

**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**

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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.

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)002

Question Serial No.

0833

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 Bureau will “advance financial co-operation with the Mainland to enhance the two-way flow of financial institutions, financial products, capital and talent between Hong Kong and the Mainland”. What measures will the Government pursue in 2010-11? What is the amount of resources deployed to achieve financial co-operation between the two sides?

Asked by : Hon. CHAN Kam-lam

Reply :

We are striving to advance financial co-operation with the Mainland, and there has been good progress on various fronts. Details and major work of the coming year are as follows –

(a) Developing offshore Renminbi (“RMB”) business

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 totaled 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. We, together with the Mainland authorities, 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 Renminbi-denominated products on the SEHK. The multi-currency market infrastructure of SEHK is now ready to facilitate the listing of potential Renminbi products in the future.

(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

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

Reply Serial No.

FSTB(FS)003

Question Serial No.

0834

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 Government wishes to promote Hong Kong as the wealth and asset management centre in the region. How much hardware and software will the Government deploy for the asset management industry?

Asked by : Hon. CHAN Kam-lam

Reply :

As a prime asset management centre in the Asian time zone, Hong Kong enjoys many advantages, including a highly open and internationalised market, a regulatory regime on par with international standards, the rule of law, and the free flow of information and capital.

In promoting Hong Kong's status as an asset management centre, we are working on two fronts, viz enhancing market quality and investor protection as well as facilitating market development.

Enhancing market quality and investor protection is crucial to the sustainable development of our asset management business. In this regard, we have been pressing ahead with key investor protection initiatives including (1) reviewing the entire sales process of investment products; (2) improving the legal framework of public offering of structured products; (3) proposing the establishment of an investor education council; (4) proposing the establishment of a financial dispute resolution centre; (5) studying the establishment of an independent Insurance Authority; (6) researching into the establishment of a Policyholders' Protection Fund; (7) studying the statutory codification of the requirements on timely disclosure of price sensitive information by listed companies; and (8) implementing a scripless securities market, etc.

In parallel, we attach equal importance to market development initiatives to foster a business-friendly environment for the asset management business, such as (1) further enhancing the development of Renminbi business in Hong Kong; (2) rewriting the Companies Ordinance to provide a modern legal basis required for Hong Kong as an international business and financial centre in the 21st century; (3) reviewing the Trustee Ordinance to strengthen the competitiveness of our trust services industry; (4) further developing the local bond market; (5) promoting the development of Islamic finance; and (6) revisiting the legislative proposals on a corporate rescue procedure, etc.

The Government has already abolished estate duty and exempted offshore funds from profits tax since 2006 to attract foreign capital and encourage investors to hold assets here. To further reinforce the competitiveness of our asset management industry, the Financial Secretary announced in his 2010-11 Budget Speech (paragraphs 73-75) three fiscal measures in respect of exchange traded funds, the qualifying debt instruments regime and the offshore fund regime under the Inland Revenue Ordinance.

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.

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)004

Question Serial No.

0835

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 expenditures will come under the “general non-recurrent” category? Please account for the provision in details.

Asked by : Hon. CHAN Kam-lam

Reply :

The estimated provision for “general non-recurrent expenses” in 2010-11 is \$300,000. This includes (i) \$200,000 for supporting initiatives and activities pursued by the Advisory Committee on Human Resources Development in the Financial Services Sector to promote financial services manpower development in Hong Kong, and (ii) \$100,000 for printing an educational leaflet which aims to provide guidelines for reference by the general public when they consider transfer of their insurance policies.

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.

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.

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)008

Question Serial No.

2945

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 improving the sales practices for investment products, the professional conduct of intermediaries and investor education, please indicate the specific measures and the manpower and expenditure involved.

Asked by : Hon. CHAN Kam-lam

Reply :

In the past year, the Administration, the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) have been taking forward a series of measures according to an action plan formulated in early 2009. These measures seek to enhance the regulation of intermediaries and protection of investors. For instance, HKMA issued circulars to banks requiring them to attach “health warnings” to retail derivative products, to implement internal mystery shopper programmes, to audio-record the sales process of investment products, and to have clear segregation between the general banking business and securities-related activities, etc. SFC’s September 2009 consultation also covered proposals on regulation of sales practice and conduct of intermediaries, such as introduction of a cooling-off period and disclosure of commissions or other benefits arising from investment sales. The costs relating to these measures will be borne by stakeholders, and no government funding is required.

