

**Replies to initial written questions raised by Finance Committee Members
in examining the Estimates of Expenditure 2011-12**

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

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Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)001

Question Serial No.

0118

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 estimated expenditures in 2011-12 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? Please provide a breakdown of figures together with relevant explanations.

Asked by : Hon. CHAN Kam-lam

Reply :

In the 2011-12 estimate, a provision of \$9.82 million (M) has been reserved for conducting hearings before the Market Misconduct Tribunal (MMT) and the Securities and Futures Appeals Tribunal (SFAT). The provision is \$1.72M lower than the approved estimate for 2010-11. Since the Insider Dealing Tribunal completed its last case in November 2009, it has ceased operation and thus we have not made any provision for it. The estimates for MMT and SFAT are set out below –

Tribunal	2010-11	2011-12
	Approved Estimate	Estimate
MMT	\$10.29M	\$8.88M
SFAT	\$1.25M	\$0.94M
Total	\$11.54M	\$9.82M

In light of past experience, expenses like overseas witness and video conferencing in some MMT hearings may be lower than our estimate. In addition, there would be possible withdrawals of SFAT cases and hearings by the Chairman of SFAT solely. These would result in lower-than-expected expenses for the hearings on members' fees, verbatim reporting and interpretation services, etc. We have hence slightly adjusted the provision sought for 2011-12.

Signature _____

Name in block letters _____

Miss AU King-chi

Post Title _____

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

Date _____

15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)002

Question Serial No.

0450

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 the past three years (i.e. 2008-09, 2009-10 and 2010-11), did the Government study in details a merger/acquisition between the Hong Kong Exchanges and Clearing Limited and any other overseas exchanges? If yes, when was it and which bureau/department did it or was a consultancy firm hired to do it and how much consultancy fee was involved? If no, has funding been earmarked for conducting a study in this regard in the future?

Asked by : Hon. CHAN Kam-lam

Reply :

The Government and the Securities and Futures Commission have been keeping in view the various proposals of mergers between exchanges overseas, so as to consider the potential implications to Hong Kong as China's Global Financial Centre. The various merger proposals keep us on the alert that we should continue to strengthen Hong Kong's competitiveness.

Any proposed merger between the Hong Kong Exchanges and Clearing Limited (HKEx) and other exchanges has to be considered by the HKEx. The Government did not embark on such study in the past three years. The HKEx made an announcement on 11 February 2011 as follows:

“We are aware of the recent announcements by leading global exchanges regarding contemplated merger transactions and are monitoring these developments. At this point in time, HKEx is not involved in any discussions with other exchanges or industry participants regarding mergers or alliances involving equity ownership. Our Strategic Plan for 2010 to 2012 remains unchanged. As stated in our plan, where appropriate, we may seek strategic alliances with technology providers, industry participants and our regional and global counterparts to expedite our growth initiatives. Any alliance we pursue would need to present strategically compelling benefits consistent with our focus on markets in Greater China.”

The Government has not earmarked any separate funding for conducting a study on the merger of HKEx with other exchanges.

Signature	
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)004

Question Serial No.

0539

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 :

According to Head 148 – Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch), the Administration will prepare detailed proposals on the establishment of an independent Insurance Authority and engage stakeholders in the process. The Insurance Authority is expected to come into operation in 2013-14 subject to the proposals being endorsed by the Legislative Council. In this connection, please advise this Committee whether, given the existing manpower stringency of the Office of the Commissioner for Insurance, the Government will earmark resources for the purpose of increasing the manpower of the Office during the interim period so as to ensure that its day to-day operation will not be affected. If yes, what are such resources?

Asked by : Hon. CHAN Kin-por

Reply :

The Government has completed the public consultation on the proposed establishment of an independent Insurance Authority (IIA) in the fourth quarter of 2010. We are now analysing the views collected from the insurance industry and the general public. We aim to announce the consultation conclusions within the first half of this year, and will continue to engage the industry and other stakeholders in developing detailed proposals.

