

**Replies to initial written questions raised by Finance Committee Members in
examining the Estimates of Expenditure 2008-09**

**Director of Bureau : Secretary for Financial Services and the Treasury
Session No. : 5**

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Examination of Estimates of Expenditure 2008-09
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)001

Question Serial No.

2680

Head : 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title) : 000 Operational
expenses

Programme : Financial Services

Controlling Officer : Permanent Secretary for Financial Services and the Treasury
(Financial Services)

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

The estimated expenditure for hire of professional services and for meeting the expenses on the hearing of tribunal cases on insider dealings and market misconduct for 2008-09 has increased substantially by 2.2. times over 2007-08 to more than \$21 million. What are the reasons? Is the increase in expenditure due to the growing number or growing complexity of the cases, or merely to the expected rise in the relevant service charges arising from inflation adjustment?

Asked by : Hon. CHAN Kam-lam

Reply :

The main reasons for increased provision for “hire of services and professional fees” in the draft estimate for 2008-09 are as follows :

Review of the Trustee Ordinance

A provision of \$1.5 million has been reserved for, where necessary, seeking relevant professional legal advice and recommendations on specific areas concerning the review of the Trustee Ordinance.

Expenditure for Tribunal Hearings

A provision of \$18.44 million has been reserved for supporting the operation of the Insider Dealing Tribunal (IDT), the Market Misconduct Tribunal (MMT), and the Securities and Futures Appeals Tribunal (SFAT). The provision is comparable to the approved estimate for the same purpose in 2007-08 (\$19.37 million).

The financial provision is required mainly for hiring the services of members, verbatim reporters, professional witnesses, ordinary witnesses and external counsel for the hearings of

these tribunals. The costs of hearings differ from case to case depending on the complexity of the case and the time required for completing the hearings.

The revised estimate for 2007-08 is revised downward to \$4 million because the implicated parties of two cases have respectively lodged appeal and taken out judicial review on the nature of IDT and MMT proceedings. Hearings at IDT and MMT have been adjourned in view of possible applications for stay of proceedings in other inquiries. As the hearings did not proceed as scheduled, the costs of hearings were substantially reduced.

In preparing the draft estimate for 2008-09, we assume that 2 IDT cases and 3 MMT cases that were adjourned in 2007 will resume hearing in 2008-09. Coupled with one new MMT case expected to commence in the year, we assume the IDT and MMT will handle 2 and 4 cases respectively in 2008-09. Although the number of cases remains at about the same level as previous years, we expect the number of days of hearing conducted in 2008-09 will increase as the hearings resume. On the basis of past experience and having regard to the complex nature of market misconduct cases, we estimate each case will, on average, cost about \$2.8 million. The total cost of processing 6 cases is estimated to be \$16.8 million. The remaining provision of \$1.64 million is for meeting the costs for handling the estimated 16 cases by SFAT.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	25.3.2008

Examination of Estimates of Expenditure 2008-09
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)002

Question Serial No.

2681

Head : 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title) : 000 Operational
expenses

Programme : Financial Services

Controlling Officer : Permanent Secretary for Financial Services and the Treasury
(Financial Services)

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

The provision for general departmental expenses in 2008-09 is 46.5% higher than that of 2007-08. What are the reasons?

Asked by : Hon. CHAN Kam-lam

Reply :

The estimated provision for general departmental expenses of the Financial Services Branch (FSB) in 2008-09 is \$6.79 million (46.5%) higher than the revised estimate for 2007-08.

One of the main reasons for the increase is the provisions for subheads devolved to individual bureau/departments from 2008-09 onwards to cover expenditure for “write-offs” and “refunds of revenue”. The provision devolved to FSB for the purpose is \$2.33 million in 2008-09. It is also anticipated that the Office of the Commissioner of Insurance will engage additional non-civil service contract staff in 2008-09 for filling up vacancies arising from natural wastage of the Insurance Officer grade. The relevant expenses will be \$2.16 million higher than the 2007-08 revised estimate. In addition, the operating costs of the Money Lenders Registry, the Insider Dealing Tribunal, the Market Misconduct Tribunal and the Securities and Futures Appeals Tribunal are expected to be increased by \$1.98 million in 2008-09.

Signature	
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	25.3.2008

Examination of Estimates of Expenditure 2008-09
**CONTROLLING OFFICER'S REPLY TO
 INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)003

Question Serial No.

0955

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

Programme : Financial Services

Controlling Officer : Permanent Secretary for Financial Services and the Treasury (Financial
 Services)

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Regarding the studies (including in-house studies or those entrusted to consultants) conducted for the purposes of formulating and assessing policies, please provide the relevant information in the following format :

(a) Projects that have reserved funds for conducting consultancy studies in 2007-08

Name of Consultant (if any)	Content	Revised Estimate (\$)	Progress of Studies (under planning/in progress/ completed)	The follow-ups taken by the Administration on the study reports and their progress (if any)	If completed, have they been released to the public? if yes, through which channels? If no, what are the reasons?

(b) Projects that will reserve funds for conducting consultancy studies in 2008-09?

Name of Consultant (if any)	Content	Expenditure (\$)	Progress of Studies (under planning/in progress/ completed)	Will the studies be released to the public if they are expected to be completed in the 2008-09 financial year? If yes, through which channels? If no, what are the reasons?

Asked by : Hon. EU Yuet-mee, Audrey

Reply :

(a) Projects that have reserved funds for conducting consultancy studies in 2007-08 are as follows:

Name of Consultant (if any)	Content	Revised Estimate (\$)	Progress of Studies (under planning/in progress/completed)	The follow-ups taken by the Administration on the study reports and their progress (if any)	If completed, have they been released to the public? if yes, through which channels? If no, what are the reasons?
Pricewater-house Coopers	Consultancy Study on Establishing the Supervisory Framework of Assets of Long Term Insurers in Hong Kong	\$1.8 million	Risk based capital has become an international trend for insurance supervision, and the International Association of Insurance Supervisors intends to promulgate a global common standard for this purpose by 2012. Since this will entail a major overhaul of the present asset supervisory regime, agreement was reached with the consultant to terminate the study in June 2007.	The Administration will keep a close watch on new developments and is deploying administrative measures to strengthen the monitoring system in place such as additional reporting on long term insurer assets and currency mix, regular scrutiny of compliance with asset separation requirement during on-site inspections and review of the Professional Standard on Dynamic Solvency Testing promulgated by the Actuarial Society of Hong Kong.	Not applicable as the study was terminated before reaching the stage of public consultation.
Pricewater-house Coopers	Consultancy Study on the Establishment of an Independent Insurance Authority in Hong Kong	\$3.5 million	In progress.	See 5 th Column of paragraph (b) below.	See 5 th Column of paragraph (b) below.

