

**Replies to initial written questions raised by Finance Committee Members in
examining the Estimates of Expenditure 2010-11**

**Director of Bureau : Secretary for Financial Services and the Treasury
Session No. : 3**

| Reply Serial No. | Question Serial No. | Name of Member | Head | Programme |
|-----------------------------|----------------------------|----------------------------|-------------|--------------------|
| FSTB(FS)001 | 0730 | CHAN Kam-lam | 148 | Financial Services |
| FSTB(FS)002 | 0833 | CHAN Kam-lam | 148 | Financial Services |
| FSTB(FS)003 | 0834 | CHAN Kam-lam | 148 | Financial Services |
| FSTB(FS)004 | 0835 | CHAN Kam-lam | 148 | Financial Services |
| FSTB(FS)005 | 0836 | CHAN Kam-lam | 148 | Financial Services |
| FSTB(FS)006 | 1159 | CHAN Kam-lam | 148 | Financial Services |
| FSTB(FS)007 | 1160 | CHAN Kam-lam | 148 | Financial Services |
| FSTB(FS)008 | 2945 | CHAN Kam-lam | 148 | Financial Services |
| FSTB(FS)009 | 2946 | CHAN Kam-lam | 148 | Financial Services |
| FSTB(FS)010 | 2947 | CHAN Kam-lam | 148 | Financial Services |
| FSTB(FS)011 | 3072 | CHAN Kam-lam | 148 | Financial Services |
| FSTB(FS)012 | 0681 | CHAN Kin-por | 148 | Financial Services |
| FSTB(FS)013 | 0682 | CHAN Kin-por | 148 | Financial Services |
| FSTB(FS)014 | 2411 | EU Yuet-mee, Audrey | 148 | Financial Services |
| FSTB(FS)015 | 2412 | EU Yuet-mee, Audrey | 148 | Financial Services |
| FSTB(FS)016 | 1106 | FANG Kang, Vincent | 148 | Financial Services |
| FSTB(FS)017 | 1107 | FANG Kang, Vincent | 148 | Financial Services |
| FSTB(FS)018 | 0011 | FUNG Kin-kee, Frederick | 148 | Financial Services |
| FSTB(FS)019 | 0012 | FUNG Kin-kee, Frederick | 148 | Financial Services |
| FSTB(FS)020 | 0013 | FUNG Kin-kee, Frederick | 148 | Financial Services |
| FSTB(FS)021 | 0084 | FUNG Kin-kee, Frederick | 148 | Financial Services |
| FSTB(FS)022 | 1215 | FUNG Kin-kee, Frederick | 148 | Financial Services |
| FSTB(FS)023 | 3140 | FUNG Kin-kee, Frederick | 148 | Financial Services |
| FSTB(FS)024 | 0519 | HO Chun-yan, Albert | 148 | Financial Services |
| FSTB(FS)025 | 1922 | HO Chun-yan, Albert | 148 | Financial Services |
| FSTB(FS)026 | 0350 | HO Chung-tai, Raymond | 148 | Financial Services |
| FSTB(FS)027 | 1973 | HO Sau-lan, Cyd | 148 | Financial Services |
| FSTB(FS)028 | 1406 | IP LAU Suk-ye, Regina | 148 | Financial Services |
| FSTB(FS)029 | 2584 | IP Wai-ming | 148 | Financial Services |
| FSTB(FS)030 | 0673 | LAM Tai-fai | 148 | Financial Services |
| FSTB(FS)031 | 0674 | LAM Tai-fai | 148 | Financial Services |
| FSTB(FS)032 | 0435 | LEE Wai-king, Starry | 148 | Financial Services |
| FSTB(FS)033 | 0502 | LEUNG Kwan-yuen, Andrew | 148 | Financial Services |
| FSTB(FS)034 | 2047 | WONG Sing-chi | 148 | Financial Services |
| FSTB(FS)035 | 1640 | WONG Ting-kwong | 148 | Financial Services |
| FSTB(FS)036 | 1641 | WONG Ting-kwong | 148 | Financial Services |
| FSTB(FS)037 | 1642 | WONG Ting-kwong | 148 | Financial Services |

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|-----------------------------|------|-----------------------|-----|---------------------------------------|
| FSTB(FS)038 | 1643 | WONG Ting-kwong | 148 | Financial Services |
| FSTB(FS)039 | 1644 | WONG Ting-kwong | 148 | Financial Services |
| FSTB(FS)040 | 1685 | WONG Ting-kwong | 148 | Financial Services |
| FSTB(FS)041 | 1686 | WONG Ting-kwong | 148 | Financial Services |
| FSTB(FS)042 | 1687 | WONG Ting-kwong | 148 | Financial Services |
| FSTB(FS)043 | 3188 | HO Chun-yan, Albert | G01 | -- |
| FSTB(FS)044 | 2142 | CHEUNG Kwok-che | 26 | (2) Social Statistics |
| FSTB(FS)045 | 2413 | EU Yuet-mee, Audrey | 26 | -- |
| FSTB(FS)046 | 2414 | EU Yuet-mee, Audrey | 26 | -- |
| FSTB(FS)047 | 0233 | IP Wai-ming | 26 | (5) Price/Industry/Service Statistics |
| FSTB(FS)048 | 1147 | LAM Tai-fai | 26 | (5) Price/Industry/Service Statistics |
| FSTB(FS)049 | 0646 | SHEK Lai-him, Abraham | 26 | (2) Social Statistics |
| FSTB(FS)050 | 0176 | WONG Kwok-hing | 26 | -- |
| FSTB(FS)051 | 1327 | WONG Kwok-hing | 26 | -- |
| FSTB(FS)052 | 1328 | WONG Kwok-hing | 26 | -- |
| FSTB(FS)053 | 1329 | WONG Kwok-hing | 26 | -- |
| FSTB(FS)054 | 1646 | WONG Ting-kwong | 26 | (2) Social Statistics |
| FSTB(FS)055 | 2943 | CHAN Kam-lam | 116 | Official Receiver's Office |
| FSTB(FS)056 | 2944 | CHAN Kam-lam | 116 | Official Receiver's Office |
| FSTB(FS)057 | 2415 | EU Yuet-mee, Audrey | 116 | Official Receiver's Office |
| FSTB(FS)058 | 2416 | EU Yuet-mee, Audrey | 116 | Official Receiver's Office |
| FSTB(FS)059 | 0153 | IP LAU Suk-ye, Regina | 116 | Official Receiver's Office |
| FSTB(FS)060 | 2585 | IP Wai-ming | 116 | Official Receiver's Office |
| FSTB(FS)061 | 2304 | WONG Kwok-kin | 116 | Official Receiver's Office |
| FSTB(FS)062 | 1645 | WONG Ting-kwong | 116 | Official Receiver's Office |

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)001

Question Serial No.

0730

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 provision of \$25.85 million has been earmarked for hire of services and professional fees for 2010-11, representing an increase of 125% over the revised estimate for 2009-10. What professional services are covered by such fees? What are the reasons for the increase? Please provide details of the provision.

Asked by : Hon. CHAN Kam-lam

Reply :

In the estimates of \$25.85 million for 2010-11, a provision of \$11.54 million is earmarked for hiring the services of members, verbatim reporters, professional witnesses, ordinary witnesses and external counsel for hearings before the Market Misconduct Tribunal (MMT) and the Securities and Futures Appeals Tribunal (SFAT). The provision is \$7.73 million higher than the revised estimate for 2009-10 (\$3.81 million) for the following reasons -

- (a) for the MMT, the revised estimate in 2009-10 is less than the approved estimate. This is because in 2009-10, the MMT only conducted hearing and submitted report on one case which was commenced in 2008-09. While we estimated that there would be two new cases in the year, the MMT received only one new case as at February 2010. Since it takes time to prepare a case for hearing, we anticipate that the substantive hearing of the new case will commence in 2010-11. As such, the estimated hearing expenses in 2009-10 will be lower. In preparing the estimates for 2010-11, it is, however, necessary to include sufficient provision to pay for services (such as real-time verbatim reporting and expert witnesses) when needs arise in the four cases expected to be heard in 2010-11; and
- (b) for the SFAT, although the projected caseload for 2009-10 is similar to that of the original estimate, the hearing expenses in 2009-10 are lower than budgeted because some cases handled in the year were withdrawn by the applicants, or heard by the Chairman of SFAT as a sole member with the consent of the applicants, and some did not make use of all the budgeted services (such as real-time verbatim reporting and interpretation services). In preparing the 2010-11 estimates, we anticipate that there will be 16 cases, among which half of them (i.e. eight cases) will still be heard by the Chairman of SFAT with two members, and have therefore made sufficient provision for this and other expenses.

The remaining provision of \$14.31 million is earmarked for other professional services, which include hiring of information technology and research services and provision of various data lines services, etc. The provision is \$6.64 million higher than the revised estimates for 2009-10 (about \$7.67 million) mainly for meeting the operating expenses of the newly formed Research Office of the Financial Services Branch.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

(b) Strengthening financial co-operation with the Mainland through Closer Economic Partnership Agreement (“CEPA”)

Two CEPA VI liberalisation policies, namely joint venture securities investment advisory companies (“JV firms”) and the establishment of “cross-location” sub-branches for Hong Kong banks in Guangdong, have both taken effect. As at January 2010, four Hong Kong banks (The Hong Kong and Shanghai Banking Corporation, Hang Seng Bank, Bank of East Asia and Wing Hang Bank) have been granted approval from the Guangdong bureau of China Banking Regulatory Commission to set up five branches in Guangdong. As regards “JV firms”, the China Securities Regulatory Commission has promulgated the operational details on 5 January 2010. Also, the Mainland is studying the initiative regarding the listing of exchange traded funds (“ETF”) on Hong Kong stocks in Shanghai and Shenzhen markets. We will continue to follow up the implementation of relevant measures, and are engaging in the discussions on CEPA VII, and with a view to developing more "early and pilot implementation" measures in Guangdong.

(c) Attracting Mainland enterprises to raise fund in Hong Kong

At end 2009, 524 Mainland enterprises were listed in Hong Kong representing about 40% of the total number of listed companies in Hong Kong. Between 1993 and 2009, Mainland enterprises together raised a total of HK\$ 2,498.9 billion through Hong Kong. We will continue to attract Mainland enterprises, especially private-owned enterprises, to list in Hong Kong.