To strengthen the prudential regulation of insurance companies and to prepare for implementation of the proposed anti-money laundering regulatory regime for the financial sector, the Office of the Commissioner of Insurance (OCI) has recruited 26 staff (composed of 3 Senior Managers, 9 Managers, 9 Assistant Insurance Officers and 5 support staff) since 2010. The OCI will review its staffing situation from time to time to ensure that adequate resources are allocated to carry out its regulatory functions.

Signature	
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	16.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)005

Question Serial No.

2310

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 :

According to the Controlling Officer's Report in Head 148 – Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch) in Volume IA, the Government will prepare detailed proposals on the establishment of a Policyholders' Protection Fund to better protect policyholder's interests in the event of an insurer's insolvency. In this connection, please advise this Committee of:

- (a) when the Government will begin to prepare the proposals, what subjects the proposals will cover, what the expenditure involved is, how long the legislative process is expected to take, and when the whole legislative process can be completed;
- (b) whether the Government will set aside funds for making advances to the Fund initially so that the Fund can come into operation as soon as possible.

Asked by : Hon. CHAN Kin-por

Reply :

- (a) The Government will soon consult the public on the proposals to establish a Policyholders' Protection Fund (PPF). Depending on the views to be collected from the public consultation, we aim to finalize the proposals by end of this year. Assuming smooth progress of the preparatory work, we expect that the proposed PPF can be implemented in 2013-14 at the earliest.

In order to take forward the proposed establishment of a PPF, and also prepare the consultation conclusions and develop detailed proposals on the proposed establishment of an independent Insurance Authority to facilitate public discussion and further engagement with the industry and stakeholders, we have obtained the support of the Establishment Subcommittee of the Finance Committee (FC) of the Legislative Council on 16 February 2011 to create a supernumerary Administrative Officer Staff Grade C post. The staffing proposal will be put to the FC in April 2011 for approval. The proposed creation of the supernumerary post will incur a full annual average staff cost of \$2,097,000. The post holder will be supported by three non-directorate posts (including one Senior Administrative Officer, one Personal Secretary I and one Assistant Clerical Officer) and their full annual average staff cost is \$2,272,000. We have included the necessary provision in the Estimates of 2011-12.

- (b) The Government's proposals to establish a PPF will include a mechanism to bridge any funding gap in the interim caused by an insurer insolvency before the PPF has reached an adequate size. We will consider possible options such as allowing the PPF to borrow from the Government or from a third party with the Government acting as the guarantor. We will take into account the views to be received from the public consultation when finalizing the proposals.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)006

Question Serial No.

3025

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 :

Earlier on, I received allegations from investors that a listed company had cancelled its rights issue after the ex-all date, which caused losses to many small investors. While this practice has not violated the existing Listing Rules, it is obviously indicative of a loophole in the protection of investors. In 2011-12, will the Government make provisions for reviewing the existing Listing Rules to strengthen protection for small investors? If yes, what are the details of the relevant plan and the estimated expenditure? If no, what are the reasons?

Asked by : Hon. CHAN Tanya

Reply :

The Listing Rules are made and administered by the Stock Exchange of Hong Kong Limited (SEHK). On 17 December 2010, the SEHK published a consultation paper on Ex-entitlement Trading and Shareholder Approval. The paper sought views on whether shares should be traded ex-entitlement only after the entitlement has been approved by shareholders. The proposed changes aim to remove the risk of uncertainty (i.e. sellers may not receive the entitlement as expected if the distribution is blocked by shareholders at the general meeting) arising from ex-entitlement trading. The consultation ended on 28 February 2011. The SEHK is currently considering and analyzing the responses received, and if appropriate, will consider rule amendments. It expects to complete the consultation conclusion in the second quarter of this year. According to the Securities and Futures Ordinance, the Listing Rules made by the SEHK shall not have effect unless it has the approval of the Securities and Futures Commission.

The above exercise does not involve government expenditure.

Signature _____
Name in block letters _____ Miss AU King-chi
Post Title _____ Permanent Secretary for Financial Services
and the Treasury (Financial Services)
Date _____ 15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)007

Question Serial No.