(b) Projects that will reserve funds for conducting consultancy studies in 2008-09 are as follows :

Name of Consultant (if any)	Content	Estimated Expenditure (\$)	Progress of Studies (under planning/in progress/completed)	Will the studies be released to the public if they are expected to be completed in the 2008-09 financial year? If yes, through which channels? If no, what are the reasons?
Pricewater-house Coopers	Consultancy Study on the Establishment of an Independent Insurance Authority in Hong Kong	\$1.3 million	In progress.	The Administration will consult key stakeholders after examining findings and recommendations made by the consultant.
Not yet available	Consultancy Study on the Review of the Trustee Ordinance	\$1.5 million	At planning stage. The budgeted expenditure is reserved for, where necessary, seeking legal or professional advice and recommendations on specific areas relating to the review.	Recommendations and views obtained from the consultancy study, if conducted, may be incorporated into the relevant public consultation document to be issued in due course.

Signature _____
Name in block letters Kevin Ho
Permanent Secretary for Financial Services and
the Treasury (Financial Services)
Post Title _____
Date 25.3.2008

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	20.3.2008

management centre in Asia and an international financial centre. The Securities and Futures Commission (SFC) also constantly reviews its regulatory regime with a view to ensuring that it is responsive and conducive to market development. Relevant authorities will deploy their own resources for continuing with the necessary measures to provide an environment conducive to the further development of Hong Kong's asset management business.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	25.3.2008

We maintain regular liaison with the relevant Mainland authorities via the Hong Kong/Guangdong Co-operation Joint Conference and the Pan-Pearl River Delta Cooperation and Development Forum, etc. There are also ongoing marketing initiatives and visits to the Mainland to promote Hong Kong's position as an international financial centre and a premier capital formation centre.

We would make use of our existing resources for advancing financial co-operation with the Mainland.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	25.3.2008

Signature	_____
Name in block letters	<u>Kevin Ho</u>
Post Title	<u>Permanent Secretary for Financial Services and the Treasury (Financial Services)</u>
Date	<u>20.3.2008</u>

Examination of Estimates of Expenditure 2008-09
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)009

Question Serial No.

1016

Head : 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title) : 000 Operational
expenses

Programme : Financial Services

Controlling Officer : Permanent Secretary for Financial Services and the Treasury
(Financial Services)

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

The Bureau intends to increase the provision for hire of professional services and for meeting the expenses on the hearing of tribunal cases on insider dealings and market misconduct in 2008-09. Please state the reasons for it and the details of the provision.

Asked by : Hon. TIEN Pei-chun, James

Reply :

The main reasons for increased provision for “hire of services and professional fees” in the draft estimate for 2008-09 are as follows :

Review of the Trustee Ordinance

A provision of \$1.5 million has been reserved for, where necessary, seeking relevant professional legal advice and recommendations on specific areas concerning the review of the Trustee Ordinance.

Expenditure for Tribunal Hearings

A provision of \$18.44 million has been reserved for supporting the operation of the Insider Dealing Tribunal (IDT), the Market Misconduct Tribunal (MMT), and the Securities and Futures Appeals Tribunal (SFAT). The provision is comparable to the approved estimate for the same purpose in 2007-08 (\$19.37 million).

The financial provision is required mainly for hiring the services of members, verbatim reporters, professional witnesses, ordinary witnesses and external counsel for the hearings of these tribunals. The costs of hearings differ from case to case depending on the complexity of the case and the time required for completing the hearings.

The revised estimate for 2007-08 is revised downward to \$4 million because the implicated parties of two cases have respectively lodged appeal and taken out judicial review on the nature of IDT and MMT proceedings. Hearings at IDT and MMT have been adjourned in view of possible applications for stay of proceedings in other inquiries. As the hearings did not proceed as scheduled, the costs of hearings were substantially reduced.

In preparing the draft estimate for 2008-09, we assume that 2 IDT cases and 3 MMT cases that were adjourned in 2007 will resume hearing in 2008-09. Coupled with one new MMT case expected to commence in the year, we assume the IDT and MMT will handle 2 and 4 cases respectively in 2008-09. On the basis of past experience and having regard to the complex nature of market misconduct cases, we estimate each case will, on average, cost about \$2.8 million. The total cost of processing 6 cases is estimated to be \$16.8 million. The remaining provision of \$1.64 million is for meeting the costs for handling the estimated 16 cases by SFAT.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	25.3.2008

Examination of Estimates of Expenditure 2008-09
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)010

Question Serial No.

1701

Head : 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title) : 000 Operational
expenses

Programme : Financial Services

Controlling Officer : Permanent Secretary for Financial Services and the Treasury
(Financial Services)

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

For what reasons has the 2008-09 estimate of the general departmental expenses under Subhead 000 Operational expenses increased sharply by 46% as compared with the 2007-08 revised estimate?

Asked by : Hon. TO Kun-sun, James

Reply :

The 2008-09 estimate of the general departmental expenses of the Financial Services Branch of this Bureau is \$6.79 million (46.5%) higher than the 2007-08 revised estimate.

One of the main reasons for the increase is the provisions for subheads devolved to individual bureau/departments from 2008-09 onwards to cover expenditure for “write-offs” and “refunds of revenue”. The provision devolved to FSB for the purpose is \$2.33 million in 2008-09. It is also anticipated that the Office of the Commissioner of Insurance will engage additional non-civil service contract staff in 2008-09 for filling up vacancies arising from natural wastage of the Insurance Officer grade. The relevant expenses will be \$2.16 million higher than the 2007-08 revised estimate. In addition, the operating costs of the Money Lenders Registry, the Insider Dealing Tribunal, the Market Misconduct Tribunal and the Securities and Futures Appeals Tribunal are expected to be increased by \$1.98 million in 2008-09.

Signature	
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	25.3.2008

Examination of Estimates of Expenditure 2008-09
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)011

Question Serial No.

