 - (iii) government bills and notes and multilateral agency debt instruments; and
 - (iv) any investment held by an officer as a trustee or for charitable purposes where the officer has no beneficiary interest.

[N.B.] By virtue of CSR 464(a), an officer may be required during a posting to declare his investments under CSR 463(1)(a) and (b) and other investments to be specified from a current date and thereafter on a regular basis.]

Conflict of Interest

3. In general, all officers should avoid any conflict of interest between their private investments and official duties and should report any private investment which may give rise to such conflicts. In case of doubt, officers are encouraged to report on the investment and seek the advice of their supervisors. In addition, the following sections stipulate mandatory declaration requirements applicable to different groups of officers in FB.

Two-tier system for declaration

4. Secretary for the Treasury (S for Tsy) is one of the 27 Tier I posts and all directorate posts in FB and PA to S for Tsy are Tier II posts subject to the reporting requirements as set out in CSB Circular No. 9/2001. Having regard to the risk of exposure to potential conflict of interest, S for Tsy has designated the following posts as Tier II as well -

SPS/DS(1)	PSI/P(H)
SPS/DS(2)	PSI/P(R)
PSI/DS(3)	

Declaration requirements for Tier II posts

5. All Tier II officers are required to declare -

/(A)

- (A) on appointment and every two years -
 - (a) their private investments in and outside Hong Kong, as specified in para. 2 above;
 - (b) occupation of their spouses; and
- (B) any single private investment transaction equivalent to or exceeding HK\$200,000 or three months' salary, whichever is the less, within seven days of the transaction.

The above reporting requirements also apply to officers filling the Tier II posts on an acting basis for a period exceeding 30 days.

6. Report for (A) should be made on the proforma "Declaration of Investments by Civil Servants" (GF389(I)) at Annex 1 and report for (B) on GF 389(II) at Annex 2, both for the attention of DS(1). DS(1) will make his own declaration to S for Tsy and S for Tsy will make her own declaration to the Financial Secretary. The Bureau Management Unit (BMU) will arrange transfer of the investment declarations upon officers' transfer as appropriate.

Additional Declaration Requirements and Investment Restrictions in FB

Officers involved in Financial Secretary's Budget Strategy Group (BSG)

7. Officers involved in the Financial Secretary (FS)'s BSG may gain access to market-sensitive information and expose themselves to greater potential of conflict of interest throughout the budget preparation. These officers include -

S for Tsy	PA/S for Tsy
DS(1)	SPS/DS(1)
DS(2)	SPS/DS(2)
DS(3)	PSI/DS(3)
P(R)	PSI/P(R)
P(H)	PSI/P(H)
P(Speech)	PSI/P(Speech)

8. During each year's budget exercise, the above officers are required to report, within seven days, ***any private investment transaction irrespective of the amount***. This reporting requirement normally takes effect from the date of the first BSG meeting and ceases on the Budget Day. BMU will announce the specific dates for each year's exercise. The reports, on GF389(II) at Annex 2, should be made to DS(1), S for Tsy and the FS as appropriate. The reporting requirement also applies to officers filling the above-listed posts on an acting basis, irrespective of the duration.

Officers dealing with MTRCL matters

9. Officers in the following posts involved in formulating public offerings of MTRCL shares and overseeing MTRCL matters are forbidden to acquire any MTRCL shares and/or retail bonds-

S for Tsy	DS(2)
P(I)	AS(I)
TA(I)2	

10. The restriction will apply during their tenure in the posts concerned and a sanitisation period of three months after their last day in post.

11. For officers appointed to these posts after the initial public offer, they -

- (a) should declare the amount of MTRCL shares and/or bonds in their possession, if any, including those belong to them but held in name of their spouse or of any other person or agent or company acting on their behalf; and
- (b) may be required to divest their investments in MTRCL or to place those investments in blind trust until after the three-month sanitisation period.

12. For officers filling these posts temporarily on an acting basis, irrespective of the duration, they need to make the same declaration as in para. 11(a) above and be subject to the ban on selling and buying of any MTRCL shares and/or bonds during such acting appointments and the three-month sanitisation period.

13. The declaration, on GF389(I) at Annex 1, should be made to DS(2), S for Tsy and the FS as appropriate.

14. Officers concerned should also avoid, as far as possible, any apparent conflict of interest such as purchase of MTRCL shares and/or bonds by members of their family.

Officers dealing with the Airport Authority (AA) matters

15. Officers in the following posts who are involved in overseeing AA matters are forbidden to acquire any AA retail bonds -

S for Tsy	DS(2)
P(I)	AS(I)

16. Restrictions set out in paragraphs 10 to 14 above will apply in the same manner to the above officers in respect of AA retail bonds.