As regards investor education, we are consulting the public on a proposal to establish an Investor Education Council (IEC). Under the proposal, IEC will be a company wholly owned by SFC, and will not require government funding.

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)009

Question Serial No.

2946

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 Government, together with the Hong Kong Monetary Authority and the Securities and Futures Commission, will provide the set-up costs and operation costs of the Financial Dispute Resolution Centre in the first three years. Is it possible that the centre could be established in 2010-11? What is the amount of funds the Government has set aside?

Asked by : Hon. CHAN Kam-lam

Reply :

We are consulting the public on the proposed establishment of a Financial Dispute Resolution Centre (FDRC). Under the proposal, the set-up costs (estimated to be \$15 million) and fixed operation costs of FDRC in the first three years (estimated to be \$55 million a year) will be shared by the Government, the Hong Kong Monetary Authority and the Securities and Futures Commission.

If the proposal receives public support, we shall aim to introduce, in the 2010-11 legislative session, amendments to the relevant legislation licensing conditions to obligate relevant financial institutions to join the financial dispute resolution scheme.

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.

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)011

Question Serial No.

3072

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

Subhead (No. & title) :

Programme : Financial Services

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Regarding complementing the national 12th Five-Year Plan, has the Administration deployed resources in the past year and will it deploy resources in the days ahead to conduct studies in order to put forward to the State a series of recommendations related to the financial affairs of Hong Kong? If yes, has any consultative machinery or meeting been set up accordingly? How much public money is involved in these studies?

Asked by : Hon. CHAN Kam-lam

Reply :

As regards financial services, we are striving to develop Hong Kong into a global financial centre, asset management centre and offshore Renminbi business centre attracting capital and talent from within and outside the country. Also, we hope to fully leverage the strength of Hong Kong as the testing ground for the country's financial reform initiatives.

The Constitutional and Mainland Affairs Bureau is responsible for coordinating the Hong Kong Special Administrative Region's (HKSAR) input to complement the preparation of the National 12th Five-Year Plan (the Plan). The Financial Services Branch has been actively participating in relevant work. For instance, in May 2009 and January 2010, together with the Secretary for Constitutional and Mainland Affairs and representatives from other bureaux and departments, we met with officials of the National Development and Reform Commission (NDRC) in Beijing to discuss our work in complementing the Plan. In September 2009, we also took part in the conference on "Global and China's Economy and Hong Kong's Future Development" organized by the Central Policy Unit in Hong Kong. It was attended by representatives of the NDRC and the Hong Kong and Macao Affairs Office, who subsequently met with representatives of the HKSAR Government. We have also visited Beijing to meet with relevant Mainland authorities to express our views on the Plan in respect of financial co-operation with the Mainland.

State leaders have indicated that in preparing the Plan, the Mainland authorities will keep the HKSAR Government informed of the planning progress and seek our views, so that we can have a full picture of situation of the country and development directions. We will continue to maintain close dialogues with relevant authorities, with a view to complementing the Plan under the principle of "One Country Two Systems".

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)012

Question Serial No.

0681

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 :

Among Matters Requiring Special Attention in 2010-11 mentioned in the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch) is “prepare proposals on the establishment of an independent Insurance Authority for consultation with stakeholders”. In fact, the same matter was mentioned under Matters Requiring Special Attention in 2009-10. Could this Committee be told why consultation on this matter is postponed? Is there already a precise timetable for the consultation?

Asked by : Hon. CHAN Kin-por

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, involving discussions with stakeholders and taking into account their views, to review the existing insurance regulatory arrangements and identify areas for improvement. We plan to draw up overall proposals in the first half of 2010 for public consultation.

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?

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?
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

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>

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>

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?

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?
Proposals on the Establishment of an	The expenditure required is being	Planning is in progress.	We shall issue a consultation	Yes

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

			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

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

Reply Serial No.

FSTB(FS)016

Question Serial No.

1106

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

Subhead (No. & title) :

Programme : Financial Services

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

There has been no progress since the Government proposed to develop an Islamic bond market two years ago. However, “continue to facilitate the development of an Islamic bond market in Hong Kong” is still listed under Matters Requiring Special Attention in 2010-11. The financial markets in the Middle East head into correction in the wake of the outbreak of a financial crisis in Dubai of the United Arab Emirates. In view of this, will the Government re-assess or adjust the plan on the development of an Islamic bond market?