1702

Head : 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title) : 700 General
non-recurrent

Programme : Financial Services

Controlling Officer : Permanent Secretary for Financial Services and the Treasury
(Financial Services)

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Regarding “consultancy study on the establishment of an independent Insurance Authority in Hong Kong” under this subhead, the Administration said in its reply to Members last year that the expenditure for the consultancy study was \$3.5m. Apart from the \$3.5m originally earmarked for the consultancy study, for what purpose will the remainder of \$1.3m in the \$4.8m commitment under Item 995 be used?

Asked by : Hon. TO Kun-sun, James

Reply :

\$3.5 million was earmarked in the 2007-08 estimate for the consultancy study on the establishment of an independent Insurance Authority in Hong Kong. Subsequently, the contract was awarded at a sum of around \$4.5 million. An additional \$1.3 million from departmental funding under Subhead 000 is needed in 2008-09 to top up the difference and cover related expenses.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	25.3.2008

Examination of Estimates of Expenditure 2008-09
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)012

Question Serial No.

1703

Head : 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title) : 700 General
non-recurrent

Programme : Financial Services

Controlling Officer : Permanent Secretary for Financial Services and the Treasury
(Financial Services)

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

What is the progress of the “consultancy study on the establishment of an independent Insurance Authority in Hong Kong” under this subhead? Will the Government make public the entire report of the consultancy study? If yes, when is the report expected to be published? If no, what are the reasons?

Asked by : Hon. TO Kun-sun, James

Reply :

The study commenced in November 2007 and is expected to be completed within 2008-09. After completion of the study, the Government will take into account the findings and recommendations of the consultancy and consult key stakeholders on the question of establishment of an independent Insurance Authority.

Signature _____

Name in block letters _____

Kevin Ho

Post Title _____

Permanent Secretary for Financial Services
and the Treasury (Financial Services)

Date _____

25.3.2008

Examination of Estimates of Expenditure 2008-09
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)013

Question Serial No.

1704

Head : 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title) : 000 Operational
expenses

Programme : Financial Services

Controlling Officer : Permanent Secretary for Financial Services and the Treasury
(Financial Services)

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

- a. Under the “hire of services and professional fees” of Departmental Expenses, the estimated expenditure for 2008-09 is 224% higher than the revised estimate for 2007-08, what are the reasons?
- b. How much of the above estimated expenditure will be spent on the operation of hearings of the Insider Dealing Tribunal, the Market Misconduct Tribunal and the Securities and Futures Appeals Tribunal? What other items are covered by this subhead? What are their respective expenditures?

Asked by : Hon. TO Kun-sun, James

Reply :

- (a) The main reasons for increased provision for “hire of services and professional fees” in the draft estimate for 2008-09 are as follows :

Review of the Trustee Ordinance

A provision of \$1.5 million has been reserved for, where necessary, seeking relevant professional legal advice and recommendations on specific areas concerning the review of the Trustee Ordinance.

Expenditure for Tribunal Hearings

A provision of \$18.44 million has been reserved for supporting the operation of the Insider Dealing Tribunal (IDT), the Market Misconduct Tribunal (MMT), and the Securities and Futures Appeals Tribunal (SFAT). The provision is comparable to the approved estimate for the same purpose in 2007-08 (\$19.37 million).

The revised estimate for 2007-08 is revised downward to \$4 million because the implicated parties of two cases have respectively lodged appeal and taken out judicial review on the nature of IDT and MMT proceedings. Hearings at IDT and MMT have been adjourned in view of possible applications for stay of proceedings in other inquiries. As the hearings did not proceed as scheduled, the costs of hearings were substantially reduced.

- (b) The financial provision reserved for tribunal hearings (\$18.44 million) is required mainly for hiring the services of members, verbatim reporters, professional witnesses, ordinary witnesses and external counsel for the hearings of these tribunals. The costs of hearings differ from case to case depending on the complexity of the case and the time required for completing the hearings.

In preparing the draft estimate for 2008-09, we assume that 2 IDT cases and 3 MMT cases that were adjourned in 2007 will resume hearing in 2008-09. Coupled with one new MMT case expected to commence in the year, we assume the IDT and MMT will handle 2 and 4 cases respectively in 2008-09. On the basis of past experience and having regard to the complex nature of market misconduct cases, we estimate each case will, on average, cost about \$2.8 million. The total cost of processing 6 cases is estimated to be \$16.8 million. The remaining provision of \$1.64 million is for meeting the costs for handling the estimated 16 cases by SFAT.

The remaining provision of \$2.95 million earmarked under “hire of services and professional fees is for the hire of professional service for providing legal advice and recommendations on specific areas concerning the review of the Trustee Ordinance (\$1.5 million), hire of information technology services (\$0.3 million) and provision of various data lines services etc.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	25.3.2008

Examination of Estimates of Expenditure 2008-09
**CONTROLLING OFFICER'S REPLY TO
 INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)014

Question Serial No.

1705

Head : 148 – Government Secretariat :
 Financial Services and the Treasury
 Bureau (Financial Services Branch)

Subhead (No. & title) : 000 Operational
 expenses

Programme : Financial Services

Controlling Officer : Permanent Secretary for Financial Services and the Treasury
 (Financial Services)

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Please detail the number of cases heard by the Insider Dealing Tribunal, Market Misconduct Tribunal, and Securities and Futures Appeals Tribunal respectively each year from 2004-05 to 2006-07. What was the expenditure incurred respectively? What specific items had the major shares of the expenditure?

Asked by : Hon. TO Kun-sun, James

Reply :

The number of cases heard by Insider Dealing Tribunal (IDT), Market Misconduct Tribunal (MMT) and Securities and Futures Appeals Tribunal (SFAT) and the actual expenditure incurred for the past three years are set out below –

	2004-05		2005-06		2006-07	
	Caseload	Expenditure	Caseload	Expenditure	Caseload	Expenditure
IDT ^{Note 1}	7	\$6.38 million	7	\$5.63 million	7	\$9.89 million
MMT ^{Note 2}	-	-	-	-	-	-
SFAT ^{Note 3}	20	\$0.61 million	17	\$0.23 million	9	\$0.30 million

Note 1: The length of hearings of IDT inquiries varies depending on the complexity of the issues involved and the number of witnesses, etc. The hearings of several IDT cases straddled two years, and for one case, three years from 2004-05 to 2006-07.

Note 2: MMT commenced hearing on its first case in September 2007. No expenditure was incurred from 2004-05 to 2006-07.

Note 3: For SFAT, the length of hearing for each application varies depending on the complexity of the case. For some cases, with the consent from the parties concerned, the review may be conducted by the Chairman of SFAT alone. Hence, the overall costs of hearing in SFAT would be reduced.