3026

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 Administration has stated under this programme that it will liaise with the banking sector to discuss ways to improve banking services. In 2011-12, has the Administration drawn up any work plan to discuss with the banks to explore ways to improve banking services for the elderly and other vulnerable groups (e.g. persons with disabilities)? If yes, what are the details of such plans, the timetable and the estimated expenditure? If no, what are the reasons?

Asked by : Hon. CHAN Tanya

Reply :

The Hong Kong Monetary Authority (HKMA) has been maintaining close liaison with the banking industry on measures to address the needs for banking services from various sectors of the community. In view of this, the Task Force on Financial Services Delivery Channels (the Task Force), which comprises representatives from the banking industry, the Government and the HKMA, was formed in 2006. The HKMA has been making use of the Task Force as the platform to take forward various initiatives on improving the provision of banking services. Over the past five years, banks have launched a number of initiatives to improve the provision of banking services to the elderly and other vulnerable groups such as people with disabilities. Examples include opening bank branches/installing automatic teller machines (ATMs) in various districts where practicable, introducing a simplified version of ATMs for the convenient use of the elderly, rolling out a community-wide ATM education campaign to educate the public (especially the elderly) on how to use ATMs, deploying service ambassadors at bank branches, expanding the coverage of retail outlets providing EPS cash withdrawal services from chain supermarkets to convenience stores, and installing protruding symbols on ATMs to facilitate the use of ATMs by the visually impaired.

In 2011-12, the relevant work plan would cover the following three major areas -

- (a) regarding the elderly - the education campaign focusing on educating the elderly on how to use ATMs has been conducted for four years. In view of the favorable response, the Task Force plans to continue to organize the education campaign with a view to promoting the use of ATMs to more elderly people;
- (b) regarding other vulnerable groups such as people with disabilities - the banking industry has been gauging the needs for banking services from various customer groups, including the vulnerable groups, through various channels (apart from seeking views of Legislative Council members and the public, the industry also meets with social service organizations such as the Hong Kong Council of Social Service). The banking industry will continue to liaise with the Hong Kong Council of Social Service on the provision of banking services of greater convenience to the visually impaired; and

- (c) regarding customers who need special assistance - the HKMA will continue to encourage banks to deploy service ambassadors at branches so as to assist the elderly, people with disabilities and other customers with special needs in handling issues related to banking and financial services.

The HKMA will continue to take forward these initiatives through the Task Force, and encourage the banking industry to consider actively the feasibility of various proposals for improving banking services to the elderly and other vulnerable groups.

The costs relating to the above measures will be borne by the banks, and no government funding is required.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)008

Question Serial No.

3027

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 has proposed to promote the development of Islamic financial products in Hong Kong over the past years, but no significant result or progress has been made. In this regard, will the Government advise this Committee on:

- a. the work plan, timetable and estimated expenditure for promoting Islamic financial products by the Administration in 2011-12; and
- b. whether the Administration will allocate resources for conducting a study and review on Islamic financial products in 2011-12 to see whether Hong Kong still has advantages in developing Islamic financial products. If yes, what are the plan and estimated expenditure of the relevant study? If no, what are the reasons?

Asked by : Hon. CHAN Tanya

Reply :

- a. The Government has been in close co-operation with the Hong Kong Monetary Authority, the Securities and Futures Commission and the industry to develop an Islamic financial platform in Hong Kong. Our efforts include encouraging product development, raising market awareness of Islamic financial products, strengthening co-operation with other Islamic financial markets, and proactively promoting Hong Kong's policy initiatives and strategies in developing Islamic finance to overseas markets. To achieve this, we shall amend the Inland Revenue Ordinance (Cap. 112) and Stamp Duty Ordinance (Cap. 117) in 2011-12 to promote Islamic bond market development. The relevant amendments seek to level the playing field for common types of Islamic bonds vis-à-vis conventional bonds as far as tax liabilities are concerned. We plan to introduce the relevant amendment bill into the Legislative Council in the second half of 2011.
- b. Regarding the development of Islamic finance, especially the Islamic bond market, the Government and the regulatory bodies have been actively listening to market views with a view to drawing up targeted and effective development strategies. As an international financial centre, Hong Kong possesses a sound legal system and regulatory framework, as well as well-developed market infrastructure. These are the advantages of Hong Kong in developing an Islamic finance platform. Also, with the gradual liberalisation of the Mainland's financial market, Hong Kong can position itself as the financial intermediation channel between the Mainland and overseas Islamic financial markets. We will review our development policies and strategies from time to time having regard to the latest developments of the international markets.