(d) Enhancing financial co-operation with Guangdong and Shanghai

In August 2009, Hong Kong and Guangdong signed the “Co-operation Agreement of the Expert Group on Hong Kong/Guangdong Financial Co-operation” during the 12th Plenary of the Hong Kong/Guangdong Co-operation Joint Conference in Hong Kong, to officially set up the Expert Group on Hong Kong/Guangdong Financial Co-operation. The governments and financial regulators of both sides will take forward work plans through the Expert Group and relevant platforms. Major tasks in the coming year include: exploring bank financing and issuance of RMB bonds in Hong Kong by Guangdong enterprises through “early and pilot implementation”; advancing cross-border trade settlement pilot scheme; and encouraging more Guangdong enterprises to list in Hong Kong. As regards co-operation with Shanghai, Hong Kong and Shanghai will enhance co-operation in the development of securities and bond markets, encouraging mutual establishment of financial institutions, and training and exchange of financial talents based on the Memorandum of Understanding Concerning Advancing Hong Kong-Shanghai Financial Co-operation signed on 19 January 2010.

FSB and relevant financial regulators are jointly taking forward the above-mentioned initiatives. FSB will create one non-directorate post (Administrative Officer) for 2010-11 to further strengthen financial co-operation with the Mainland.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

Also, the Government has continued to lead financial services delegations to the Mainland and other markets to promote Hong Kong's financial services and its advantages as a major asset management centre in Asia. As the Government department in charge of inward investment promotion, InvestHK also proactively conducts visits to targeted fund and wealth management firms located overseas and in the Mainland to promote Hong Kong as an ideal destination for asset management business.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)005

Question Serial No.

0836

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 are the activities covered by “educational campaign on insurance policy replacement”? Please list the funded activities and the actual expenditure for 2009-10. Also please provide the details of the provisions for 2010-11.

Asked by : Hon. CHAN Kam-lam

Reply :

The resources allocated for "educational campaign on insurance policy replacement" item are for printing an educational leaflet to provide guidance to the public when they consider replacement of insurance policies. About \$160,000 would be used for printing such leaflets in 2009-10, and \$100,000 is reserved for printing additional copies where needed in 2010-11.

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| Signature | |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
 INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)006

Question Serial No.

1159

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

What are the estimated expenditures in 2010-11 for cases heard by the Insider Dealing Tribunal, Market Misconduct Tribunal and Securities and Futures Appeals Tribunal respectively? How do they compare with the expenditures in the preceding year (2009-10)? Please provide a breakdown of figures together with explanations.

Asked by : Hon. CHAN Kam-lam

Reply :

In the 2010-11 estimate, a provision of \$11.54 million (M) has been reserved for hiring the services of external counsel, verbatim reporters and interpreters, and paying fees to members, professional witnesses and ordinary witnesses for hearings before the Market Misconduct Tribunal (MMT) and the Securities and Futures Appeals Tribunal (SFAT). The provision is \$7.73M higher than the revised estimate for 2009-10 (\$3.81M). The revised estimate for 2009-10 and the provision for 2010-11 for the Insider Dealing Tribunal (IDT), the MMT and the SFAT, and their respective caseloads are set out below –

| Tribunal | 2009-10 | | 2010-11 | |
|--------------|-------------------|------------------|----------------------|-----------------|
| | Caseload | Revised estimate | Anticipated caseload | Estimate |
| IDT/MMT | 4 ^{Note} | \$3.06M | 4 ^{Note} | \$10.29M |
| SFAT | 18 | \$0.75M | 16 | \$1.25M |
| Total | - | \$3.81M | - | \$11.54M |

Note: Including one case received by MMT in February 2010, which substantive hearing is expected to be conducted in 2010-11.

The reasons for the increase or decrease in the provision sought for 2010-11, compared to the revised estimate for 2009-10, are set out below –

- (a) For the IDT, its functions have been taken over by the MMT which will handle insider dealing and five other types of market misconduct cases taking place on or after 1 April 2003. In 2009-10, the IDT completed the reports on two remaining cases and hearings on penalty and consequential orders (the major part of the hearings was conducted in 2008-09). This being the case, the hearing expenses in 2009-10 are less than the original estimate. Since we anticipate that no new cases which took

place before 1 April 2003 will be referred to the IDT, we have made no provision for the IDT in 2010-11.

- (b) For the MMT, the revised estimate in 2009-10 is less than the approved estimate. This is because in 2009-10, the MMT only conducted hearing and submitted report on one case which was commenced in 2008-09. While we estimated that there would be two new cases in the year, the MMT received only one new case in February 2010. Since it takes time to prepare a case for hearing, we anticipate that the substantive hearing of the new case will commence in 2010-11. As such, the estimated hearing expenses in 2009-10 will be lower. In preparing the estimates for 2010-11, it is, however, necessary to include sufficient provision to pay for services (such as real-time verbatim reporting and expert witnesses) when needs arise in the four cases expected to be heard in 2010-11 (including the case received in February 2010).
- (c) For the SFAT, although the projected caseload for 2009-10 is similar to that of the original estimate, the hearing expenses in 2009-10 are lower than budgeted because some cases handled in the year were withdrawn by the applicants, or heard by the Chairman of SFAT as a sole member with the consent of the applicants, and some did not make use of all the budgeted services (such as real-time verbatim reporting and interpretation services). In preparing the 2010-11 estimates, we anticipate that there will be 16 cases, among which half of them (i.e. eight cases) will still be heard by the Chairman of SFAT with two members, and have therefore made sufficient provision for this and other expenses.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)007

Question Serial No.

1160

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 will increase five civil service posts in 2010-11. Please provide the ranks, duties and total annual salaries of these posts.

Asked by : Hon. CHAN Kam-lam

Reply :

The total annual salaries of the five posts to be created in 2010-11 are \$3.67 million. The ranks and duties of these posts are as follows:

| Rank | Number | Duties |
|--------------------------|--------|---|
| Senior Economist | 1 | } To conduct research projects for assisting the Secretary for Financial Services and the Treasury to assess the changing local and overseas financial markets and in policy formulation and decision-making with relevant reference. |
| Economist | 1 | |
| Administrative Officer | 1 | To provide support for the rewrite of the Companies Ordinance. |
| Administrative Officer | 1 | To provide support for advancing financial co-operation with the Mainland. |
| Senior Executive Officer | 1 | To assist in the management of the Government Bond Programme. |

Signature

Name in block letters

Miss AU King-chi

Post Title

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

Date

17.3.2010

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)010

Question Serial No.

2947

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 for meeting the expenses on the hearing of tribunal cases on market misconduct and securities and futures appeals in 2010-11. What are the professional services covered by these expenses? How much is the actual amount of the increased provision? Please provide the details of the provision.

Asked by : Hon. CHAN Kam-lam

Reply :

In the 2010-11 estimate, a provision of \$11.54 million (M) has been reserved under “Hire of services and professional fees” for hiring the services of external counsel, verbatim reporters and interpreters, and paying fees to members, professional witnesses and ordinary witnesses for hearings before the Market Misconduct Tribunal (MMT) and the Securities and Futures Appeals Tribunal (SFAT). The provision is \$7.73M higher than the revised estimate for 2009-10 (\$3.81M). The revised estimate for 2009-10 and the provision for 2010-11 for the Insider Dealing Tribunal (IDT), the MMT and the SFAT, and their respective caseloads are set out below –

| Tribunal | 2009-10 | | 2010-11 | |
|--------------|---------------------|------------------|-----------------------|-----------------|
| | Caseload | Revised estimate | Anticipated caseload | Estimate |
| IDT/MMT | 4 ^{Note 1} | \$3.06M | 4 ^{Note 1,2} | \$10.29M |
| SFAT | 18 | \$0.75M | 16 | \$1.25M |
| Total | - | \$3.81M | - | \$11.54M |

Note: (1) Including one case received by MMT in February 2010, which substantive hearing is expected to be conducted in 2010-11.

(2) The function of the IDT has been taken over by the MMT which will handle insider dealing and five other types of market misconduct cases taking place on or after 1 April 2003. We anticipate that no new cases which took place before 1 April 2003 will be referred to the IDT in 2010-11.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
 INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)014

Question Serial No.

2411

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

Please provide details of the consultations on policy making and assessment under all programmes in the following format. Using the table below, please provide information on the consultations for which funds had been allocated in 2009-10:

| Name/subject of consultation | Revised estimate (\$) | Progress of consultation (under planning/ in progress/ completed) | Mode of consultation (e.g. by means of written submissions, consultation sessions, focus groups), number of consultation exercises, name of organisations and number of people consulted/to be consulted | The Administration's follow-up actions on the consultation results and the progress made (if applicable) | For consultations already completed, were the results publicised? If so, what were the channels? If not, why not? |
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Asked by: Hon. EU Yuet-mee, Audrey

Reply:

| Name/subject of consultation | Revised estimate (\$) | Progress of consultation (under planning/ in progress/ completed) | Mode of consultation (e.g. by means of written submissions, consultation sessions, focus groups), number of consultation exercises, name of organisations and number of people consulted/to be consulted | The Administration's follow-up actions on the consultation results and the progress made (if applicable) | For consultations already completed, were the results publicised? If so, what were the channels? If not, why not? |
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| Review of Corporate Rescue Procedure | \$104,000 | Completed | We conducted consultation by way of sending consultation | The consultation period ended in January 2010 and | The consultation conclusions will be uploaded onto |

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| Legislative Proposals | | | <p>papers to relevant stakeholders, uploading the consultation paper onto the websites of the Financial Services Branch and Official Receiver's Office, distributing the consultation paper via Home Affairs Department's Public Enquiry Service Centres, organising public consultation forum and attending seminars/meetings arranged by relevant organisations, etc. Over 700 participants attended these forum, seminars or meetings.</p> <p>We received a total of 58 submissions.</p> | <p>we are now carefully studying the feedback received during the consultation. We aim at issuing the consultation conclusions by mid-2010.</p> | <p>the website of Financial Services Branch for public information. We will also inform those individuals and organisations that have made written submissions.</p> |
| Draft Companies Bill – First Phase Consultation | \$448,000 | Completed | <p>We conducted consultation by way of sending consultation papers to relevant stakeholders, uploading the consultation paper onto the websites of the Financial Services Branch and Companies Registry, distributing the consultation paper and publicity leaflet via Home Affairs Department's Public Enquiry Service Centres, organising public consultation forum and attending seminars/meetings arranged by relevant organisations, etc. About 650 participants attended these forum, seminars or meetings.</p> <p>Up till the present moment, we have received over 25 submissions.</p> | <p>Consultation period ended on 16 March 2010. After carefully studied the feedback received during the consultation, we expect to issue the consultation conclusions by mid-2010.</p> | <p>The consultation conclusions will be uploaded onto the website of Financial Services Branch for public information. We will also inform those individuals and organisations that have made written submissions.</p> |