The financial provision is required mainly for hiring the services of members, verbatim reporters, professional witnesses, ordinary witnesses and external counsel for the hearings of these tribunals. The costs of hearings differ from case to case depending on the complexity of the case and the time required for completing the hearings. For the past three years, the fees to external counsel accounted for the major share of the actual expenditure.

Signature	_____
Name in block letters	<u>Kevin Ho</u>
Post Title	<u>Permanent Secretary for Financial Services and the Treasury (Financial Services)</u>
Date	<u>25.3.2008</u>

Examination of Estimates of Expenditure 2008-09
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)015

Question Serial No.

1706

Head : 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title) : 000 Operational
expenses

Programme : Financial Services

Controlling Officer : Permanent Secretary for Financial Services and the Treasury
(Financial Services)

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Please give a breakdown of the estimated expenditure for the cases to be heard by the three tribunals (Insider Dealing Tribunal, Market Misconduct Tribunal, and Securities and Futures Appeals Tribunal) respectively in 2008-09. Please explain in detail if the numbers of cases to be heard are estimated to be smaller than those of 2007-08 while the expenditure is estimated to be higher than that of 2007-08.

Asked by : Hon. TO Kun-sun, James

Reply :

A breakdown on the estimated caseload and expenditure for 2008-09 for Insider Dealing Tribunal (IDT), Market Misconduct Tribunal (MMT) and Securities and Futures Appeals Tribunal (SFAT) are as follows –

Tribunal	Estimated Caseload	Estimated Expenditure
IDT	2	\$5.60 million
MMT	4	\$11.20 million
SFAT	16	\$1.64 million
Total:		\$18.44 million

In working out the approved estimate for 2007-08, it was estimated that the IDT and MMT would handle 6 cases whereas the SFAT would handle 16 cases. The revised estimate for 2007-08 (\$4 million) is lower than the draft estimate for 2008-09 (\$18.44 million) because the implicated parties of two cases have respectively lodged appeal and taken out judicial review on the nature of IDT and MMT proceedings. Hearings at IDT and MMT have been adjourned in view of possible applications for stay of proceedings in other inquiries. As the hearings did not proceed as scheduled, the costs of hearings were substantially reduced.

In preparing the draft estimate for 2008-09, we assume that 2 IDT cases and 3 MMT cases that were adjourned in 2007 will resume hearing in 2008-09. Coupled with one new MMT case expected to commence in the year, we assume the IDT and MMT will handle 2 and 4 cases respectively in 2008-09. On the basis of past experience and having regard to the complex nature of market misconduct cases, we estimate each case will, on average, cost about \$2.8 million. The total cost of processing 6 cases is estimated to be \$16.8 million. The remaining provision of \$1.64 million is for meeting the costs of handling the estimated 16 cases by SFAT.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	25.3.2008

Signature	_____
Name in block letters	<u>Kevin Ho</u>
Post Title	<u>Permanent Secretary for Financial Services and the Treasury (Financial Services)</u>
Date	<u>20.3.2008</u>

Examination of Estimates of Expenditure 2008-09
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)017

Question Serial No.

1315

Head : 148 – Government Secretariat :
Financial Services and the Treasury
Bureau (Financial Services Branch)

Subhead (No. & title) :

Programme : Financial Services

Controlling Officer : Permanent Secretary for Financial Services and the Treasury
(Financial Services)

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

In view of the fluctuation in the stock market this year, would the Administration implement new initiatives and consider allocating more resources in continuing to enhance the awareness of investor protection?

Asked by : Hon. WONG Ting-kwong

Reply :

The Administration attaches great importance to investor protection and education, which are crucial to maintaining a stable and healthy market. To this end, relevant financial regulators have put in a lot of efforts and resources in promoting the importance of investor protection and education. For example, the Securities and Futures Commission has earmarked HK\$20 million in its budget for investor education work in 2008-09, which would include a revamp of its investor education website and the production of television programmes on investor education, etc.

Signature _____

Name in block letters _____

Kevin Ho

Post Title _____

Permanent Secretary for Financial Services
and the Treasury (Financial Services)

Date _____

25.3.2008

Cooperation and Development Forum, etc. There are also ongoing marketing initiatives and visits to the Mainland to promote Hong Kong's position as an international financial centre and a premier capital formation centre.

We would make use of our existing resources for advancing financial co-operation with the Mainland.

Signature	_____
Name in block letters	Kevin Ho
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	25.3.2008

		<p>required for completing the hearings.</p> <p>The revised estimate for 2007-08 is revised downward to \$4 million because the implicated parties of two cases have respectively lodged appeals and taken out judicial review on the nature of IDT and MMT proceedings. Hearings at IDT and MMT have been adjourned in view of possible applications for stay of proceedings in other inquiries. As the hearings did not proceed as scheduled, the costs of hearings were substantially reduced.</p> <p>In preparing the draft estimate for 2008-09, we assume that 2 IDT cases and 3 MMT cases that were adjourned in 2007 will resume hearing in 2008-09. Coupled with one new MMT case expected to commence in the year, we assume the IDT and MMT will handle 2 and 4 cases respectively in 2008-09. On the basis of past experience and having regard to the complex nature of market misconduct cases, we estimate each case will, on average, cost about \$2.8 million. The total cost of processing 6 cases is estimated to be \$16.8 million. The remaining provision of \$1.64 million is for meeting the costs for handling the estimated 16 cases by SFAT.</p>
	\$1.5 m	For seeking relevant professional legal advice and recommendations on specific areas concerning the review of the Trustee Ordinance.
(ii) Subhead 000 Operational expenses – General departmental expenses	\$2.33 m	The provisions for “write-off” and “refunds of revenue” will be devolved to individual bureaux/departments from 2008-09 onwards.
	\$2.16 m	For recruiting temporary staff to fill vacancies arising from the retirement of some Insurance Officers.
	\$1.98 m	For meeting the increased operating costs of IDT/MMT/SFAT Secretariat and the Money Lenders Registry.

The increase is partly offset by reduced cash flow requirements for non-recurrent items.

Signature _____
Name in block letters Kevin Ho
Permanent Secretary for Financial Services
and the Treasury (Financial Services)
Post Title _____
Date 25.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)020

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

Question Serial No.

0489

Programme: (5) Price/Industry/Service Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the measurement of economic impact of innovation activities in the business sector, how many new statistics items would be compiled? Would any consultancy be commissioned to conduct the feasibility study? What is the expenditure to be incurred for the whole project? How would such new statistics be of use to the measurement?