Asked by : Hon. FANG Kang, Vincent

Reply :

The financial difficulty facing Dubai World late last year is a credit event of an individual debt issuer, which has not brought about any systemic implication on the financial markets of the Middle East. The cause of the event has nothing to do with the trading structure and mode of operation of the Islamic bond market.

The Administration remains optimistic of the medium- to long-term development prospect of Islamic finance worldwide (including Hong Kong). Our objective of developing the Islamic bond market in Hong Kong is to increase the breadth and depth of the local bond market, hence diversifying our financial market and consolidating our status as an international financial centre. This is a long-term policy goal, which will not and should not be affected by individual credit events.

For non-Muslim jurisdictions, Islamic finance is a relatively new mode of financial services. Generally speaking, in the light that the concepts, mode of operation and regulatory requirements applicable to conventional financial services may not be equally applicable to Islamic finance, non-Muslim jurisdictions usually need to adjust their respective legal and/or administrative frameworks, such as taxation arrangements, to promote the development of Islamic finance. Since different jurisdictions have varying background and development foci, their extent and pace of adjustments may not be the same.

As far as Hong Kong is concerned, the Financial Services Branch (FSB) has remained in close contact with market players to understand the market conditions and needs, and drawn reference from the development experience of other financial markets, with a view to formulating appropriate policies to promote the development of Islamic finance. Regarding the Islamic bond market, our 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. Such work requires time because the relevant amendments involve complicated questions of conceptual and technical nature, for instance, how to stipulate the definition of Islamic bonds and other relevant details in the legislation concerned without specifying the religious principles of Islamic finance. In addition, further to the outbreak of the global financial crisis, we had to deploy resources to deal with those urgent issues which arose from the crisis and topped our priority list. We shall continue to press

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.

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)017

Question Serial No.

1107

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 the development of offshore Renminbi (RMB) business in Hong Kong, after trade settlement in RMB takes place in Hong Kong, what is the next experimental product? To tie in with this development, is revision or restructuring required in the areas of legislation and banking supervision? Does the Mainland have any plan to issue sovereign bonds in Hong Kong on a regular basis in order to promote the development of RMB bond business? For the issuance of RMB bonds in Hong Kong by non-Mainland entities, will the issuers and the size of the issuance require approval by or notification of the relevant authorities on the Mainland?

Asked by : Hon. FANG Kang, Vincent

Reply :

As mentioned by the Financial Secretary in his 2010-11 Budget speech, apart from continuing to study the ongoing refinements to the Renminbi (RMB) trade settlement services with the relevant Mainland authorities, we also hope to further promote the development of RMB bond 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. We also hope that RMB sovereign bonds will be issued on a regular basis in Hong Kong and that other RMB-denominated investment products will be developed. We, together with the regulators, will continue to follow up with the relevant Mainland authorities.

On 11 February 2010, the Hong Kong Monetary Authority (HKMA) issued a circular, providing an elucidation on the supervisory principles and the operational arrangements for RMB trade settlement transactions and other RMB businesses within the existing policy framework. The HKMA's circular specifies two guiding principles for the supervisory arrangements for RMB trade settlement transactions and other RMB businesses. First, cross-border flows of RMB funds into and out of the Mainland should comply with the rules and requirements in the Mainland. The Mainland Authorities and banks are responsible for verifying whether transactions undertaken by the Mainland counterparts are in compliance with the relevant rules and requirements in the Mainland, while participating Authorised Institutions (Participating AIs) in Hong Kong will process the RMB transactions in accordance with the usual banking practices in Hong Kong. Second, with regard to the RMB funds that have flowed into Hong Kong, Participating AIs can develop RMB businesses based on the regulatory requirements and market conditions in Hong Kong, as long as these businesses do not entail the flow of RMB funds back to the Mainland. As far as RMB bond business is concerned, the HKMA's circular also specifies that the range of eligible issuers, issue arrangements and target investors can be determined in accordance with the applicable regulations and market conditions in Hong Kong. Participating AIs can also provide their customers with related services such as account-opening, bond trading, custodial and financing in accordance with usual banking practices in Hong Kong.

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)018

Question Serial No.