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| Review of the Trustee Ordinance and Related Matters | \$87,000 | Completed | <p>We conducted consultation by way of sending consultation papers to relevant stakeholders, uploading the consultation paper onto the websites of the Financial Services Branch, distributing the consultation paper via Home Affairs Department's Public Enquiry Service Centres, organising public consultation forum and attending seminars/meetings arranged by relevant organisations, etc. About 450 participants attended these forum, seminars or meetings.</p> <p>We received 36 submissions.</p> | <p>The consultation conclusions were issued on 22 February 2010. We aim to introduce legislative amendments into the Legislative Council in the 2010-11 legislative year.</p> | <p>The consultation conclusions were uploaded onto the website of Financial Services Branch for public information. We also informed those individuals and organisations that have made written submissions. .</p> |
| <p>Public Consultation on the Conceptual Framework of Legislative Proposal to Enhance the Anti-Money Laundering Regulatory Regime in respect of the Financial Sectors</p> <p>(9 July to 8 October 2009)</p> | \$57,600 | Completed | <p>We conducted consultation by way of sending consultation documents to relevant stakeholders, uploading the consultation documents onto the FSB's website, and organising 7 industry-specific consultative sessions for the banking, securities, insurance sectors and remittance agents and money changers, which were attended by over 800 participants.</p> <p>We received 39 written submissions.</p> | <p>After the conclusion of the consultation on the conceptual framework of the proposed legislation, the Administration has drafted the detailed legislative proposals for second-round public consultation, having regard to the comments received during the consultation period. (see the next item)</p> | <p>The consultation conclusions of the first-round consultation, including the major views received and the Administration's response, was set out in Annex B to the consultation document for the second-round consultation.</p> |
| Public Consultation on the Proposed New Legislation on the Customer Due Diligence and | \$40,750 | Completed | <p>We conducted consultation by way of sending consultation documents to relevant stakeholders, uploading the consultation</p> | <p>We are consolidating and examining comments received from the second-round consultation and</p> | <p>We are preparing the consultation conclusions, which will be published before the bill is introduced into</p> |

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| Record-keeping Requirements for Financial Institutions and the Regulation of Remittance Agents and Money Changers (7 December 2009 to 6 February 2010) | | | documents onto the FSB's website, and organising 8 industry-specific consultative sessions for the banking, securities, insurance sectors and remittance agents and money changers, which were attended by over 800 participants. We received 45 written submissions. | are drafting the relevant bill. We expect that the bill will be introduced into the Legislative Council in the second quarter this year. | the Legislative Council. |
| Proposed establishment of an Investor Education Council and a Financial Dispute Resolution Centre | \$100,000 | In progress (until 8 May 2010) | We are conducting consultation by way of sending the consultation paper to relevant stakeholders, uploading the consultation paper onto the website of the Financial Services Branch, distributing the consultation paper via Home Affairs Department's Public Enquiry Service Centres, attending briefing sessions, seminars, online forum, etc. arranged by relevant organisations meeting relevant individuals / organisations to gauge their views, and collecting written submissions by e-mail, post and fax. | Not applicable (consultation still in progress) | Not applicable (consultation still in progress) |

Signature _____
Name in block letters Miss AU King-chi
Permanent Secretary for Financial Services
and the Treasury (Financial Services)
Post Title _____
Date 17.3.2010

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
 INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)015

Question Serial No.

2412

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

Please provide details of the consultations on policy making and assessment under all programmes in the following format. Have resources been earmarked for holding consultations in 2010-11? If so, please provide the following details.

| Name/subject of consultation | Expenditure (\$) | Progress of consultation (under planning/in progress/completed) | Mode of consultation (e.g. by means of written submissions, consultation sessions, focus groups), number of consultation exercises, name of organisations and number of people consulted/to be consulted | For consultations scheduled for completion in the financial year 2010-11, will the results be published? If not, what are the reasons? |
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Asked by : Hon. EU Yuet-mee, Audrey

Reply :

| Name/subject of consultation | Expenditure (\$) | Progress of consultation (under planning/in progress/completed) | Mode of consultation (e.g. by means of written submissions, consultation sessions, focus groups), number of consultation exercises, name of organisations and number of people consulted/to be consulted | For consultations scheduled for completion in the financial year 2010-11, will the results be published? If not, what are the reasons? |
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| Proposals on the Establishment of an | The expenditure required is being | Planning is in progress. | We shall issue a consultation | Yes |

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| Independent Insurance Authority in Hong Kong | estimated. | Upon completion of the consultancy study, we shall draw up proposals on the establishment of an independent IA for public consultation scheduled for the first half of 2010. | document and work out other details nearer the time. | |
| Proposals on the Establishment of a Policyholders' Protection Fund in Hong Kong | The expenditure required is being estimated. | Planning is in progress. Upon completion of the consultancy study, we shall prepare proposals on the establishment of a Policyholders' Protection Fund for public consultation scheduled for 2010. | We shall issue a consultation document and work out other details nearer the time. | Yes |
| Draft Companies Bill – Second Phase Consultation | \$448,000 | Planning is in progress. We intend to commence the consultation before mid-2010. | We will conduct consultation by way of sending consultation papers to relevant stakeholders, uploading the consultation paper onto the websites of the Financial Services Branch and Companies Registry, distributing the consultation paper and publicity leaflet via Home Affairs Department's Public Enquiry Service Centres, organising public consultation forum and attending seminars/meetings arranged by relevant organisations, etc. | Yes |
| Proposed Statutory Codification of Certain Requirements to Disclose Price Sensitive Information by Listed Corporations | \$70,500 | Planning is in progress. We intend to commence the consultation before mid-2010. | We will conduct consultation by way of sending consultation papers to relevant stakeholders, uploading the consultation paper onto the website of the Financial | Yes |

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| | | | Services Branch, and distributing the consultation paper via Home Affairs Department's Public Enquiry Service Centres, and attending seminars/meetings arranged by relevant organisations, etc. | |
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Signature _____
Name in block letters Miss AU King-chi
Post Title Permanent Secretary for Financial Services
and the Treasury (Financial Services)
Date 18.3.2010

ahead with the legislative exercise for amending the Inland Revenue Ordinance and Stamp Duty Ordinance.

Before implementing the relevant amendments, the FSB issued reference materials to the industry in November 2009 to facilitate their application for tax exemption in relation to the issue and trading of Islamic bonds. The industry in general considers that the materials are of high reference value, and that the tax exemption concerned is conducive to their issue, sale and purchase of Islamic bonds. In addition, we shall continue such other efforts as optimising market infrastructure and encouraging product development in order to promote the further development of the Islamic bond market in Hong Kong.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)019

Question Serial No.

0012

Head : 148 – Government Secretariat : Subhead (No. & title) :
Financial 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 “facilitating market innovation to deepen and broaden the market” as mentioned under Brief Description, will the Administration inform this Committee of the specific results that have been achieved in this respect in the past year (i.e. 2009-10)? What market innovation projects have been facilitated? Has the Administration assessed the relevant risks and awareness of the public at the same time when it considers market innovation? If not, what are the reasons?

Asked by : Hon. FUNG Kin-kee, Frederick

Reply :

In 2009-10, the Financial Services Branch’s work in relation to “facilitating market innovation to deepen and broaden the market” includes promoting the exchange-traded fund (ETF) market, enhancing clearing system, as well as promoting the development of Islamic finance, Renminbi (RMB) business and the local bond market, etc.

As at end December 2009, Hong Kong was the second-largest ETF market in Asia in terms of both turnover and market capitalisation. Turnover of ETFs reached a record high of \$499.7 billion last year. Our ETF market covers a wide range of products including equities, bonds, commodities futures and gold etc. There are ETFs tracking regional, single country and sector-focus indices.

The Securities and Futures Commission (SFC) entered into mutual recognition arrangement with the Taiwan Financial Supervisory Commission in May 2009 to facilitate cross-listing of ETFs. So far, three Hong Kong ETFs were cross-listed in Taiwan and one Taiwan ETF was cross-listed in Hong Kong.

Currently on a case-by-case basis, we waive the stamp duty for the trading of ETFs with no Hong Kong stock in their portfolios. With further integration of the financial markets in Asia, ETFs that track a basket of stocks in the region will become increasingly popular. To facilitate the development of ETFs, the Financial Secretary announced in the Budget extending the concession to cover ETFs that track indices comprising not more than 40 per cent Hong Kong stocks. This will reduce the trading cost and promote the diversification and healthy growth of the ETF market.

In 2009, the Stock Exchange of Hong Kong (SEHK) enhanced its technical infrastructure, including the Central Clearing and Settlement System and its link to the interbank clearing system, to support the listing and trading of Renminbi-denominated products on the SEHK. The multi-currency market infrastructure of SEHK is now ready to facilitate listing of potential RMB products in the future.

On Islamic finance, we are pressing ahead with the preparatory work to amend the Inland Revenue Ordinance (Cap. 112) and Stamp Duty Ordinance (Cap. 117). The relevant amendments aim at leveling the

playing field for Islamic bonds vis-à-vis conventional bonds as far as tax liabilities are concerned. Before implementing these amendments, we have issued reference materials to the industry in November 2009 to facilitate their application for tax exemption in relation to the issue and trading of Islamic bonds. The industry in general considers that the materials are of high reference value, and that the tax exemption concerned is conducive to their issue, sale and purchase of Islamic bonds.

Regarding RMB business, the RMB trade settlement pilot scheme (the Scheme) commenced operation in July 2009. Under the Scheme, relevant enterprises are given the option to settle trade transactions in RMB having regard to the practical circumstances of their businesses, which helps manage and reduce exchange rate risks. In addition, the issue and trading of RMB bonds in Hong Kong help increase the breadth and depth of the financial market in Hong Kong. In 2009, RMB bonds totaling RMB 16 billion were issued in Hong Kong, of which RMB 6 billion worth concerned the inaugural issue of sovereign bonds by the Central People's Government in Hong Kong. We will continue to explore with the relevant authorities in the Mainland on how to enhance the Scheme. With support from the Central People's Government, we shall further promote the development of RMB bond market in Hong Kong, including expanding the size of issues as well as increasing the types of eligible issuers and investors.

On promoting the development of the local bond market, we are implementing the Government Bond Programme (GBP), under which we issue government bonds on an ongoing basis to broaden the investor base of Hong Kong Dollar (HKD) bonds, thereby increasing the breadth and depth of the local bond market. The GBP will also help develop more complete benchmark yield curves for HKD bonds, providing pricing reference for corporate bonds.

The above measures help facilitate the development of a more diversified market, offering of a larger variety of products to investors, as well as deepening and broadening the market.

In drawing up policy initiatives to promote the development of the financial services sector in Hong Kong, we will take into account relevant factors, including market conditions, needs and views, as well as overseas experience. While we are facilitating market innovation, we also ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets so as to maintain the integrity and stability of the financial system of Hong Kong, and enhance investor protection and education.