Management Action if Conflict of Interest Exists

17. If it appears that there is or may be a potential conflict of interest between an officer's investments and official duties, management may consider taking one or a combination of the following measures depending on and proportionate to the circumstances of each case -

- (a) ask the declarant to divest himself of the investments/interests;
- (b) ask the declarant to refrain from further acquiring the investments/interests or disposing of them;
- (c) ask the declarant to freeze any investment transaction for a specified period (e.g. until certain market sensitive information is equally available in the public domain);
- (d) ask the declarant to place the investment in a blind trust;
- (e) require the declarant to refrain from handling cases with potential conflict of interest; and
- (f) assign, to another officer, duties that may give rise to a perceived or actual conflict of interest.

18. Depending on the facts and circumstances of individual cases, disciplinary action may be considered if there is non-compliance with -

- (a) the central and/or supplementary departmental declaration rules or investment restrictions;
- (b) instructions or management advice given to the officer, including those instanced in paragraph 17 above; and
- (c) other civil service rules and regulations on conflict of interest.

Reference and Enquiries

19. The up-to-date copies of CSB Circular Nos. 9/2001 and 19/92 are on our LAN under "CSBC" of "Circulars". Enquiries on this Circular should be addressed to Principal Executive Officer (G).

MISS DENISE YUE
Secretary for the Treasury
6 May 2002

Distribution

All staff of Finance Bureau

For Information

FS, SCS, D of Admin, AA/FS

CONFIDENTIAL

DECLARATION OF INVESTMENTS BY CIVIL SERVANTS

(Annual Declaration/Biennial Declaration/Declaration on Appointment to Tier I/II post*)

To : _____
*SCS/Bureau Secretary/Head of Department**

PART A

Personal Particulars

Tier I/II* Officer

Name _____ (English) _____ (Chinese)
(First name) (Last name)

HKID No. _____

Appointed to Tier I/II* post on _____

Present post and date of posting _____

Present bureau/department* _____

Name of spouse _____ (English) _____ (Chinese)
(First name) (Last name)

HKID No. of spouse _____

Occupation of spouse _____

Declaration

In accordance with CSR 464(a), I report my investments held as at _____ *(date)* as detailed in Part B of this form (GF389(I)).

I hereby declare that the particulars entered in the attached form(s) are accurate and complete.

Signature _____ Date _____

[NB Please also see notes]

* Delete as appropriate

***Points to note when completing [GF 389(I)] on
Declaration of Investments
(annual/biennial/on appointment to Tier I/II post)***

- Note :
- (1) The information provided in this declaration form [GF 389(I)] will be used by SCS/Bureau Secretary/Head of Department or his/her designated officer(s) as appropriate to assess whether there is any conflict of interest between the private investments (in and/or outside Hong Kong) declared by the officer and his/her official duties or any non-compliance with relevant Civil Service rules and regulations and/or whether any action, including disciplinary proceedings, should be taken as appropriate.
 - (2) By virtue of CSR 464(a), an officer may be required during a posting to declare his/her investments under CSR 463(1)(a) and (b) and other investments to be specified from a current date and thereafter on a regular basis.
 - (3) Under CSR 466, an officer who fails to observe any of the regulations on investments renders himself/herself liable to disciplinary proceedings, and may in addition be required to divest himself/herself of any or some of the investments, refrain from acquiring or disposing of the investments or place the investments in a blind trust.
 - (4) Before completing the declaration form, all officers are advised to study carefully CSRs 461-466 and CSB Circular No.9/2001 on Declaration of Investments by Civil Servants, additional declaration rules and investment restrictions prescribed by his/her bureau/department, if any, and CSB Circular No.19/92 on "Conflict of Interest".
 - (5) The officer making the declaration will have a right to request access to and correction of the information provided herewith. Such requests can be made in writing to SCS/Bureau Secretary/Head of Department [Attn: (name and title of responsible officer) at (officer's address) if possible] as appropriate.