0011

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

Subhead (No. & title) :

Programme : Financial Services

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

It is mentioned under Matters Requiring Special attention that the Government will “continue to facilitate the development of an Islamic bond market in Hong Kong”. Please advise whether the Government has assessed the latest situation regarding the development of an Islamic bond market in Hong Kong and whether the development strategy for an Islamic bond market has been adjusted in view of the Dubai debt crisis that erupted in late 2009. If not, what are the reasons?

Asked by : Hon. FUNG Kin-kee, Frederick

Reply :

The global financial crisis has inevitably brought about negative impact on the investment environment and sentiment worldwide. With the gradual recovery of the economy and the restoration of investors' confidence in the financial markets, we remain optimistic of the medium- to long-term development prospect of Islamic finance worldwide (including Hong Kong).

The financial difficulty facing Dubai World late last year is a credit event of an individual debt issuer. The cause of the event has nothing to do with the trading structure and mode of operation of the Islamic bond market. The objective of the Administration in developing the Islamic bond market in Hong Kong is to increase the breadth and depth of the local bond market, hence diversifying Hong Kong's financial market and consolidating Hong Kong's status as an international financial centre. This is a long-term policy goal, which will not and should not be affected by individual credit events.

The Financial Services Branch (FSB) will continue to keep 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 promoting the further development of the Islamic bond market in Hong Kong. Our efforts on this front include amending 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.

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.

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)020

Question Serial No.

0013

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 :

It is stated in the Brief Description that “the aims of the programme were broadly achieved in 2009”. Will the Administration inform this Committee on what grounds this assertion is based? A combination of factors including lax control by the authorities and asymmetric market information have caused losses to investors and consumers, but no effective and vigorous measures for improvement have been put forward yet. Has this situation been taken into account?

Asked by : Hon. FUNG Kin-kee, Frederick

Reply :

According to Head 148, the aims of the Financial Services Branch are to:

- maintain and enhance Hong Kong’s status as a major international financial centre;
- maintain the integrity and stability of the financial system of Hong Kong;
- ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets; and
- provide a business environment which is open, fair and conducive to financial market development.

We have achieved these aims broadly and our financial markets have kept up good performance in such major areas as banking, securities, futures, and insurance in 2009. As at end 2009, the market capitalisation of our stock market ranked seventh in the world and third in Asia. In terms of initial public offerings raised in 2009, Hong Kong ranked first globally. Hong Kong is the world’s fifteenth and Asia’s third largest international banking centre. In term of transaction volume, Hong Kong is the world’s sixth largest foreign exchange market.

The global financial crisis has not posed any systemic risks on the financial system of Hong Kong. The banking system in Hong Kong remains sound. No “rescue” of banks has been conducted by the Government. The Government has not triggered the two pre-emptive measures namely, the “full deposit guarantee” arrangement and Contingent Bank Capital Facility, since their announcement in October 2008. Generally speaking, the asset quality of the banking sector remains good, and the capital adequacy ratio and liquidity ratio have always been above the statutory requirements.

Together with market regulators, we continue our efforts to develop and implement initiatives to upgrade overall market quality and to ensure that our regulatory regime is on par with the international standards and meets the need of modern commerce.

In early 2009, the Administration, the Hong Kong Monetary Authority and the Securities and Futures Commission formulated an action plan to implement recommendations arising from the Lehman Minibonds incident, to further improve Hong Kong’s financial regulatory system and strengthen investor protection. The measures in the first phase, which focus on improving the sales practices for investment products, the professional conduct of intermediaries and investor education, have been implemented. For the longer-term

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.

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)021

Question Serial No.

0084

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 "continue to advance financial co-operation with the Mainland to enhance the two-way flow of financial institutions, financial products, capital and talent between Hong Kong and the Mainland; continue to enhance Hong Kong's position as an international capital formation centre, asset management centre and offshore Renminbi business centre in Asia" under Matters Requiring Special Attention, would the Administration please advise on the details of the work concerned, for instance, the work on enhancing Hong Kong's position as an international capital formation centre and offshore Renminbi business centre in Asia as well as the particular financial products to be enhanced for two-way flow?