In order to assist investors to choose financial products which fit their risk profiles, in the past year, the Hong Kong Monetary Authority issued a circular to banks requiring them to attach "health warnings" to retail derivative products; SFC also posted a list of unlisted authorised products online, and released the Consultation Paper on Proposals to Enhance Protection for the Investing Public, proposing the requirement for including product key-fact statements in offering documents, introduction of a cooling-off period for sales of investment products, etc.

To further enhance investor education efforts, we have proposed setting up an Investor Education Council (IEC) to co-ordinate and strengthen cross-sectoral investor education initiatives. IEC will reach both the mass and specific communities, aiming at improving the financial literacy and capability of the general public, with a view to assisting them to make more informed financial decisions and manage their money wisely. We are consulting the public on this proposal, and the consultation will last until 8 May 2010.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

measures, we are consulting the public on proposals to establish an Investor Education Council and a Financial Dispute Resolution Centre.

We remain in close contact with market players to gauge market needs, and draw reference from the experience of other international financial markets, in order to draw up applicable and conducive policies for the financial market in Hong Kong. For instance, we have put forward fiscal measures to promote the issue of Exchange Traded Funds (ETFs) and debt instruments and facilitate the management of off-shore funds, which will help promote asset management.

We continue in full force our work to rewrite the Companies Ordinance, review the Trustee Ordinance, as well as to revisit the proposal to introduce a corporate rescue procedure. We have already conducted public consultations on different aspects. These reform initiatives will help modernise the relevant legal framework, facilitate the conduct of business, and promote the development of the financial services market, thus enhancing Hong Kong's competitiveness and attractiveness as a major international business and financial centre.

We support the cultivation of a continuous disclosure culture among listed companies. A way to achieve this is to oblige timely disclosure of price sensitive information by listed companies in our statute. This could help enhance market transparency, quality and competitiveness. We are finalising legislative proposal for public consultation before mid-2010.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

The Financial Secretary announced in his 2010-11 Budget Speech three proposed fiscal measures. One of these measures concerns the enhancement of the qualifying debt instruments regime under the Inland Revenue Ordinance (Cap.112) (IRO), under which qualifying debt instruments with a maturity period of less than three years will be eligible for the concessionary profits tax rate at 50% of the normal rate and the requirement of “issued to the public” will be clarified to better meet market needs. Implementation of this measure requires amendments to the IRO. The Financial Services Branch (FSB) is preparing relevant amendments to the IRO.

We will continue supporting the Hong Kong Exchanges and Clearing Limited (HKEx)’s ongoing initiatives to streamline the listing process and improve its Listing Rules. We will also continue partnering with HKEx in promoting Hong Kong’s listing platform and in attracting quality issuers from the Mainland and overseas.

At the same time, we will enhance the two-way flow of financial institutions, instruments, capital and talents between Hong Kong and the Mainland via the Closer Economic Partnership Agreement (“CEPA”) and other platforms of regional co-operation. Two CEPA VI liberalisation policies, namely joint venture securities investment advisory companies (“JV firms”) and the establishment of “cross-location” sub-branches for Hong Kong banks in Guangdong, have both taken effect. As at January 2010, four Hong Kong banks (The Hong Kong and Shanghai Banking Corporation, Hang Seng Bank, Bank of East Asia and Wing Hang Bank) have been granted approval from the Guangdong bureau of China Banking Regulatory Commission to set up five branches in Guangdong. As regards “JV firms”, the China Securities Regulatory Commission has promulgated the operational details on 5 January 2010. Also, the Mainland is studying the initiative regarding the listing of exchange traded funds (“ETF”) on Hong Kong stocks in Shanghai and Shenzhen markets. We will continue to follow up the implementation of relevant measures, and are engaging in the discussions on CEPA VII, with a view to developing more “early and pilot implementation” measures in Guangdong.

Launched in 2004, the scope and volume of RMB business in Hong Kong have been steadily expanding. Taking last year as an example, since the introduction of the pilot scheme on RMB trade settlement in July 2009, corporations in Hong Kong and other areas (e.g. the ASEAN countries) can conduct trade settlement in RMB through banks in Hong Kong. As at January 2010, there were 65 authorized institutions engaged in RMB business and RMB deposits amounted to RMB 63.95 billion. As regards RMB bond business, the amount of RMB bonds issued in Hong Kong last year totalled RMB 16 billion, including the inaugural issue of RMB sovereign bonds, totaling RMB 6 billion, by the Central People’s Government in Hong Kong.

As mentioned by the Financial Secretary in his 2010-11 Budget speech, we hope to see RMB business scale new heights this year. Together with the Mainland authorities, we will continue to study the ongoing refinements to the RMB trade settlement services, and to promote the expanded use of RMB outside the Mainland. We will also continue to develop the RMB clearing platform in Hong Kong, thereby facilitating Hong Kong’s development as a regional RMB settlement centre. Regarding RMB bonds, we hope to further promote the business in Hong Kong, such as expanding the issuance size of bonds and increasing the types of bond issuers as well as the classes of qualified investors, and to seek regular issuance of RMB sovereign bonds in Hong Kong. We will also explore the development of other RMB-denominated investment products, as well as businesses that would enhance RMB liquidity.

In 2009, the Stock Exchange of Hong Kong (SEHK) enhanced its technical infrastructure, including the Central Clearing and Settlement System and its link to the interbank clearing system, to support the listing and trading of RMB-denominated products on the SEHK. The multi-currency market infrastructure of SEHK is now ready to facilitate potential listing of RMB products in the future.

FSB and relevant financial regulators are jointly taking forward the above-mentioned initiatives. FSB will create one non-directorate post (Administrative Officer) for 2010-11 to further strengthen financial co-operation with the Mainland.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

system and enhance our financial cooperation with the Mainland. These are important for strengthening our competitiveness as an international financial centre.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
 INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)031

Question Serial No.

0674

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

Provision for 2010-11 is \$20.6 million (14.7%) higher than the revised estimate for 2009-10 and this is partly due to the net increase of five posts. What are the areas of work for these posts and the breakdown of expenditure?

Asked by : Hon. LAM Tai-fai

Reply :

The areas of work and the breakdown of expenditure in respect of the five posts to be created in 2010-11 are as follows:

| Rank | Number | Areas of work | Full annual average staff cost, including salaries and staff on-cost |
|--------------------------|--------|---|--|
| Senior Economist | 1 | To conduct research projects for assisting the Secretary for Financial Services and the Treasury to assess the changing local and overseas financial markets and in policy formulation and decision-making with relevant reference. | \$1.94 million |
| Economist | 1 | | |
| Administrative Officer | 1 | To provide support for the rewrite of the Companies Ordinance. | \$0.53 million |
| Administrative Officer | 1 | To provide support for advancing financial co-operation with the Mainland. | \$0.53 million |
| Senior Executive Officer | 1 | To assist in the management of the Government Bond Programme. | \$1.11 million |

Signature _____

Name in block letters _____

Miss AU King-chi

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

Post Title _____

Date _____

17.3.2010

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)032

Question Serial No.

0435

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

The Securities and Futures Commission (SFC) works on investor protection with resources derived from the market. Is the Administration aware of the SFC's annual provision for the scheme on investor education in each of the past three years (i.e. from 2007-08 to 2009-10)?

Asked by : Hon. LEE Wai-king, Starry

Reply :

According to the Securities and Futures Ordinance, the Securities and Futures Commission (SFC) compiles its own estimates of income and expenditure, and the SFC Budget is tabled at the Legislative Council each year. Its accounts are not included in the accounts of the Government or the Financial Services Branch of the Financial Services and the Treasury Bureau.

We note that the SFC's External Relation Department is responsible for, among other things, implementing investor education programmes. The SFC estimates that the provision included in the budget for expenditure relating to investor education (including direct and indirect costs) for the years from 2007-08 to 2009-10 is as follows –

| Year | Investor education expenses (\$ million) |
|---------|---|
| 2007-08 | 6.5 |
| 2008-09 | 18.0 |
| 2009-10 | 20.0 |

Signature _____
Name in block letters Miss AU King-chi
Post Title Permanent Secretary for Financial Services
and the Treasury (Financial Services)
Date 17.3.2010

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)033

Question Serial No.

0502

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 :

What are the amount of expenditure on the salaries, allowances and benefits for the five non-directorate posts to be created in 2010-11 under this subhead and the reasons for increasing the establishment, and how will the staff concerned help further the various aims of the Bureau?

Asked by : Hon. LEUNG Kwan-yuen, Andrew

Reply :

The full annual average staff cost, including salaries and staff on-cost like allowances, of the five non-directorate posts to be created in 2010-11 is \$4.11 million. The reasons for the creation of / work to be taken up by these new posts are as follows:

| Rank | Number | Reasons for creation / Work to be taken up |
|--------------------------|--------|---|
| Senior Economist | 1 | } To conduct research projects for assisting the Secretary for Financial Services and the Treasury to assess the changing local and overseas financial markets and in policy formulation and decision-making with relevant reference. |
| Economist | 1 | |
| Administrative Officer | 1 | To provide support for the rewrite of the Companies Ordinance. |
| Administrative Officer | 1 | To provide support for advancing financial co-operation with the Mainland. |
| Senior Executive Officer | 1 | To assist in the management of the Government Bond Programme. |

Signature _____

Name in block letters _____

Miss AU King-chi

Post Title _____

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

Date _____

17.3.2010

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)035

Question Serial No.

1640

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

In 2010-11, the Financial Services Branch will continue to improve the quality and competitiveness of the listing regime in Hong Kong. What are the work details and expenditure?

Asked by : Hon. WONG Ting-kwong

Reply :

We are enhancing our market transparency, quality and competitiveness through continuous improvement of the regulatory regime in respect of listing and developing a scripless securities market.

The Administration supports the cultivation of a continuous disclosure culture among listed companies. A way to achieve this is to oblige timely disclosure of price sensitive information (PSI) by listed companies under our statute. Compared with the existing arrangement of relying on the Listing Rules, a statutory regime will provide a clearer set of PSI disclosure requirements with obligations and safe harbours explicitly set out in the law to facilitate listed companies in ensuring compliance, and will allow for more effective investigation and enforcement by the Securities and Futures Commission (SFC). We are working on the legislative proposal and aim to consult the public before mid-2010.

We seek to encourage and facilitate the SFC, the Hong Kong Exchanges and Clearing Limited (HKEx) and the market in the development of a scripless securities market which aims to modernise our financial infrastructure, enhance corporate governance and investor protection, as well as align with international trends. To indicate our support for the scripless initiative, we have proposed to introduce technical amendments to the Companies Ordinance (CO) to remove existing limitations in the CO that arise from provisions compelling the issue or use of paper documents of title and transfer. These amendments have been incorporated into the Companies (Amendment) Bill 2010 introduced into the Legislative Council in February 2010. This is an important first step in the entire legislative process for implementing the scripless initiative, and would help focus the market on discussions on the operational model for a scripless securities market.