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PART B

Details of Investments and Interests Held

Serial No.	Particulars of Investments/Interests (see notes)	(a) Date of Acquisition (dd/mm/yy)	(b) Quantity/ Units Acquired	(c) Value of Acquisition [HK \$ as at (a)]

Name : _____ Signature: _____

Post : _____ Date: _____

Page No.: _____

Notes for Part B of G.F. 389(I)

- (1) Under CSR 463(1), the "investments" for declaration and reporting -
- (a) **include** any investment, shareholding or direct or indirect interest in any company or undertaking (including company directorship), and any interest in land or buildings (including self-occupied property) in Hong Kong and/or in places outside Hong Kong;
 - (b) **include** but are not limited to –
 - (i) securities listed on the Stock Exchange of Hong Kong;
 - (ii) futures and options contracts and other products traded on the Hong Kong Futures Exchange;
 - (iii) Tracker Fund of Hong Kong; and
 - (iv) any investment listed above which belongs to an officer but is held in the name of his/her spouse or of any other person or agent or company acting on his/her behalf,
 - (c) but, subject to CSR 464(a), **exclude** –
 - (i) unit trusts, mutual funds and life insurance policies;
 - (ii) bank deposits (irrespective of currencies);
 - (iii) government bills and notes and multilateral agency debt instruments; and
 - (iv) any investment held by an officer as a trustee or for charitable purposes where the officer has no beneficiary interest.
- [**N.B.** By virtue of CSR 464(a), an officer may be required during a posting to declare his/her investments under CSR 463(1)(a) and (b) and other investments to be specified from a current date and thereafter on a regular basis.]
- (2) If interests in a private company are included, a brief indication of the following should be given –
- (a) the nature of its business;
 - (b) whether the company has active business activities;
 - (c) whether the officer has actively participated in the business(es) of the company; and
 - (d) the officer's shareholding and names of other shareholders which are known.

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DECLARATION OF INVESTMENTS BY CIVIL SERVANTS
Report on Investment Transactions (Acquisitions and Disposals)
 (within seven days of the transactions between the annual/biennial declarations)

To : _____
*SCS/Bureau Secretary/Head of Department **

Serial No.	Particulars of Transactions (see notes)	(a) Date of Acquisition/ Disposal (dd/mm/yy)	(b) Quantity/ Units Acquired/ Disposed	(c) Value of Acquisition/ Disposal [HK \$ as at (a)]

Declaration

In accordance with CSR 464(e), I report my investment transactions and hereby declare that the information entered above is accurate and complete.

Name _____ Appointed to Tier I/II* post on _____
(English)(first name) (last name)

_____ Appointed to present post on _____
(Chinese)

Post title _____ Name of bureau/department* _____

Signature _____ Date _____

*Delete as appropriate

Notes for Investment Declaration Form [GF389(II)]
[Report on Investment Transactions (Acquisition and Disposal)]

- (1) To report within seven days each single investment transaction equivalent to or exceeding HK\$200,000 or three months' salary, whichever is the less.
- (2) If interests in a private company are included, a brief indication of the following should be given –
 - (a) the nature of its business;
 - (b) whether the company has active business activities;
 - (c) whether the officer has actively participated in the business(es) of the company; and
 - (d) the officer's shareholding and names of other shareholders which are known.
- (3) The information provided in this declaration form (GF389(II)) will be used by SCS/Bureau Secretary/Head of Department or his designated officer(s) as appropriate to assess whether there is any conflict of interest between the private investments (in and/or outside Hong Kong) declared by the officer and his official duties or any non-compliance with relevant Civil Service rules and regulations and/or whether any action, including disciplinary proceedings, should be taken as appropriate.
- (4) Under CSR 466, an officer who fails to observe any of the regulations on investments renders himself liable to disciplinary proceedings, and may in addition be required to divest himself of any or some of the investments, refrain from acquiring or disposing of the investments or place the investments in a blind trust.
- (5) The officer making the declaration will have a right to request access to and correction of the information provided herewith. Such requests can be made in writing to SCS/Bureau Secretary/Head of Department [Attn: (name and title of responsible officer) at (officer's address) if possible] as appropriate.
- (6) Under CSR 463(1), the "investments" for declaration and reporting:-
 - (a) include any investment, shareholding or direct or indirect interest in any company or undertaking (including company directorship), and any interest in land or buildings (including self-occupied property) in Hong Kong and/or in places outside Hong Kong;
 - (b) include but are not limited to -
 - (i) securities listed on the Stock Exchange of Hong Kong;
 - (ii) futures and options contracts and other products traded on the Hong Kong Futures Exchange;
 - (iii) Tracker Fund of Hong Kong; and
 - (iv) any investment listed above which belongs to an officer but is held in the name of his/her spouse or of any person or agent or company acting on his/her behalf,
 - (c) but, subject to CSR 464(a), exclude -
 - (i) unit trusts, mutual funds and life insurance policies;
 - (ii) bank deposits (irrespective of currencies);
 - (iii) government bills and notes and multilateral agency debt instruments; and
 - (iv) any investment held by an officer as trustee or for charitable purposes where the officer has no beneficiary interest.

[NB By virtue of CSR 464(a), an officer may be required during a posting to declare his investments under CSR 463(1)(a) and (b) and other investments to be specified from a current date and thereafter on a regular basis.]