Asked by: Hon. CHAN Kam-lam

Reply:

After consulting the Innovation and Technology Commission and having completed an internal feasibility study, the Census and Statistics Department has included ten new questions in the 2007 round of the Annual Survey of Innovation Activities in the Business Sector to capture information for compiling more statistics to measure the input and impact of innovation activities carried out by the business sector. These new questions will enable a better understanding of the characteristics and outputs of innovation activities as well as factors facilitating/hampering the undertaking of innovation activities in the business sector. The estimated cost for adding these ten questions to the above survey is around \$0.6 million.

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 19.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)021

Question Serial No.

2169

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

Programme: (5) Price/Industry/Service Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Census and Statistics Department published a suite of statistical indicators in 2007 to help portrait the development of Hong Kong as a knowledge-based economy. Please provide details about the type and the relevant content of these indicators.

Asked by: Hon. CHAN Kam-lam

Reply:

The Census and Statistics Department releases a biennial publication *Hong Kong as a Knowledge-based Economy - A Statistical Perspective*. The publication provides a suite of statistical indicators in the following four dimensions:

- (i) *Information and Communication Technology (ICT)* – indicators reflecting the efficiency and effectiveness of knowledge and information distribution/application in the economy (e.g. personal computer penetration rate, value added of the ICT sector);
- (ii) *Human Resources Development* – indicators reflecting the quantity and quality of individuals equipped for access to and use of knowledge and information for further production/creation/distribution of knowledge and information (e.g. number of graduates from tertiary education);
- (iii) *Innovation System* – indicators reflecting the quantity, quality and rate of knowledge and information production/creation/application (e.g. expenditure on research and development, exports of high technology products); and
- (iv) *Business Environment* – indicators reflecting how conducive the business environment is to the production/creation/distribution/application of knowledge and information (e.g. openness of the economy as measured by the ratio of inward direct investment to the Gross Domestic Product).

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 19.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)023

Head: 26 Census and Statistics Department

Subhead (No. & title):

Question Serial No.

1419

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the studies (including in-house studies or those entrusted to consultants) conducted by the Department for the purposes of formulating and assessing policies, please provide the relevant information in the following format:

(a) Projects that have reserved funds for conducting consultancy studies in 2007-08

Name of Consultant (if any)	Content	Revised Estimate (\$)	Progress of Studies (under planning / in progress / completed)	The follow-ups taken by the Administration on the study reports and their progress (if any)	If completed, have they been released to the public? If yes, through which channels? If no, what are the reasons?

(b) Projects that will reserve funds for conducting consultancy study in 2008-09

Name of Consultant (if any)	Content	Expenditure (\$)	Progress of Studies (under planning / in progress / completed)	Will the studies be released to the public if they are expected to be completed in the 2008-09 financial year? If yes, through which channels? If no, what are the reasons?

Asked by: Hon. EU Yuet-mee, Audrey

Reply:

The Census and Statistics Department did not earmark funds for conducting studies (including in-house studies or those commissioned to consultants) for formulating and assessing government policies in 2007-08. There is also no such plan in 2008-09.

Separately, in order to address data demand from Government policy bureaux and departments to support their policy studies, the Census and Statistics Department conducts a series of Thematic Household Surveys to collect and compile the statistics required. The cost for conducting the surveys will be borne by the relevant bureaux/departments. Subject to data reliability, the survey results are published for public access.

Signature	_____
Name in block letters	<u>FUNG Hing-wang</u>
Post Title	<u>Commissioner for Census and Statistics</u>
Date	<u>19.3.2008</u>

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)024

Question Serial No.

0550

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

Programme: (1) Trade Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The actual financial provision for trade statistics for 2006-07 was some \$117 million, and the original estimate for 2007-08 increase substantially to some \$144 million. The revised estimate for the provision was only some \$119 million, which has made up a difference of about 17.8%. Please advise:

- a) The reason for the almost 20% difference between the original estimate and the revised estimate? What are the details for the usage of the provision?
- b) Given the inaccuracy displayed in the 2007-08 estimates, why would the estimates for 2008-09 take a 2.8% increase based on the estimates for 2007-08? What are the criteria for enhancing the provision? What are the details for the usage of the increased provision?

Asked by: Hon. KWONG Chi-kin

Reply:

- a) The 17.8% difference between the original and revised estimates for 2007-08 is mainly due to deferment of implementation of the initiatives to (i) conduct supplementary surveys to track the latest development in the trade structure of Hong Kong; and (ii) enhance the processing and checking of import/export declarations and cargo manifests from 2007-08 to 2008-09. Deferment of (i) has to be made because many measures were introduced by the Mainland government to upgrade the industrial structure of the Mainland in 2007-08, which have significant impacts on outward processing activities and offshore trade undertaken by Hong Kong traders. Results of such surveys, if conducted in 2007-08, might not be indicative of future trends. As for (ii), the deferment has to be made so that additional information related to the Road Cargo System, which will be launched by the Customs and Excise Department in 2009 to facilitate customs clearance of road cargoes, can be taken into account in the design of the enhancement work.
- b) Among the increased provision of \$29.9 million for 2008-09 as compared with the revised estimate for 2007-08, \$22.9 million is the additional operating expenses for the above initiatives, and the remaining \$7 million is the increased salary provision mainly for filling 17 vacancies.

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 19.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)025

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

Question Serial No.

0756

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide a breakdown of the surveys, by titles, cost and unit cost of each survey unit (household or individual), outsourced to private survey research firms under the Thematic Household Survey series in 2008-09.

Asked by: Hon. SHEK Lai-him, Abraham

Reply:

Details of the various rounds of Thematic Household Survey to be conducted in 2008-09 are given below:

Survey Title	Contract Price (HK\$)	Unit Cost* (HK\$)
1. Thematic Household Survey to cover the topics of pattern of smoking, experience of and aspirations for taking up residence in the Mainland, and application of information technology	1,800,000	180
2. Thematic Household Survey on Health-related Issues of the Hong Kong Residents	2,396,000	239.6

There are three other rounds of Thematic Household Survey in the process of planning and tendering. The topics covered include: public perception of racial tolerance in Hong Kong, long-term care needs and health status of older persons; information technology usage and penetration; and age discrimination in employment, and family-related issues. As tendering for the surveys have either not started or not yet completed, their costs are not yet available.