We will continue supporting HKEx's ongoing initiatives to streamline the listing process and improving its Listing Rules. In September 2009, HKEx issued a guidance letter on streamlined procedures for listing overseas companies. It is working on new Listing Rules to update its regulatory framework for listed mineral and exploration companies, bringing it into line with international best practice. We will also continue partnering with HKEx in promoting Hong Kong's listing platform and in attracting quality issuers from the Mainland and overseas.

The Administration's expenditure involved in taking forward the above initiatives will be absorbed within existing resources of the Financial Services Branch.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)037

Question Serial No.

1642

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

In 2010-11, the Financial Services Branch will prepare proposals on the establishment of an independent Insurance Authority and a Policyholders' Protection Fund. When will the related work be completed? When will the Branch consult the stakeholders? How much resources will be required?

Asked by : Hon. WONG Ting-kwong

Reply :

The Government commissioned a consultancy study to look into the governance framework, organisational structure and funding mechanism of the proposed independent Insurance Authority. This was completed in the third quarter of 2009. In light of the latest development in the financial market, we have launched an extended study in the fourth quarter of 2009, which involved discussions with stakeholders to solicit their views, to review the existing insurance regulatory arrangements and identify areas for improvement. We will consider the resources required in drawing up the overall proposals which are scheduled for public consultation in the first half of 2010.

Also we are commissioning an actuarial study for preparing proposals for the establishment of a Policyholders' Protection Fund. We aim to consult the Legislative Council and public this year on the detailed proposals including the levy rate, the scope and maximum amount of compensation, the fund size, etc. In drawing up the proposals, we will consider the resources required and related arrangements.

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| Signature | |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)038

Question Serial No.

1643

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

In 2010-11, the Financial Services Branch will continue to facilitate the development of an Islamic bond market in Hong Kong. What is the progress of the work? How much economic benefit is expected from that in the coming year?

Asked by : Hon. WONG Ting-kwong

Reply :

Regarding “continue to facilitate the development of an Islamic bond market in Hong Kong”, the Financial Services Branch (FSB)’s major task is to amend the Inland Revenue Ordinance (Cap. 112) and Stamp Duty Ordinance (Cap. 117). The relevant amendments aim at leveling the playing field for common types of Islamic bonds vis-à-vis conventional bonds as far as tax liabilities are concerned. Before implementing these legislative amendments, the FSB issued reference materials to the industry in November 2009 to facilitate their application for tax exemption in relation to the issue and trading of Islamic bonds. The industry in general considers that the materials are of high reference value, and that the tax exemption concerned is conducive to their issue, sale and purchase of Islamic bonds. In addition, we have been keeping in close contact with market players to understand the market conditions and needs, and draw reference from the development experience of other financial markets, with a view to formulating appropriate policies, including optimising market infrastructure and encouraging product development, to promote the further development of the Islamic bond market in Hong Kong.

Facilitating the development of the Islamic bond market in Hong Kong will not only increase the breadth and depth of the local bond market, thereby diversifying our financial market and consolidating our status as an international financial centre, but also benefit our financial services industry. This is conducive to the financial and economic developments of Hong Kong in the long run.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)039

Question Serial No.

1644

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 :

Provision for 2010-11 is \$20.6 million (14.7%) higher than the revised estimate for 2009-10 and this involves the increase of five posts to meet operational needs. What are the duties of these posts in details and what is the expenditure?

Asked by : Hon. WONG Ting-kwong

Reply :

The full annual average staff cost, including salaries and staff on-cost of the five posts to be created in 2010-11 is \$4.11 million. The duties of these posts are as follows:

| Rank | Number | Duties |
|--------------------------|--------|---|
| Senior Economist | 1 | } To conduct research projects for assisting the Secretary for Financial Services and the Treasury to assess the changing local and overseas financial markets and in policy formulation and decision-making with relevant reference. |
| Economist | 1 | |
| Administrative Officer | 1 | To provide support for the rewrite of the Companies Ordinance. |
| Administrative Officer | 1 | To provide support for advancing financial co-operation with the Mainland. |
| Senior Executive Officer | 1 | To assist in the management of the Government Bond Programme. |

Signature

Name in block letters

Miss AU King-chi

Post Title

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

Date

17.3.2010

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)040

Question Serial No.

1685

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

In 2010-11, the Financial Services Branch will continue to oversee the implementation of initiatives for the development of financial markets, including those under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)? What initiatives will be implemented and what is the expenditure involved? What are the specific initiatives under CEPA?

Asked by : Hon. WONG Ting-kwong

Reply :

Supplement VI to Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) was signed in May 2009 and took effect in October 2009. Insofar as financial services are concerned, the following liberalisation measures were announced-

- (i) Branches established by a Hong Kong bank in Guangdong Province can set up "cross-location" sub-branches within Guangdong Province;
- (ii) Qualified Mainland and Hong Kong securities companies can set up in Guangdong Province joint venture companies (JV firms) to provide securities investment advisory service. The Hong Kong securities firm's shareholding in the JV firm would not exceed one-third of total;
- (iii) The Mainland will actively explore the introduction of exchange-traded funds (ETF) on Hong Kong stocks in the Mainland; and
- (iv) To allow Hong Kong residents who have formally become members of the Hong Kong Institute of Certified Public Accountants on or before 31 March 2009 to be exempted from the "Finance and Accounting" paper when sitting for Mainland's Certified Tax Agent qualification examination.

Two CEPA VI liberalisation policies, namely joint venture securities investment advisory companies (JV firms) and the establishment of "cross-location" sub-branches for Hong Kong banks in Guangdong, have both taken effect. As at January 2010, four Hong Kong banks (the Hong Kong and Shanghai Banking Corporation, Hang Seng Bank, Bank of East Asia and Wing Hang Bank) have been granted approval from the Guangdong bureau of China Banking Regulatory Commission to set up five branches in Guangdong. As regards "JV firms", the China Securities Regulatory Commission has promulgated the operational details on 5 January 2010. Also, the Mainland is studying the initiative regarding the listing of ETFs on Hong Kong stocks in Shanghai and Shenzhen markets. We will continue to follow up the implementation of relevant measures, and are engaging in the discussions on CEPA VII, and aim to develop more "early and pilot implementation" measures in Guangdong.

The Financial Services Branch (FSB) and relevant financial regulators are jointly taking forward the above-mentioned initiatives relating to CEPA. FSB will also create one non-directorate post (Administrative Officer post) for 2010-11 to further strengthen financial co-operation with the Mainland.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

(b) Strengthening financial co-operation with the Mainland through Closer Economic Partnership Agreement (“CEPA”)

Two CEPA VI liberalisation policies, namely joint venture securities investment advisory companies (“JV firms”) and the establishment of “cross-location” sub-branches for Hong Kong banks in Guangdong, have both taken effect. As at January 2010, four Hong Kong banks (The Hong Kong and Shanghai Banking Corporation, Hang Seng Bank, Bank of East Asia and Wing Hang Bank) have been granted approval from the Guangdong bureau of China Banking Regulatory Commission to set up five branches in Guangdong. As regards “JV firms”, the China Securities Regulatory Commission has promulgated the operational details on 5 January 2010. Also, the Mainland is studying the initiative regarding the listing of exchange traded funds (“ETF”) on Hong Kong stocks in Shanghai and Shenzhen markets. We will continue to follow up the implementation of relevant measures, and are engaging in the discussions on CEPA VII, and with a view to developing more "early and pilot implementation" measures in Guangdong.

(c) Attracting Mainland enterprises to raise fund in Hong Kong

At end 2009, 524 Mainland enterprises were listed in Hong Kong representing about 40% of the total number of listed companies in Hong Kong. Between 1993 and 2009, Mainland enterprises together raised a total of HK\$ 2,498.9 billion through Hong Kong. We will continue to attract Mainland enterprises, especially private-owned enterprises, to list in Hong Kong.

(d) Enhancing financial co-operation with Guangdong and Shanghai

In August 2009, Hong Kong and Guangdong signed the “Co-operation Agreement of the Expert Group on Hong Kong/Guangdong Financial Co-operation” during the 12th Plenary of the Hong Kong/Guangdong Co-operation Joint Conference in Hong Kong, to officially set up the Expert Group on Hong Kong/Guangdong Financial Co-operation. The governments and financial regulators of both sides will take forward work plans through the Expert Group and relevant platforms. Major tasks in the coming year include: exploring bank financing and issuance of RMB bonds in Hong Kong by Guangdong enterprises through “early and pilot implementation”; advancing cross-border trade settlement pilot scheme; and encouraging more Guangdong enterprises to list in Hong Kong. As regards co-operation with Shanghai, Hong Kong and Shanghai will enhance co-operation in the development of securities and bond markets, encouraging mutual establishment of financial institutions, and training and exchange of financial talents based on the Memorandum of Understanding Concerning Advancing Hong Kong-Shanghai Financial Co-operation signed on 19 January 2010.

FSB and relevant financial regulators are jointly taking forward the above-mentioned initiatives. FSB will create one non-directorate post (Administrative Officer) for 2010-11 to further strengthen financial co-operation with the Mainland.

| | |
|-----------------------|---|
| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

measure requires amendments to the IRO. The Financial Services Branch (FSB) is preparing relevant amendments to the IRO.

We will continue supporting the Hong Kong Exchanges and Clearing Limited (HKEx)'s ongoing initiatives to streamline the listing process and improve its Listing Rules. We will also continue partnering with HKEx in promoting Hong Kong's listing platform and in attracting quality issuers from the Mainland and overseas.

At the same time, we will enhance the two-way flow of financial institutions, instruments, capital and talents between Hong Kong and the Mainland via the Closer Economic Partnership Agreement ("CEPA") and other platforms of regional co-operation. Two CEPA VI liberalisation policies, namely joint venture securities investment advisory companies ("JV firms") and the establishment of "cross-location" sub-branches for Hong Kong banks in Guangdong, have both taken effect. As at January 2010, four Hong Kong banks (The Hong Kong and Shanghai Banking Corporation, Hang Seng Bank, Bank of East Asia and Wing Hang Bank) have been granted approval from the Guangdong bureau of China Banking Regulatory Commission to set up five branches in Guangdong. As regards "JV firms", the China Securities Regulatory Commission has promulgated the operational details on 5 January 2010. Also, the Mainland is studying the initiative regarding the listing of exchange traded funds ("ETF") on Hong Kong stocks in Shanghai and Shenzhen markets. We will continue to follow up the implementation of relevant measures, and are engaging in the discussions on CEPA VII, with a view to developing more "early and pilot implementation" measures in Guangdong.