As far as the development of Islamic financial products is concerned, the Government and the regulatory bodies have been in close contact with market players to encourage development of Islamic financial products, and to understand the market conditions and needs in order to formulate appropriate policies and optimise market infrastructure, thereby creating a conducive environment for the development of Islamic financial products. In fact, various Islamic financial products have been launched in Hong Kong since end 2007. These include Islamic bonds, funds, loan syndication, index and banking window. We will continue our efforts in future and look forward to the launch of more Islamic financial products in Hong Kong.

These efforts will be jointly pursued by the Financial Services Branch and the regulatory bodies. 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	16.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)009

Question Serial No.

3032

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 has earlier planned to put into implementation a so-called “quasi-free” scheme of the Mandatory Provident Fund, i.e. allowing employees to choose a trustee for the accrued benefits arising from their own portion of contributions. In 2011-12, what are the work plans of the Government in this regard to take forward the enactment of legislation, implementation and publicity of this scheme and the estimated expenditure? If there is no such work plan, what are the reasons?

Asked by : Hon. CHAN Tanya

Reply :

The Administration and the Mandatory Provident Fund Schemes Authority are preparing detailed proposals to strengthen the existing regulatory arrangements for Mandatory Provident Funds (MPF) intermediaries. We plan to consult the Legislative Council Panel on Financial Affairs on the legislative proposals shortly. If all goes smoothly, we aim to introduce the relevant Bill into the Legislative Council within this year with a view to completing the legislative exercise within the 2011-12 legislative year, such that the Employee Choice Arrangement can be implemented as soon as possible.

The Administration is taking forward the legislative proposals for strengthening MPF intermediaries regulation with existing resources.

Signature	
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)010

Question Serial No.

3033

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 :

There are many people in the society who say that the system for monitoring the insurance industry in Hong Kong needs further improvements, and my office has received from time to time views and complaints concerning the insurance industry. In 2011-12, will the Government consider making additional provisions for reviewing the monitoring mechanism of the insurance industry and introducing new monitoring measures when necessary? If yes, what are the details of the relevant plan? If no, what are the reasons?

Asked by : Hon. CHAN Tanya

Reply :

To align with international regulatory requirements and to cope with the rapid development of the insurance industry, the Government proposes to establish an independent Insurance Authority (IIA), in place of the Office of the Commissioner of Insurance, and to vest it with more comprehensive powers for the regulation of insurers and insurance intermediaries, with a view to maintaining stability of the insurance industry and strengthening protection of policyholders' interest. The proposed IIA may also perform new functions, such as conducting thematic researches and studies into the latest market development trends and regulatory concerns both at local and international levels, as well as organizing public education activities in order to raise literacy amongst consumers regarding insurance products. The Government has completed a public consultation exercise on the broad framework of proposals for establishing an IIA in the fourth quarter of 2010. We are now analysing views from the insurance industry and the general public. We aim to announce the consultation conclusions within the first half of this year, and will continue to engage the industry and other stakeholders in developing detailed proposals.

In addition, we propose to commission a consultancy study on a risk-based capital framework for insurance business in Hong Kong to enhance the prudential regulation of the insurance industry in line with the risk-based capital frameworks adopted in many advanced countries. We plan to submit the funding application to the Legislative Council in the second quarter of 2011.

Signature _____

Name in block letters _____

Miss AU King-chi

Post Title _____

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

Date _____

17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)011

Question Serial No.