* Depending on the complexity of the questionnaires, the unit costs for individual rounds of the Thematic Household Survey are different.

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 19.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)026

Question Serial No.

1727

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

Programme: (4) General Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Following the recommendations made in the Information Systems Strategy Study completed in 2004, a number of strategic information technology (IT) projects have been launched by the Department. Please advise:

- (a) How many projects have been launched so far? What is the percentage of these projects among all the recommendations and the expenditure that has been incurred?
- (b) By what time would all IT projects recommended have been completed?
- (c) What projects will be launched in 2008-09 and what is the expenditure to be incurred?

Asked by: Hon. SIN Chung-kai

Reply:

- (a) Of the 16 IT projects recommended in the Information Systems Strategy Study (ISSS) completed in 2004, two projects have been completed and another seven projects launched. The nine projects account for 56% of the total number of projects. The expenditure involved in these nine projects is estimated to be \$63.24 million funded by Office of the Government Chief Information Officer computerisation block vote.
- (b) Upon the completion of these projects, there will be a mid-term review of the ISSS to assess the overall situation and adjust the implementation plan of the remaining seven projects. The completion time for the seven projects will be determined in the mid-term review.
- (c) There is no plan for the Department to launch new IT projects in 2008-09.

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 19.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)027

Question Serial No.

0465

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

Programme: (1) Trade Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

For the increase of almost \$30 million in the estimated expenditure under this Programme of the Department, one of the reasons is for conducting supplementary surveys. Would the Government please provide the breakdown of estimates of expenditure for these surveys and assess the benefit such surveys would bring about for the Government and society?

Asked by: Hon. TAM Heung-man

Reply:

Among the increased provision of \$29.9 million for 2008-09 as compared with the revised estimate for 2007-08, \$18 million is the additional operating expenses for conducting supplementary surveys to track the latest development in the trade structure of Hong Kong.

At present, merchandise trade statistics are compiled based on the international statistical standard of the United Nations, under which merchandise trade statistics are generally customs-based according to the physical movement of goods. In recognition of the growing globalisation trend of the manufacturing and the wholesaling and retailing industries, plan is in hand to compile a supplementary set of trade statistics by using the "change of ownership" principle newly recommended by the International Monetary Fund, through complementing the existing trade statistical system with supplementary surveys. Trade statistics compiled using the "change of ownership" principle will better reflect the genuine international trade flows and bilateral trade balance as well as the genuine global trade relations under globalisation, and thus are essential for tracking the latest development in the trade structure of Hong Kong, trade policy review and bilateral trade studies.

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 19.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)029

Question Serial No.

1469

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

Programme: (6) Labour Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise details of indicators under this programme as follows:

- a. What are the four surveys actually conducted in 2007? What was the manpower involved and the expenditure incurred?
- b. What are the four surveys scheduled for 2008? What is the manpower to be involved and the expenditure to be incurred?

Asked by: Hon. WONG kwok-hing

Reply:

(a) The four surveys conducted in 2007 were :

1. Quarterly Survey of Employment and Vacancies;
2. Quarterly Employment Survey of Construction Sites;
3. Labour Earnings Survey; and
4. Survey of Salaries and Employee Benefits - Managerial and Professional Employees (Excluding Top Management).

The first three surveys were conducted quarterly and the fourth survey annually.

The total manpower involved in conducting these four surveys and compiling related statistics on manpower requirements and training needs was 218 staff in 2007-08; and the total expenditure was \$64.7 million.

(b) The four surveys scheduled for 2008 will be the same as those in 2007. The corresponding manpower and expenditure in 2008-09 will be 199 staff and \$63.3 million respectively.

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 19.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)030

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

Question Serial No.

1324

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Six posts will be deleted in 2008-09. Please advise the details of these posts and their duties.

Asked by: Hon. WONG Ting-kwong

Reply:

The six posts to be deleted in 2008-09 include two Senior Statistical Officer posts and four Statistical Officer I posts. These posts are time-limited posts created for the 2006 Population By-census and are mainly responsible for the data dissemination work of the 2006 Population By-census. Following the completion of the related data dissemination work, these posts will be deleted as planned.

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 19.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)033

Question Serial No.

1327

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

Programme: (5) Price/Industry/Service Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As Hong Kong businessmen experience many difficulties doing business in Mainland China, would the C&SD compile statistics on industry and commerce activities in Mainland China by Hong Kong businessmen to facilitate their obtaining and understanding of more objective information? If not, what is the reason?

Asked by: Hon. WONG Ting-kwong

Reply:

The Census and Statistics Department has been compiling annual statistics on the operating characteristics of Hong Kong traders engaging in manufacturing-related activities in the Mainland of China to facilitate better understanding of their industrial activities in the Mainland. In addition, additional information is collected on specific topics on an ad hoc basis, such as that for the special studies conducted in 2004 to 2006 for assessing the impact of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) on the economic activities of Hong Kong companies.

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 19.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)035

Question Serial No.

1421

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the studies (including in-house studies or those entrusted to consultants) conducted by the Department for the purposes of formulating and assessing policies, please provide the relevant information in the following format:

(a) For the projects that have reserved funds for conducting consultancy studies in 2007-08:

Name of Consultant (if any)	Content	Revised Estimate (\$)	Progress of Studies (under planning / in progress / completed)	The follow-ups taken by the Administration on the study reports and their progress (if any)	If completed, have they been released to the public? If yes, through which channels? If no, what are the reasons?

(b) For the projects that will reserve funds for conducting consultancy study in 2008-09:

Name of Consultant (if any)	Content	Expenditure (\$)	Progress of Studies (under planning / in progress / completed)	Will the studies be released to the public if they are expected to be completed in the 2008-09 financial year? If yes, through which channels? If no, what are the reasons?

Asked by: Hon. EU Yuet-mee, Audrey

Reply:

No consultancy study chargeable to the Official Receiver's Office's head of expenditure was conducted in 2007-08 and no such studies are anticipated in 2008-09.

Signature _____

Name in block letters E T O'Connell

Post Title Official Receiver

Date 26.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)036

Question Serial No.

2307

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

On "exploring the long-term information technology strategy", please advise that:

- (a) How is the effectiveness of the project in 2007-08? What is the working schedule for 2008-09? What is the progress of the existing work? What are the manpower and expenditure involved?
- (b) The Office mentioned in 2007-08 that "an in-depth study would be conducted in 2007-08 to consider the strategy and feasibility of implementing the recommendations of the business process re-engineering report, including using IT in supporting the various kinds of business of the Official Receiver's Office". What are the details of the existing work? What are the working schedule and expenditure involved?
- (c) What are this year's new targets in setting the information technology strategy? What is the expenditure involved?