Launched in 2004, the scope and volume of RMB business in Hong Kong have been steadily expanding. Taking last year as an example, since the introduction of the pilot scheme on RMB trade settlement in July 2009, corporations in Hong Kong and other areas (e.g. the ASEAN countries) can conduct trade settlement in RMB through banks in Hong Kong. As at January 2010, there were 65 authorized institutions engaged in RMB business and RMB deposits amounted to RMB 63.95 billion. As regards RMB bond business, the amount of RMB bonds issued in Hong Kong last year totalled RMB 16 billion, including the inaugural issue of RMB sovereign bonds, totaling RMB 6 billion, by the Central People's Government in Hong Kong.

As mentioned by the Financial Secretary in his 2010-11 Budget speech, we hope to see RMB business scale new heights this year. Together with the Mainland authorities, we will continue to study the ongoing refinements to the RMB trade settlement services, and to promote the expanded use of RMB outside the Mainland. We will also continue to develop the RMB clearing platform in Hong Kong, thereby facilitating Hong Kong's development as a regional RMB settlement centre. Regarding RMB bonds, we hope to further promote the business in Hong Kong, such as expanding the issuance size of bonds and increasing the types of bond issuers as well as the classes of qualified investors, and to seek regular issuance of RMB sovereign bonds in Hong Kong. We will also explore the development of other RMB-denominated investment products, as well as businesses that would enhance RMB liquidity.

In 2009, the Stock Exchange of Hong Kong (SEHK) enhanced its technical infrastructure, including the Central Clearing and Settlement System and its link to the interbank clearing system, to support the listing and trading of RMB-denominated products on the SEHK. The multi-currency market infrastructure of SEHK is now ready to facilitate potential listing of RMB products in the future.

FSB and relevant financial regulators are jointly taking forward the above-mentioned initiatives. FSB will create one non-directorate post (Administrative Officer) for 2010-11 to further strengthen financial co-operation with the Mainland.

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| Signature | _____ |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

Examination of Estimates of Expenditure 2010-11
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)043

Question Serial No.

3188

Head : G01 – Bond Fund

Subhead (No. & title) : 120 Interest payments
for bonds

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Regarding interest payments for bonds in the sum of \$301 million, what is/are:

- (a) the amount in payment of interest for bonds issued in 2009-10?
- (b) the amount in payment of interest for bonds issued in 2010-11?
- (c) the amounts, out of interest payments for bonds issued in 2010-11, expected to be received by institutional investors and retail investors respectively?
- (d) the calculation process for the above three points?

Asked by : Hon. HO Chun-yun, Albert

Reply :

Regarding the estimated interest payments for bonds in the sum of \$301 million in 2010-11:

- (a) The estimated interest payments for bonds issued in 2009-10 amount to \$227.8 million.
- (b) The estimated interest payments for bonds to be issued in 2010-11 amount to \$73.425 million.
- (c) All the estimated interest payments of \$73.425 million as mentioned in item (b) above are expected to be paid to holders of institutional bonds. Regarding retail Government Bonds, we have to fully consider market conditions in deciding their details and timing of issue. Hence, we cannot provide at this stage the estimated amount of interest payments for retail Government Bonds in 2010-11.
- (d) The estimated figures above are drawn up based on the bond issuance size for 2009-10.

| | |
|-----------------------|---|
| Signature | |
| Name in block letters | Miss AU King-chi |
| Post Title | Permanent Secretary for Financial Services and the Treasury (Financial Services) |
| Date | 17.3.2010 |

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

Reply Serial No.

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| FSTB(FS)044 |
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Question Serial No.

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| 2142 |
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Head : 26 Census and Statistics Department Subhead (No. & title) :

Programme : (2) Social Statistics

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

A series of macro measures are mentioned in the Budget with a view to stabilising property prices. However, these measures still cannot ease the rent pressure imposed upon the low income earners who have not yet been allocated public housing, particularly households residing in crowded private flats/cubicles, etc. The requirements regarding maintenance and redevelopment of old buildings may further aggravate the situation. Has the Administration conducted any survey on the population residing in the rooms/cubicles, cocklofts, bedspaces and rooftop structures inside private or temporary housing? If yes, please provide relevant figures for the respective years from 2004-05 to 2008-09 as in the below table:

| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---------|---------|---------|---------|---------|
| Number of residents residing in the rooms/cubicles, cocklofts and bedspaces or rooftop structures inside private or temporary housing | | | | | |

Asked by : Hon. CHEUNG Kwok-che

Reply :

The Census and Statistics Department (C&SD) conducts a population census once every ten years and a by-census in the middle of the intercensal period to collect data on demographic, asocio-economic and housing characteristics of the population in Hong Kong. According to the results of the 2006 Population By-census, there were a total of 39 412 domestic households (covering 85 113 persons) residing in temporary housing and rooms/cubicles, cocklofts, bedspaces and rooftop structures in private permanent housing. The latest figures will be collected in the 2011 Population Census conducted by C&SD.

Signature _____

Name in block letters _____

FUNG Hing-wang

Post Title _____

Commissioner for Census and Statistics

Date _____

17.3.2010

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

Reply Serial No.

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| FSTB(FS)045 |
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Question Serial No.

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| 2413 |
|------|

Head : 26 Census and Statistics Department Subhead (No. & title) :Programme :Controlling Officer : Commissioner for Census and StatisticsDirector of Bureau : Secretary for Financial Services and the TreasuryQuestion :

Please provide details of the consultations on policy making and assessment under all programmes in the following format. Using the table below, please provide information on the consultations for which funds had been allocated in 2009-10:

| Name/subject of consultation | Revised estimate (\$) | Progress of consultation (under planning/ in progress/ completed) | Mode of consultation (e.g. by means of written submissions, consultation sessions, focus groups), number of consultation exercises, name of organizations and number of people consulted/to be consulted | The Administration's follow-up actions on the consultation results and the progress made (if applicable) | For consultations already completed, were the results publicized? If so, what were the channels? If not, why not? |
|------------------------------|-----------------------|---|--|--|---|
| | | | | | |

Asked by : Hon. EU Yuet-mee, AudreyReply :

In 2009-10, as the Census and Statistics Department did not conduct any consultation exercises in relation to the formulation and evaluation of policies, no provisions were made in this regard.

Signature _____

Name in block letters _____

FUNG Hing-wang

Post Title _____

Commissioner for Census and Statistics

Date _____

17.3.2010

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

Reply Serial No.

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| FSTB(FS)046 |
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Question Serial No.

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| 2414 |
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Head : 26 Census and Statistics Department Subhead (No. & title) :Programme :Controlling Officer : Commissioner for Census and StatisticsDirector of Bureau : Secretary for Financial Services and the TreasuryQuestion :

Please provide details of the consultations on policy making and assessment under all programmes in the following format. Have resources been earmarked for holding consultations in 2010-11? If so, please provide the following details.

| Name/subject of consultation | Expenditure (\$) | Progress of consultation (under planning/in progress/completed) | Mode of consultation (e.g. by means of written submissions, consultation sessions, focus groups), number of consultation exercises, name of organizations and number of people to be consulted | For consultations scheduled for completion in the financial year 2010-11, will the results be published? If not, what are the reasons? |
|------------------------------|------------------|---|--|--|
| | | | | |

Asked by : Hon. EU Yuet-mee, AudreyReply :

In 2010-11, as the Census and Statistics Department has no plan to conduct any consultation exercises in relation to the formulation and evaluation of policies, no resources have been earmarked in this regard.

Signature _____

Name in block letters _____

FUNG Hing-wang

Post Title _____

Commissioner for Census and Statistics

Date _____

17.3.2010

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

Reply Serial No.

FSTB(FS)047

Question Serial No.

0233

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 :

Please provide the following information in respect of increasing the sample sizes of various annual economic surveys:

- (a) to what extent are the sample sizes required to be increased?
- (b) the additional resources required for the increase?

Asked by : Hon. IP Wai-ming

Reply :

- (a) The Census and Statistics Department (C&SD) has increased the sample sizes of various annual economic surveys by a total of 4 000 establishments as from the reference year of 2009 in order to facilitate more detailed analysis on small and medium enterprises, and to produce more precise statistics relating to the six crucial industries mentioned in the Chief Executive's Policy Address in October 2009. The total sample sizes for the 2009 round of these surveys are 21 000 establishments.
- (b) To undertake the additional work arising from this increase in sample sizes, C&SD has created five new posts at non-directorate levels incurring an additional annual expenditure of about \$1.2 million, in addition to some internal re-deployment of resources to absorb part of the workload.

Signature _____

Name in block letters _____

FUNG Hing-wang

Post Title _____

Commissioner for Census and Statistics

Date _____

17.3.2010

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

Reply Serial No.

FSTB(FS)048

Question Serial No.

1147

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 plans to increase the sample sizes of various annual economic surveys in 2010-11 so as to support more detailed analysis on small and medium enterprises. Please advise on the specific details of the exercise. How will the exercise assist the small and medium enterprises? What is the estimated expenditure involved with breakdown in items?

Asked by : Hon. LAM Tai-fai

Reply :

The Census and Statistics Department has increased the overall sample sizes of various annual economic surveys from 17 000 to 21 000 establishments as from the reference year of 2009. The increase is mainly on small and medium enterprises (SMEs) so that more detailed and comprehensive analyses on SMEs can be conducted. These analyses provide useful reference to the Government in formulating policies that may have an impact on SMEs, including for example the impact analysis on business establishments arising from the implementation of statutory minimum wage.

To undertake the additional work arising from this increase in sample sizes, apart from internal re-deployment of resources to absorb part of the workload, the Department has created five new posts at non-directorate levels incurring an additional annual expenditure of about \$1.2 million.

Signature _____

Name in block letters _____

FUNG Hing-wang

Post Title _____

Commissioner for Census and Statistics

Date _____

17.3.2010

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

Reply Serial No.

FSTB(FS)049

Question Serial No.

0646

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

Programme : (2) Social Statistics

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

The estimate for the programme in 2010-11 is \$142.6 million, up by 60.6% or \$53.8 million when compared with the revised estimate in 2009-10. In light of this, please provide the following information:

- (a) the provision for 2010-11 to be allocated to the preparation work of the 2011 Population Census; and
- (b) details and the latest progress of the preparation work of the 2011 Population Census.

Asked by : Hon. SHEK Lai-him, Abraham

Reply :

- (a) The provision for 2010-11 to be allocated to the preparation work of the 2011 Population Census is \$76.8 million.
- (b) Planning work for the 2011 Population Census, covering such major aspects as data topics, sample design and multi-modal data collection approach, is in full swing. A pilot survey will be conducted in mid-2010 to test the various aspects of the operation and to evaluate the design of the 2011 Population Census. Computer systems are also being developed to support the whole range of census activities.