Asked by : Hon. FUNG Kin-kee, Frederick

Reply :

The Government would continue to develop Hong Kong as a global financial centre, asset management centre and offshore Renminbi (RMB) business centre attracting capital and talent from within and outside the country. Hong Kong enjoys many advantages, including a highly open and internationalised market, a regulatory regime aligned with major overseas markets, the rule of law, and the free flow of information and capital. In addition, we will fully leverage the strength of Hong Kong as the testing ground for the country's financial reform initiatives.

We are making dedicated efforts on two fronts namely, improving market quality and facilitating market development, to enhance the competitiveness of our asset management business. Initiatives to improve market quality include (1) reviewing the entire sales process of investment products; (2) improving the legal framework of public offering of structured products; (3) proposing the establishment of an investor education council; (4) proposing the establishment of a financial dispute resolution centre; (5) studying the establishment of an independent Insurance Authority; (6) researching into the establishment of a Policyholders' Protection Fund; (7) studying the statutory codification of the requirements on timely disclosure of price sensitive information by listed companies; and (8) implementing a scripless securities market, etc.

In parallel, we attach equal importance to market development initiatives to foster a business-friendly environment for the asset management business, such as (1) further enhancing the development of Renminbi business in Hong Kong; (2) rewriting the Companies Ordinance to provide a modern legal basis required for Hong Kong as an international business and financial centre in the 21st century; (3) reviewing the Trustee Ordinance to strengthen the competitiveness of our trust services industry; (4) further developing the local bond market; (5) promoting the development of Islamic finance; and (6) revisiting the legislative proposals on a corporate rescue procedure, etc.

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.

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)023

Question Serial No.

3140

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

Subhead (No. & title) :

Programme : Financial Services

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

The Aim under the Programme refers to “maintaining the integrity and stability of the financial system of Hong Kong”. Could the Administration inform this Committee as to whether it has assessed the impact from the recent debt crisis in Greek and many countries in Europe on our financial system? If yes, what is the result? If not, why? According to analyses, there are financial institutions involved in helping cover up the true extent of Greek’s fiscal deficit by way of derivative trading. Has the Administration proactively tried to get to know the situation? Have local financial institutions directly or indirectly taken part in similar trading? If yes, has the impact been assessed?

Asked by : Hon. FUNG Kin-kee, Frederick

Reply :

Together with the financial regulators in Hong Kong, we have been keeping a close watch on the international financial landscape, including the recent debt crisis involving certain European economies. We note that governments and authorities in Europe are taking active steps to rein in debt, and have considered contingency plans for public funding and other proposals to strengthen market integrity and financial stability. According to latest assessment by the Hong Kong Monetary Authority, the relevant incident will not have any systemic implication on the banking system of Hong Kong. In addition, we understand from the Securities and Futures Commission (SFC) that it has not received any exceptional redemption reports in respect of European funds and credit-linked notes. We also understand that the business activities of SFC-licensed entities are largely Asian focused. SFC is not aware of any of its licencees having taken part in the type of derivatives trading referred to in this question.

As the debt crisis in Europe is still evolving, we will keep in close liaison with our financial regulators to continue monitoring the development of the incident and be mindful of their potential implications for the stability of our capital market, with a view to maintaining the integrity and stability of our financial system. In the process, we shall have regard to developments in other international financial centres through our participation in the deliberations of relevant international fora like the Group of Twenty and the Financial Stability Board, and our regulators’ membership in international regulatory organizations like the Basel Committee on Banking Supervision and International Organisation of Securities Commissions.

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)024

Question Serial No.

0519

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 “continue to facilitate the development of an Islamic bond market in Hong Kong”, please provide the following information:

- a) What kind of work will the Government undertake?
- b) The specific objectives of the work.
- c) The amount of expenditure required for such work.

Asked by : Hon. HO Chun-yan, Albert

Reply :

- a) Regarding “continue to facilitate the development of an Islamic bond market in Hong Kong”, the major task of the Financial Services Branch (FSB) in 2010-11 is to take forward the legislative exercise in amending 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. We shall also continue to keep 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.
- b) The Administration’s objective in developing the Islamic bond market in Hong Kong is to increase the breadth and depth of the local bond market, thereby diversifying Hong Kong’s financial market and consolidating Hong Kong’s status as an international financial centre. We hope to attract more Islamic bond issuers and investors to use Hong Kong as a platform for issuing and trading Islamic bonds.
- c) The relevant work will be taken up by existing staff of the FSB. We do not have a separate breakdown for the expenditure involved.