Asked by: Hon. SIN Chung-kai

Reply:

(a) and (b)

During 2007-2008, a contractor was engaged to explore the long-term information technology strategy and the feasibility of implementing the recommendations of the business process re-engineering as put forward by the Efficiency Unit. The study aimed to further explore the best use of information technology (IT) in supporting the business requirements of Official Receiver's Office (ORO) and overall effectiveness of developing a new system to integrate case finance and accounting information with case management information.

During the study, the contractor would (i) explore ORO's business improvement opportunities and identify improvement areas; (ii) review the strength and weaknesses of the existing computer systems; (iii) identify the existing and anticipated problems of the current systems; (iv) analyze, assess and recommend the direction of IT applications for supporting ORO's business objectives; (v) propose and design a new system to meet ORO's evolving business requirements; and (vi) quantify the requirements, costs, benefits and other implications of the proposed new system. It was estimated that around 240 man-days of staff effort of various ranks in ORO would be involved in this study.

The study commenced in February 2008 and is expected to complete by end 2008. The expenditure for the provision of the required consulting services for the study would be around \$4.28 million.

(c)

After conclusion of the review, the ORO would consider setting down new IT targets for the future.

Signature _____

Name in block letters _____ E T O'Connell _____

Post Title _____ Official Receiver _____

Date _____ 26.3.2008 _____

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)037

Question Serial No.

2166

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The provision for 2008-09 is 16.7% higher than the revised estimate for 2007-08, and by far higher than the actual expenditure for 2006-07. Please explain in details.

Asked by: Hon. TIEN Pei-chun, James

Reply:

The provision for 2008-09 is \$19.2 million (16.7%) higher than the revised estimate for 2007-08. This is mainly due to (a) anticipated growing number of bills from liquidators for contracting out cases brought forward from previous years where the relevant liquidators have yet to submit their bills for payment and (b) filling of vacancies and salary increments for staff.

The provision for 2008-09 is \$26.9 million (25%) higher than the actual expenditure for 2006-07. Apart from the reasons given in (a) and (b) above, the increase is also to reflect the impact of the 2007 civil service pay rise and new starting salaries, as well as increased cash flow requirement for non-recurrent items.

Signature _____

Name in block letters _____ E T O'Connell

Post Title _____ Official Receiver

Date _____ 26.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)038

Question Serial No.

2329

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Between 2005 and 2007, what is the number of bankruptcy cases in each year where applications were made to the court for objecting the discharge of bankrupts with bankruptcy period nearly expired on the grounds of their unsatisfactory performance? Among them, what are the respective number of cases in which the Official Receiver or private practitioners were appointed as the trustee? How much expenditure was involved in each year?

Asked by: Hon. TO Kun-sun, James

Reply:

The Official Receiver as trustee made 175 objection applications to the court in 2005, 217 in 2006 and 183 in 2007. As for private sector insolvency practitioners ("PIPs") taking up the role of trustee, they are not legally required to notify the Official Receiver when they make objection applications. Hence, we do not have such information.

However, they will inform the Official Receiver when an order for suspension is granted in order that the Official Receiver's Office can update its register for search service. According to our records, the number of the suspension orders granted by the court in the years 2005, 2006 and 2007 was 54, 291 and 301 respectively, out of which 1, 25 and 86 respectively were obtained by the PIPs.

The court fee for filing an objection application in the court is \$528 and is paid out of the bankruptcy estate. We do not know the expenditure involved in each year.

Signature _____

Name in block letters E T O'Connell

Post Title Official Receiver

Date 26.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)039

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

Question Serial No.

2566

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Between 2005 and 2007, how many complaints against practitioners in the private sector did the Official Receiver's Office receive in each year? Please provide a breakdown by type of complainants, i.e. creditor and bankrupt.

Asked by: Hon. TO Kun-sun, James

Reply:

The Official Receiver received 11 complaints against the private sector insolvency practitioners in 2005, 6 in 2006 and 10 in 2007. A breakdown by the type of the complainants is attached below:

Nature of cases	Type of Complainant	2005	2006	2007
Liquidation	Creditors	4	1	2
	Others	4	3	1
Bankruptcy	Creditors	0	1	0
	Bankrupts	2	1	6
	Others	1	0	1
	Total	11	6	10

Signature _____

Name in block letters E T O'Connell

Post Title Official Receiver

Date 26.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)040

Question Serial No.

2567

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Between 2005 and 2007, did the Official Receiver's Office disqualify any practitioners in the private sector from handling outsourced liquidation cases? If yes, please provide a breakdown by reason of disqualification.

Asked by: Hon. TO Kun-sun, James

Reply:

During 2005-2007, the ORO has made two applications to the court, both in 2006, to remove the relevant private sector insolvency practitioners ("PIPs"). One involved two PIPs under the tender scheme for appointment of provisional liquidators for summary liquidation cases and one involved a PIP for non-summary liquidation case who was nominated by the creditors and appointed by the court. The former was removed due to substandard performance and personal misconduct and the latter was due to substandard performance.

Signature _____

Name in block letters _____ E T O'Connell

Post Title _____ Official Receiver

Date _____ 26.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)042

Question Serial No.

2569

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In 2007-08, the Official Receiver's Office (ORO) originally estimated to use \$19,880,000 for "Hire of services and professional fees". However, the revised estimate shows that the expenditure for that year only amounted to around \$6,746,000. Please advise that:

- (a) Why the expenditure for that item was by far less than the original estimate?
- (b) Basing on what factors does the ORO estimate the expenditure for that item in the coming year will be \$24,243,000, which is 21.9% higher than the original estimate for 2007-08?

Asked by: Hon. TO Kun-sun, James

Reply:

- (a) The revised estimate of expenditure for "Hire of services and professional fees" in 2007-08 is lower than the original estimate mainly because the progress of liquidation procedures of the summary cases has been slower than expected, due to uncontrollable factors such as the time required for the proceedings and the procedures for obtaining the required orders from the courts, and some liquidators were slow in making applications for payment of small tender amount.
- (b) The increase in the ORO's expenditure estimates for "Hire of services and professional fees" is mainly due to the anticipated increase in payments to the liquidators for contracting out new summary winding-up cases and on-going cases brought forward from previous years where the relevant liquidators have yet to submit their bills for payment.