Signature _____

Name in block letters _____

FUNG Hing-wang

Post Title _____

Commissioner for Census and Statistics

Date _____

17.3.2010

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

FSTB(FS)050

Head: 26 – Census and Statistics
Department

Subhead (No. & title): 000 Operational
Expenses

Question Serial No.

0176

Programme:

Controlling Officer: Commissioner for Census Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding Subhead 000 Operational expenses of the Census and Statistics Department, please provide the following information on the procurement of services of employment agencies (EAs) in the past three years (i.e. 2007-08, 2008-09 and 2009-10):

- (a) the number of contracts signed with the EAs;
- (b) the contract sum and term of service for each EA;
- (c) the number of workers supplied by each EA and their duties;
- (d) details of the workers' salaries payable by each EA. What is the range of monthly salaries and that of daily or hourly wages?
- (e) with regard to the above information, please provide the respective numbers and percentages of change for each year:

| | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|---|---------|---------|---------|---------|
| Number of contracts signed with EAs | () | () | () | () |
| Contract sum for each EA | () | () | () | () |
| Term of service for each EA | () | () | () | () |
| Number of workers supplied by each EA and their duties | () | () | () | () |
| The workers' salaries (maximum, median and minimum salaries) payable by each EA | () | () | () | () |

() percentage of change

- (f) the proportion of workers supplied by the EAs to the existing staff of the department; and
- (g) the proportion of expenditure on procuring the services of the EAs in departmental expenses.

Asked by: Hon. WONG Kwok-hing

Reply:

The information required is set out below :

| | 2010-11 | 2009-10 (as at 8.3.2010) | 2008-09 (as at 31.3.2009) | 2007-08 (as at 31.3.2008) |
|---|--|---|---|--|
| Number of contracts signed with EAs | <p>Figures for 2010-11 are not available as the number of agency workers varies over time in accordance with the changing service needs.</p> | <p>T-contract : 1 (No change)</p> <p>Others : Ranges from 1 to 2 (No change to +100%)</p> | <p>T-contract : 1</p> <p>Others : 1 (No change)</p> | <p>T-contract : 0</p> <p>Others : 1</p> |
| Contract sum for each EA | | <p>T-contract : \$126,000 (+473%)</p> <p>Others : Ranges from \$233,000 to \$1,285,000 (+50% to +171%)</p> | <p>T-contract : \$22,000</p> <p>Others : Ranges from \$155,000 to \$474,000 (+605% to +2055%)</p> | <p>T-contract : 0</p> <p>Others : \$22,000</p> |
| Term of service for each EA | | <p>T-contract : 8 months (+471%)</p> <p>Others : Ranges from 10 to 12 months (+400% to +100%)</p> | <p>T-contract : 1.4 months</p> <p>Others : Ranges from 2 to 6 months (No change to +200%)</p> | <p>T-contract : 0</p> <p>Others : 2 months</p> |
| Number of workers supplied by each EA and their duties | | <p>T-contract : 1 worker for IT support (No change)</p> <p>Others : Ranges from 3 to 15 workers for general office support. (+50% to -21%)</p> | <p>T-contract : 1 worker for IT support</p> <p>Others : Ranges from 2 to 19 workers for technical and general office support. (+100% to +1800%)</p> | <p>T-contract : 0</p> <p>Others : 1 worker for general office support.</p> |
| The workers' salaries (maximum, median and minimum salaries) payable by each EA | | <p>The contracts Department entered into with employment agencies specify the service fee charged by the latter in providing agency workers. We do not specify the wages of agency workers, except with regard to the wages of non-skilled workers. Hence we are unable to provide the information requested.</p> <p>As for non-skilled workers, in compliance with the mandatory requirement on wages rates for government service contract introduced by the Administration since May 2004, the service providers have offered monthly wages, or the equivalent wage rates, to non-skilled workers which are no less than the average monthly wages for the relevant industry/occupation as published in the latest "Census and Statistics Department's Quarterly Report of Wage and Payroll Statistics" at the time when the tenders were invited.</p> | | |

The proportion of workers supplied by the EAs to the existing staff of the department and the proportion of expenditure on procuring the services of the EAs in departmental expenses from 2007–08 to 2009–10 are set out below :

| | 2009–10 (%) | 2008 – 09 (%) | 2007 – 08 (%) |
|---|----------------|------------------|------------------|
| * Proportion of workers supplied by the EAs to the existing staff of the department | 1.1 | 3.1 | 0.1 |
| Proportion of expenditure on procuring the services of the EAs in departmental expenses | 0.3 | 0.3 | 0.005 |

* The proportion of workers as compared with the existing staff of the department is for a specific date only and is not representative of the situation for the concerned financial year.

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 17.3.2010

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

Reply Serial No.

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| FSTB(FS)051 |
|--------------------|

Question Serial No.

| |
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| 1327 |
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Head : 26 Census and Statistics Department Subhead (No. & title) : 000 Operational Expenses

Programme :Controlling Officer : Commissioner for Census and StatisticsDirector of Bureau : Secretary for Financial Services and the TreasuryQuestion :

Please provide the following information on the employment of temporary staff to provide services:

| | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|---|---------|---------|---------|---------|
| Breakdown of the number of temporary staff employed | () | () | () | () |
| Breakdown of posts taken up by temporary staff employed | () | () | () | () |
| Breakdown of salaries of temporary staff employed | () | () | () | () |
| Benefits of temporary staff employed | () | () | () | () |
| Length of employment of temporary staff in years, months and days | () | () | () | () |
| Percentage of temporary staff employed in the total number of staff in the department | () | () | () | () |

Figures in () denote year-on-year changes

Asked by : Hon. WONG Kwok-hingReply :

In the period between 2007-08 and 2009-10, the Census and Statistics Department did not employ any temporary staff. There is currently no plan to employ temporary staff in 2010-11.

Signature _____

Name in block letters _____

FUNG Hing-wang

Post Title _____

Commissioner for Census and Statistics

Date _____

17.3.2010

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

Reply Serial No.

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| FSTB(FS)052 |
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Question Serial No.

| |
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| 1328 |
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Head : 26 Census and Statistics Department Subhead (No. & title) : 000 Operational Expenses

Programme :Controlling Officer : Commissioner for Census and StatisticsDirector of Bureau : Secretary for Financial Services and the TreasuryQuestion :

Please provide the following information on the employment of non-civil service contract (NCSC) staff to provide services:

| | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|---------|---------|---------|---------|
| Breakdown of the number of NCSC staff | () | () | () | () |
| Breakdown of posts taken up by NCSC staff | () | () | () | () |
| Breakdown of salaries of NCSC staff | () | () | () | () |
| Benefits of NCSC staff | () | () | () | () |
| Length of employment of NCSC staff in years | () | () | () | () |
| Number of NCSC staff that can be converted to civil servants on permanent terms | () | () | () | () |
| If there were chances for conversion, the number of NCSC staff who failed to do so | () | () | () | () |
| Percentage of NCSC staff in the total number of staff in the department | () | () | () | () |

Figures in () denote year-on-year changes

Asked by : Hon. WONG Kwok-hing

Reply :

The information required is set out below:

| | 2010-11 | 2009-10* (as at 31.3.2010) | 2008-09 (as at 31.3.2009) | 2007-08 (as at 31.3.2008) |
|--|--|---|---|---|
| Breakdown of the number of NCSC staff | | 375 (+123.2%) | 168 (-14.3%) | 196 (N.A.) |
| Breakdown of posts taken up by NCSC staff | <p>Figures for 2010-11 are not available as the number of NCSC staff varies over time in accordance with the changing service needs.</p> | Research Manager: 18 (+5.9%) Knowledge Management Officer: 1 (---) Research Executive: 1 (---) Information Technology Officer: 9 (+125.0%) Assistant Information Technology Officer: 11 (N.A.) Statistical Assistant: 117 (+25.8%) Survey Interviewer: 172 (+391.4%) General Clerk: 44 (+175.0%) Casual Worker: 2 (+100.0%) | Research Manager: 17 (-15.0%) Knowledge Management Officer: 1 (---) Research Executive: 1 (N.A.) Information Technology Officer: 4 (-20.0%) Senior Statistical Assistant: 0 (-100.0%) Statistical Assistant: 93 (+6.9%) Survey Interviewer: 35 (-14.6%) General Clerk: 16 (-59.0%) Casual Worker: 1 (---) | Research Manager: 20 (N.A.) Knowledge Management Officer: 1 (N.A.) Information Technology Officer: 5 (N.A.) Senior Statistical Assistant: 2 (N.A.) Statistical Assistant: 87 (N.A.) Survey Interviewer: 41 (N.A.) General Clerk: 39 (N.A.) Casual Worker: 1 (N.A.) |
| Breakdown of salaries of NCSC staff | | \$8,700 (---) to \$41,345 (---) | \$8,700 (+2.1%) to \$41,345 (+5.3%) | \$8,525 (N.A.) to \$39,265 (N.A.) |
| Benefits of NCSC staff | | No less favourable than those provided for under the Employment Ordinance (---) | No less favourable than those provided for under the Employment Ordinance (---) | No less favourable than those provided for under the Employment Ordinance (N.A.) |
| Length of employment of NCSC staff in years | | 0.14yr (+133.3%) to 6.09yr (+19.7%) | 0.06yr (-25.0%) to 5.09yr (+14.4%) | 0.08yr (N.A.) to 4.45yr (N.A.) |
| Number of NCSC staff that can be converted to civil servants on permanent terms | | 127 (+746.7%) | 15 (-80.3%) | 76 (N.A.) |
| If there were chances for conversion, the number of NCSC staff who failed to do so | | 105 (+600.0%) | 15 (-28.6%) | 21 (N.A.) |
| Percentage of NCSC staff in the total number of staff in the department | | 23.8% (+88.9%) | 12.6% (-14.3%) | 14.7% (N.A.) |

* The increases seen in 2009-10 mainly arise from the additional manpower requirements for planning the 2011 Population Census

Figures in () denote year-on-year changes

Signature _____

Name in block letters _____

FUNG Hing-wang

Post Title _____

Commissioner for Census and Statistics

Date _____

17.3.2010

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

Reply Serial No.

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| FSTB(FS)053 |
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Question Serial No.