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)025

Question Serial No.

1922

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 :

On “continuing to take forward in phases the recommendations in the reports prepared by the Hong Kong Monetary Authority and the Securities and Futures Commission on the Lehman Brothers Minibonds incident”:

- (a) what tasks will the Government carry out?
- (b) what are the specific targets of the tasks?
- (c) what are the expenditures required for the tasks?

Asked by : Hon. HO Chun-yan, Albert

Reply :

Following the Minibonds incident, the Administration, the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) formulated an action plan in early 2009 to implement in phases recommendations to further improve Hong Kong’s financial regulatory system and strengthen investor protection.

The measures in the first phase, which focus on improving the sales practices for investment products, the professional conduct of intermediaries and investor education, have been implemented. The costs relating to these measures will be borne by stakeholders, and no government funding is required.

For the longer-term measures, we are consulting the public on proposals to establish an Investor Education Council (IEC) and a Financial Dispute Resolution Centre (FDRC). Under the proposals, IEC will be a company wholly owned by SFC, and will not require government funding; whereas the set-up costs (estimated to be \$15 million) and fixed operation costs of FDRC in the first three years (estimated to be \$55 million a year) will be shared by the Government, HKMA and SFC. Thereafter, FDRC should be funded by the financial industry, and to a lesser extent, the claimants.

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)026

Question Serial No.

0350

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 :

Under Matters Requiring Special Attention, it is mentioned that the Administration will “introduce legislation into the Legislative Council to enhance the anti-money laundering regulatory regime in respect of the financial sectors”. What is the progress of the consultation exercise on the formulation of the new legislation? What is the timetable for drafting the new legislation?

Asked by : Hon. HO Chung-tai, Raymond

Reply :

The Financial Services and the Treasury Bureau conducted two rounds of public consultation on the conceptual framework and detailed proposals of the proposed legislation to enhance the anti-money laundering regulatory regime in respect of the financial sectors in July and December 2009 respectively. The second-round public consultation ended on 6 February 2010. We conducted eight sector-specific consultative sessions and received 45 submissions. The responses are positive in overall terms. Respondents generally recognised the importance for Hong Kong, as an international financial centre, to comply with the international anti-money laundering standards. We are carefully considering the comments received and will prepare consultation conclusions. We plan to publish the consultation conclusions and introduce the bill into the Legislative Council in the second quarter of this year.

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)027

Question Serial No.

1973

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 give the amounts of resources actually used in 2008-09 and 2009-10 and to be reserved for 2010-11 by the Administration for the following items, as well as the contents and policy objectives of the activities:

- a. Expenditure on Mainland duty visits, exchanges and meetings attended by local officials
- b. Expenditure on exchanges, entertainment and meetings conducted locally with Mainland officials and departments
- c. Expenditure on overseas duty visits, exchanges and meetings attended by local officials
- d. Expenditure on exchanges, entertainment and meetings conducted locally with overseas officials and department

Asked by : Hon. HO Sau-lan, Cyd

Reply :

The amount of resources actually used for the following items in 2008-09 and 2009-10 are set out as follows:

Items	2008-09	2009-10
(a) Expenditure on Mainland duty visits, exchanges and meetings attended by local officials	\$280,000	\$610,000
(b) Expenditure on exchanges, entertainment and meetings conducted locally with Mainland officials and departments	--	\$7,720
(c) Expenditure on overseas duty visits, exchanges and meetings attended by local officials	\$3.31 million	\$3.35 million
(d) Expenditure on exchanges, entertainment and meetings conducted locally with overseas officials and department	\$120	\$11,948

We have reserved \$4.33 million and \$170,000 in 2010-11 for duty visits (i.e. items (a) and (c) above) and entertainment expenses (including items (b) and (d) above) respectively. The purposes of such activities are to exchange views with officials/organizations of other places and keep track of the latest financial development. By participating in relevant seminars/meetings, we would be in a better position to grasp the situation in the Mainland and global financial markets, and formulate measures to improve our regulatory

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

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)028

Question Serial No.

1406

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 :

Please elaborate on item 014, i.e. the initiatives that have been taken in 2009-10 and/ or will be taken in future to co-ordinate the human resources development for the financial services sector.