Signature _____

Name in block letters _____ E T O'Connell

Post Title _____ Official Receiver

Date _____ 26.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)043

Question Serial No.

2591

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Between 2005 and 2007, among the cases where applications were made to the court for objecting the discharge of bankrupts with bankruptcy period nearly expired on the grounds of their unsatisfactory performance, what are the respective number of cases where applications were made to the court to suspend the discharge of bankruptcy due to the following grounds? Please provide a breakdown according to the person acted as trustee, i.e. the Official Receiver's Office or practitioners in the private sector.

- (a) that the bankrupt is likely within 5 years of the commencement of the bankruptcy to be able to make a significant contribution to his estate (i.e. paragraph (a) of subsection (4) of section 30A of the Bankruptcy Ordinance (BO) ;
- (b) that the discharge of the bankrupt would prejudice the administration of his estate (i.e. paragraph (b) of subsection (4) of section 30A of the BO) ;
- (c) that the bankrupt has failed to co-operate in the administration of his estate (i.e. paragraph (c) of subsection (4) of section 30A of the BO);
- (d) that the conduct of the bankrupt, either in respect of the period before or the period after the commencement of the bankruptcy, has been unsatisfactory (i.e. paragraph (d) of subsection (4) of section 30A of the BO);
- (e) that the bankrupt has departed from Hong Kong and has failed forthwith to return to Hong Kong following a request to do so from the Official Receiver or the trustee (i.e. paragraph (e) of subsection (4) of section 30A of the BO);
- (f) that the bankrupt has continued to trade after knowing himself to be insolvent (i.e. paragraph (f) of subsection (4) of section 30A of the BO);
- (g) that the bankrupt has committed other relevant offences (i.e. paragraph (g) of subsection (4) of section 30A of the BO);
- (h) that the bankrupt has failed to prepare an annual report of his earnings and acquisitions for the trustee (i.e. paragraph (h) of subsection (4) of section 30A of the BO).

Asked by: Hon. TO Kun-sun, James

Reply:

The Official Receiver as trustee made 175 applications in 2005, 217 applications in 2006 and 183 applications in 2007 to the court for objecting the discharge of bankrupts on either single or multiple grounds based on the various provisions in section 30A of the Bankruptcy Ordinance as highlighted in parts (a) to (h) of the Question.

A breakdown of the grounds used in the Official Receiver's applications with reference to parts (a) to (h) of the Question is appended below:

Year	Total number of applications*	The grounds given for individual applications								Total*
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
2005	175	2	9	154	53	0	0	2	66	286
2006	217	7	6	189	121	0	0	0	92	415
2007	183	0	3	179	94	0	0	1	80	357

*The sum of the grounds given for applications is larger than the number of applications. This is because more than one reason are given for some applications.

The objection to the discharge of bankrupts is made through court procedures. The Official Receiver does not have statistics of the grounds used by the private sector insolvency practitioners ("PIPs") as they are not legally required to notify the Official Receiver when they make such applications to the court. They will inform the Official Receiver when an order for suspension is granted so that the Officer Receiver's Office can update its register for search service. According to the record of the Official Receiver, the numbers of suspension orders granted by the court in respect of the applications made by the PIPs in the years 2005, 2006 and 2007 were 1, 25 and 86 respectively.

Signature _____
 Name in block letters E T O'Connell
 Post Title Official Receiver
 Date 26.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)044

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

Question Serial No.

2592

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

At present, what is the average handling cost of bankruptcy cases where the Official Receiver's Office is appointed as the trustee? What is the average handling cost of bankruptcy cases outsourced to practitioners in the private sector?

Asked by: Hon. TO Kun-sun, James

Reply:

The costs of handling bankruptcy cases in the Official Receiver's Office may vary significantly for different kinds of cases depending on the complexity of individual cases. Relevant factors may include realization of assets, distribution of dividends to creditors and whether special legal input or investigation is required, etc. As such, the Official Receiver's Office has not worked out an average cost of handling bankruptcy cases where the Official Receiver is appointed as the trustee.

The pilot scheme to outsource summary bankruptcy cases to practitioners in the private sector under section 12(1A) of the Bankruptcy Ordinance will commence in May 2008. As the outsourcing exercise is currently under tender evaluation, the Official Receiver does not have information on the average handling cost at this stage.

Signature _____

Name in block letters E T O'Connell

Post Title Official Receiver

Date 26.3.2008

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

FSTB(FS)045

Question Serial No.

1296

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

(a) Regarding the following work, what are the respective estimated number of cases to be outsourced to practitioners in the private sector in 2008-09?

- summary and non-remunerative liquidation cases
- non-summary liquidation cases
- preliminary examination of bankrupts
- debtor-petition summary bankruptcy cases

(b) How much manpower and expenditure can be saved in the long run?

Asked by: Hon. WONG Ting-kwong

Reply:

(a) The estimated numbers of cases to be administered by the private sector insolvency practitioners in 2008 -09 are as follows:

- i. summary and non-remunerative liquidation cases – 510
- ii. non-summary liquidation cases – 11

(It should be noted that the appointment of private sector insolvency practitioners as liquidators for non-summary liquidation cases is not outsourced by the Official Receiver, but is determined by the creditors at the meetings of creditors and by the court. If no nomination is submitted by the creditors, the Official Receiver's Office would shortlist a firm from the roster managed by the Administrative Panel of Insolvency Practitioners for Court Winding-up to the creditors for consideration. It is estimated that the number of liquidators for non-summary cases to be appointed under this arrangement in 2008-09 will be 11.)

- iii. preliminary examination of bankrupts – 9 060
- iv. debtor-petition summary bankruptcy cases under a pilot scheme – 1 500

(b) The amount of work and time involved in handling summary and non-summary liquidation cases and debtor-petition summary bankruptcy cases may vary significantly depending on the complexity of individual cases and the procedural requirements for those cases. It is very difficult for us to estimate

the cost to the Government if these cases were administered by the Official Receiver's Office. We therefore cannot give an estimate of the savings in manpower and expenditure although we believe that there should be savings in the long run.

As for the outsourcing of preliminary examination of bankrupts, because the work and the time involved in each case are rather similar, we are able and have worked out the average time savings per case to be about 1.5 man hours. It is estimated that the total amount of time saved in 2008-09 will be about 13 590 man hours.

Signature _____

Name in block letters ET O'Connell

Post Title Official Receiver

Date 26.3.2008