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| 1329 |
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Head : 26 Census and Statistics Department Subhead (No. & title) : 000 Operational Expenses

Programme :Controlling Officer : Commissioner for Census and StatisticsDirector of Bureau : Secretary for Financial Services and the TreasuryQuestion :

Please provide information on outsourced services (including property management, security, cleansing, telecommunications and information technology, statistics, etc., but excluding construction works) in the format set out below:

| | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|---------|---------|---------|---------|
| Contents of outsourced service contracts | () | () | () | () |
| Number of outsourced service contracts | () | () | () | () |
| Value of outsourced service contracts | () | () | () | () |
| Number of workers employed under outsourced service contracts | () | () | () | () |
| Number of outsourced service contracts that can be replaced by employment of permanent staff by the Government | () | () | () | () |

Figures in () denote year-on-year changes

Asked by : Hon. WONG Kwok-hing

Reply :

The information required is set out below :

| | 2010-11 | 2009-10 | 2008-09 | 2007-08 |
|--|---|--|--|--|
| Contents of outsourced service contracts | Outsourced service contracts are for meeting ad hoc service needs. The Department will review the demand for outsourced services in 2010-11 and only use outsourced services when such needs arise. Hence, the figures for 2010-11 are not available. | For provision of statistical, information technology, cleansing and labouring services | For provision of statistical, information technology, cleansing and labouring services | For provision of statistical, information technology, cleansing and labouring services |
| Number of outsourced service contracts | | 11 (+37.5%) | 8 (+33.3%) | 6 |
| Value of outsourced service contracts | | \$9,411,000 (+16.1%) | \$8,106,000 (+17.6%) | \$6,894,000 |
| Number of workers employed under outsourced service contracts | | 72 (+38.5%) | 52 (No change) | 52 |
| Number of outsourced service contracts that can be replaced by employment of permanent staff by the Government | | 0 | 0 | 0 |

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 17.3.2010

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

Reply Serial No.

FSTB(FS)054

Question Serial No.

1646

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

Programme : (2) Social Statistics

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

The estimate for the programme in 2010-11 increases by \$53.8 million (60.6%) as compared with the revised estimate for 2009-10. Please advise on the number, duties and expenditure of the posts created for the preparation of the 2011 Population Census; and the other operating cost of the project. Please also advise on the manpower resources and expenditure involved so far for the preparation of the 2011 Population Census.

Asked by : Hon. WONG Ting-kwong

Reply :

For the 2011 Population Census, 92 time-limited posts have been created for the planning and setting up of the statistical and fieldwork systems required for the census operation, processing of census data and dissemination of census results. In 2010-11, about \$39.1 million will be incurred for these posts. Besides, provision has been made for about \$37.7 million in operating expenses for office rental (\$12.4 million); administrative and miscellaneous expenses (\$14.6 million); and the employment of non-civil service contract staff and temporary field workers (\$10.7 million) for the conduct of a pilot survey.

Up to now, about \$23 million has been incurred for the provision of the 92 time-limited posts and other operating expenditure mentioned above.

Signature _____

Name in block letters _____

FUNG Hing-wang

Post Title _____

Commissioner for Census and Statistics

Date _____

17.3.2010

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

| |
|--------------------|
| FSTB(FS)055 |
|--------------------|

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

Question Serial No.

| |
|------|
| 2943 |
|------|

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

How many complaints against practitioners in the private sector (PIPs) did the Official Receiver's Office receive during the period from 2007 to 2009? Please provide figures by type of complaints (i.e. creditor or bankrupt) and reason of complaints.

Asked by: Hon. CHAN Kam-lam

Reply:

The Official Receiver received 10, 7 and 17 complaints against PIPs in 2007, 2008 and 2009 respectively. A breakdown by the type of complainants is as follows:

| Nature of cases | Type of Complainants | Reasons of Complaints* | 2007 | 2008 | 2009 |
|-----------------|----------------------|--|-----------|----------|-----------|
| Liquidation | Creditors | <ul style="list-style-type: none"> • Excessive fees • Failure to respond to inquiries • Failure to comply with statutory requirements • Failure to comply with tender requirements • Qualification of PIPs | 2 | 0 | 4 |
| | Others | <ul style="list-style-type: none"> • Failure to comply with statutory requirements • Delay in proceedings • Disputes with PIPs • PIP roster system | 1 | 0 | 4 |
| Bankruptcy | Creditors | <ul style="list-style-type: none"> • Failure to respond to inquiries | 0 | 0 | 1 |
| | Bankrupts | <ul style="list-style-type: none"> • Excessive fees • Failure to respond to inquiries • Delay in proceedings • Disputes with PIPs • Inappropriate application of the law in extending the bankruptcy period • Manner in communicating with the bankrupts | 6 | 7 | 4 |
| | Others | <ul style="list-style-type: none"> • Excessive fees • Delay in proceedings • Disputes with PIPs • Inappropriate application of the law in extending the bankruptcy period • Failure to comply with tender requirements | 1 | 0 | 4 |
| Total | | | 10 | 7 | 17 |

Signature

Name in block letters

E T O'Connell

Post Title

Official Receiver

Date

16.3.2010

* Some cases involve two or more reasons of complaints.

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

FSTB(FS)056

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

Question Serial No.

2944

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the following work, what are the respective estimated number of cases to be outsourced by the Official Receiver's Office to practitioners in the private sector (PIPs) in 2010-11? What are the respective percentage increase or decrease as compared with that of 2009-10?

- (a) summary and non-remunerative liquidation cases;
- (b) non-summary liquidation cases;
- (c) preliminary examination of bankrupts; and
- (d) debtor-petition summary bankruptcy cases.

Asked by: Hon. CHAN Kam-lam

Reply:

The estimated number of cases to be outsourced to PIPs in 2010-11 and the percentage change as compared with that of 2009-10 are as follows:

| Type of work | 2009-10 | 2010-11 | Percentage change (%) |
|--|---------|---------|-----------------------|
| (a) Summary and non-remunerative liquidation cases | 523 | 550 | +5.2 |
| (b) Non-summary liquidation cases | 9 | 9 | no change |
| (c) Preliminary examination of bankrupts | 11 980 | 10 550 | -11.9 |
| (d) Debtor-petition summary bankruptcy cases | 2 087 | 3 625* | +73.7 |

Signature _____

Name in block letters E T O'Connell _____

Post Title Official Receiver _____

Date 16.3.2010 _____

* This reflects the expansion of the outsourcing scheme for debtor-petition summary bankruptcy cases as supported by the Legislative Council Panel on Financial Affairs in June 2009.

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

FSTB(FS)059

Head: 116 Official Receiver's Office Subhead (No. & title): 700 General
non-recurrent

Question Serial No.

0153

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please set out in details the progress of the "Pilot scheme to contract out cases of winding-up of companies" under Item 003 and whether the Government has reviewed the efficacy of the pilot scheme so as to optimize the scheme.

Asked by: Hon. IP LAU Suk-ye, Regina

Reply:

A pilot scheme for contracting out summary winding-up cases to practitioners in the private sector (PIPs) was launched in September 1997. This scheme was discontinued in 2000, following the amendment to the Companies Ordinance whereby the Official Receiver (OR) when acting as provisional liquidator may directly appoint PIPs as provisional liquidators in place of the OR in summary cases.

Under the pilot scheme from 1997 to 2000, the OR as provisional liquidator had appointed 20 firms of PIPs to act as his agents in a total of 588 summary winding-up cases. The agents under this scheme were remunerated out of the assets of the wound-up companies. Where no assets were recovered or the assets recovered were insufficient to cover the remuneration, the agents' fees were paid out of a government subsidy (up to a limit of \$60,000 for each case).

Of the 588 cases, 15 cases are not yet completed due to the complexities of those cases, and the time needed for assets realization and processing of dividend payment.

The revised estimated expenditure for 2009-10 is \$400,000, which is the amount earmarked for payment of the outstanding cases during this financial year based on updates from the PIPs on the progress of those cases.

Signature _____

Name in block letters _____ E T O'Connell

Post Title _____ Official Receiver

Date _____ 16.3.2010

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

FSTB(FS)061

Head: 116 Official Receiver's Office

Subhead (No. & title):

Question Serial No.

2304

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What is the progress of introducing "a statutory corporate rescue procedure and preparing relevant legislative proposals"? What bodies/organisations have been consulted? When will the proposals be submitted to the Legislative Council?

Asked by: Hon. WONG Kwok-kin

Reply:

Since early last year, the Financial Services Branch of the Financial Services and the Treasury Bureau (FSB), in conjunction with the Official Receiver's Office (ORO), have been revisiting the proposal to introduce a corporate rescue procedure with the aim of providing a statutory moratorium for companies with long-term viability but facing short-term financial difficulty, so that they can restructure their business or debts, or seek capital injection to turn themselves around.

The FSB conducted a public consultation on legislative proposals for a corporate rescue procedure between October 2009 and January 2010, and received 58 submissions. The FSB and ORO are studying the public comments and aim to issue the consultation conclusions in mid-2010. We will also brief the Panel on Financial Affairs on the consultation outcome.

The FSB and ORO participated in various seminars/meetings arranged by relevant bodies/organisations. These bodies/organisations included the Protection of Wages on Insolvency Fund Board, the Labour Advisory Board, the Hong Kong Institute of Certified Public Accountants, the Risk Management Association, the Hong Kong Securities Institute, and the Small and Medium Enterprises Committee of the Trade and Industry Department. During the consultation period, the FSB also organised a public consultation forum on 16 December 2009, and supported the Asian Institute of International Financial Law of the Faculty of Law of the University of Hong Kong in organising a symposium on 22 January 2010. The FSB and ORO also met stakeholders from the labour, banking, legal, insolvency and academic, etc sectors to gauge their views.

Preliminary analysis of the public comments shows that views remain divergent on how to deal with employees' outstanding entitlements. There are also different views on some technical matters. We would need to study further these issues with a view to formulating practicable proposals which are broadly acceptable to the stakeholders.

The FSB plans to prepare draft legislation for introduction into the Legislative Council in the 2010-11 legislative year.

Signature

Name in block letters

E T O'Connell

Post Title

Official Receiver

Date

16.3.2010

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

FSTB(FS)062

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

Question Serial No.

1645

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What are the respective estimated number of summary liquidation cases, non-summary liquidation cases, preliminary examination of bankrupts and debtor-petition summary bankruptcy cases to be outsourced to practitioners in the private sector (PIPs) in 2010-11? How do they compare with that of last year?

Asked by: Hon. WONG Ting-kwong

Reply:

The estimated number of cases to be outsourced to PIPs in 2010-11 and the percentage change as compared with that of 2009-10 are as follows:

| Type of work | 2009-10 | 2010-11 | Percentage change (%) |
|--|---------|---------|--------------------------|
| (a) Summary liquidation cases | 523 | 550 | +5.2 |
| (b) Non-summary liquidation cases | 9 | 9 | no change |
| (c) Preliminary examination of bankrupts | 11 980 | 10 550 | -11.9 |
| (d) Debtor-petition summary bankruptcy cases | 2 087 | 3 625* | +73.7 |

Signature _____

Name in block letters E T O'Connell

Post Title Official Receiver

Date 16.3.2010

* This reflects the expansion of the outsourcing scheme for debtor-petition summary bankruptcy cases as supported by the Legislative Council Panel on Financial Affairs in June 2009.