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

Reply :

The resource allocation for “initiatives to co-ordinate the human resources development for the financial services sector” under Item 014 is mainly for supporting initiatives and activities pursued by the Advisory Committee on Human Resources Development in the Financial Services Sector (FinMan Committee) to promote financial services manpower development in Hong Kong.

The Government set up the FinMan Committee in June 2000 to foster better coordination of efforts between the industry and academia on financial services manpower development. The FinMan Committee comprises industry practitioners, representatives from universities, training institutes, industry professional organisations, financial regulators and the Government. The Financial Services Branch provides secretarial and other administrative support to the FinMan Committee.

Through its four Working Groups, the FinMan Committee provides advice on various areas including partnership between the industry and the academia, compilation of manpower statistics and professional training. Also, the FinMan Committee has organised a high-level workshop on “Developing Financial Talent for the Next Decade - A Tripartite Approach” for senior management from the market, academia and Government in December 2009 to examine the challenges for financial services manpower development and the areas for improvement from various perspectives in light of the latest financial landscape. The workshop was attended by some 90 participants from the financial services industry, universities, professional and regulatory bodies as well as the Government. The FinMan Committee is following up the suggestions of workshop participants to strengthen communication and collaboration between the universities and the industry so that the curriculum design could better meet industry needs, and to encourage more participation from the industry in the training of undergraduates through, for example, offering internships. In addition, the FinMan Committee has planned to look into the relevant measures adopted by other Asian cities to promote manpower development for the financial services sector for reference purpose.

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)029

Question Serial No.

2584

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

Subhead (No. & title) :

Programme : Financial Services

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Regarding taking forward the review of proposals for introducing a corporate rescue procedure to help companies in financial difficulty turn around, what is the progress of the review? When will it be introduced into the Legislative Council for scrutiny?

Asked by : Hon. IP Wai-ming

Reply :

Since early last year, we 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.

We conducted a public consultation on legislative proposals for a corporate rescue procedure between late October 2009 and late January 2010. We have received 58 submissions. We 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.

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.

We plan to prepare draft legislation for introduction into the Legislative Council in the 2010-11 legislative year.

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)030

Question Serial No.

0673

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 :

During 2010-11, the Financial Services Branch will continue to take forward in phases the recommendations in the reports prepared by the Hong Kong Monetary Authority and the Securities and Futures Commission on the Lehman Brothers Minibonds incident. In this regard, what are the specific measures, the implementation timetable and the breakdown of expenditure involved?

Asked by : Hon. LAM Tai-fai

Reply :

Following the Minibonds incident, the Administration, the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) formulated an action plan in early 2009 to implement in phases recommendations to further improve Hong Kong's financial regulatory system and strengthen investor protection.

In the past year, HKMA issued circulars to banks requiring them to attach "health warnings" to retail derivative products, to implement internal mystery shopper programmes, to audio-record the sales process of investment products, and to have clear segregation between the general banking business and securities-related activities, etc. SFC's September 2009 consultation also covered proposals on regulation of sales practice and conduct of intermediaries, such as introduction of a cooling-off period and disclosure of commissions or other benefits arising from investment sales. The costs relating to these measures will be borne by stakeholders, and no government funding is required.

For the longer-term measures, we are consulting the public on proposals to establish an Investor Education Council (IEC) and a Financial Dispute Resolution Centre (FDRC). Under the proposals, IEC will be a company wholly owned by SFC, and will not require government funding; whereas the set-up costs (estimated to be \$15 million) and fixed operation costs of FDRC in the first three years (estimated to be \$55 million a year) will be shared by the Government, HKMA and SFC. Thereafter, FDRC should be funded by the financial industry, and to a lesser extent, the claimants.

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)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)034

Question Serial No.

2047

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 paragraph 79 of the Budget Speech, the Financial Secretary mentioned that the Government will “Study the introduction of a corporate rescue procedure, with a view to reducing corporate bankruptcy and preserving employment”. Please advise on:

- (a) the amount of provision earmarked for the rescue procedure, and the estimated number of companies using the procedure in 2010-11;
- (b) the estimated number of jobs to be preserved by the procedure in 2010-11 .

Asked by : Hon. WONG Sing-chi

Reply :

The corporate rescue procedure we propose to introduce is a statutory procedure which provides a moratorium for companies in financial difficulty so that they can restructure their business or debts, or seek capital injection to turn themselves around, through the assistance of an independent professional appointed as a provisional supervisor.

The introduction of corporate rescue procedure requires enacting relevant legislation. We plan to introduce the concerned Bill into the Legislative Council in the 2010-11 legislative year. The corporate rescue procedure will not involve the use of any public funds for injection into or as loans for the companies being rescued. Therefore, we have not earmarked any amount of provision for the procedure.

The corporate rescue procedure is intended as an additional option for companies in financial difficulty to be rescued. Whether a company can ultimately be rescued depends on a host of factors. It is difficult for us to estimate how many companies will use the procedure and predict how many jobs can be preserved as a result.

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.

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)036

Question Serial No.

1641

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 provide input and support to the reviews on banking-related matters. What are the topics of the reviews? Is there any timetable and will the findings of the reviews be made public?

Asked by : Hon. WONG Ting-kwong

Reply :

In 2010-11, the Financial Services Branch will continue to provide policy input and support to the Hong Kong Monetary Authority (HKMA), facilitating the latter to conduct reviews on banking-related matters. Major topics of review include how to implement in Hong Kong the post-global financial crisis recommendations put forth by the international organisations/fora such as the Financial Stability Board and the Basel Committee on Banking Supervision for enhancing the resilience of the banking system worldwide. These recommendations cover such requirements as banks' capital adequacy, liquidity, risk management and corporate governance.

The current plan of the HKMA is to implement the relevant enhancement measures in Hong Kong according to the timetables proposed by the international organizations/fora concerned as far as practicable. Implementation timetables may differ for different measures. The HKMA will continue to closely monitor the discussion of the international organizations/fora on implementation timetables. We shall report to the Legislative Council at an appropriate juncture on measures that are required to be implemented by way of legislative amendments.

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.

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.

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)041

Question Serial No.

1686

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 :

During 2010-11, the Financial Services Branch will continue to advance financial co-operation with the Mainland. Would the Administration advise us whether it has assessed the effectiveness of previous financial co-operation with the Mainland? What are the specific plans to take things forward in the future? Will efforts be stepped up to forge ahead, including increasing the expenditure and manpower involved?

Asked by : Hon. WONG Ting-kwong

Reply :

We are striving to advance financial co-operation with the Mainland, and there has been good progress on various fronts. Details and major work of the coming year are as follows –

(a) Developing offshore Renminbi (“RMB”) business

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. We, together with the Mainland authorities, 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 Renminbi-denominated products on the SEHK. The multi-currency market infrastructure of SEHK is now ready to facilitate the listing of potential Renminbi products in the future.

(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.

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.

FSTB(FS)044

Question Serial No.

2142

Head : 26 Census and Statistics Department Subhead (No. & title) :Programme : (2) Social StatisticsControlling Officer : Commissioner for Census and StatisticsDirector of Bureau : Secretary for Financial Services and the TreasuryQuestion :

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-cheReply :

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.

FSTB(FS)045

Question Serial No.

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.

FSTB(FS)046

Question Serial No.

2414

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>	T-contract : 1 (No change) Others : Ranges from 1 to 2 (No change to +100%)	T-contract : 1 Others : 1 (No change)	T-contract : 0 Others : 1
Contract sum for each EA		T-contract : \$126,000 (+473%) Others : Ranges from \$233,000 to \$1,285,000 (+50% to +171%)	T-contract : \$22,000 Others : Ranges from \$155,000 to \$474,000 (+605% to +2055%)	T-contract : 0 Others : \$22,000
Term of service for each EA		T-contract : 8 months (+471%) Others : Ranges from 10 to 12 months (+400% to +100%)	T-contract : 1.4 months Others : Ranges from 2 to 6 months (No change to +200%)	T-contract : 0 Others : 2 months
Number of workers supplied by each EA and their duties		T-contract : 1 worker for IT support (No change) Others : Ranges from 3 to 15 workers for general office support. (+50% to –21%)	T-contract : 1 worker for IT support Others : Ranges from 2 to 19 workers for technical and general office support. (+100% to +1800%)	T-contract : 0 Others : 1 worker for general office support.
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.

FSTB(FS)051

Question Serial No.

1327

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.

FSTB(FS)052

Question Serial No.

1328

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.

FSTB(FS)053

Question Serial No.

1329

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 labouing services	For provision of statistical, information technology, cleansing and labouing services	For provision of statistical, information technology, cleansing and labouing 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)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.