3736

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 advise us concerning the past five years (2006-07 to 2010-11):

- (a) what is the total amount of Mandatory Provident Fund (MPF) accrued benefits used to offset severance payments annually and what is the average offset amount?
- (b) What is the annual number of people whose MPF accounts were used to offset severance payments according to the offset amount?
- (c) What is the annual number of people whose MPF accounts were used to offset severance payments according to the total amount of yearly contributions?
- (d) What is the annual number of people whose MPF accounts were used to offset severance payments according to the account of accrued benefits?

Asked by : Hon. CHEUNG Kwok-che

Reply :

- (a) According to the Mandatory Provident Fund Scheme Authority (MFPA), the amount of severance payments and long service payments offset from the accrued benefits held in MPF schemes in accordance with section 12A of the Mandatory Provident Fund Schemes Ordinance from 2006 to 2010 is as follows -

Calendar Year	Amount of severance payments and long service payments offset from accrued benefits (HK\$ million)
2006	1,634
2007	1,743
2008	1,876
2009	2,587
2010	2,103

Based on the above information, the average total annual payment from 2006 to 2010 is around HK\$1,989 million per year.

(b)-(d) MPFA does not have the information requested.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)012

Question Serial No.

3894

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 pointed out in the Estimates that the Government will continue to monitor the operation of the Mandatory Provident Fund (MPF) System in 2011-12. In this regard,

- (a) please provide the number of people whose MPF accrued benefits come within the following ranges (below \$50,000, between \$50,000 and below \$100,000, between \$100,000 and below \$500,000, between \$500,000 and below \$1 million, and \$1 million or above) in 2011 (end of February) according to age group (under 25, between 25 and 39, between 40 and under 55, between 55 and 65).
- (b) please provide the number of people withdrawing fund from their MPF accounts in each of the past five years (2006-07 to 2010-11) according to the amount of MPF accrued benefits at the time (below \$50,000, between \$50,000 and below \$100,000, between \$100,000 and below \$500,000, between \$500,000 and below \$1 million, and \$1 million or above).

Asked by : Hon. CHEUNG Kwok-che

Reply :

The Mandatory Provident Fund Schemes Authority (MPFA) does not have the information requested. Related information is set out below –

- (a) The accrued benefits of MPF scheme members by age group is as follows –

Age group	Accrued benefits of MPF scheme members as at end December 2009 (HK\$ million)
Less than 25	7,064
25 to 39	118,576
40 to 54	140,243
55 to 64	40,958
65 or above	2,029
Total	308,870

(b) The amount of accrued benefits paid from MPF schemes from 2006 to 2010 is as follows -

Year	Amount of benefits paid (HK\$ million)
2006	5,255
2007	6,584
2008	6,014
2009	7,063
2010	8,191

Signature _____
Name in block letters Miss AU King-chi
Post Title Permanent Secretary for Financial Services
and the Treasury (Financial Services)
Date 17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)013

Question Serial No.

1706

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 in 2011-12, it is mentioned that the Administration will “continue to enhance Hong Kong’s position as a premier international capital formation centre, asset management centre and offshore Renminbi business centre in Asia”. Will the Government advise us of:

- a) the amount of expenditure relating to the above work;
- b) the details of the work plan; and
- c) the objectives it hopes to achieve.

Asked by : Hon. HO Chun-yan, Albert

Reply :

Our policy objective is to develop Hong Kong as a global capital formation centre, asset management centre and offshore Renminbi (RMB) business centre to attract capital and talent, with a view to providing world-class, comprehensive and quality financial services in the Asian time zones.

International Capital Formation and Asset Management Centre

Hong Kong remained first worldwide in 2010 in terms of the total amount of funds raised through initial public offerings. In 2010, we had the first Russian company, the first French company, the first Brazilian company and two giant insurers from the UK and the US respectively listed on the Stock Exchange of Hong Kong Limited (SEHK).

Besides, Hong Kong’s combined fund management business rebounded significantly to \$8,500 billion by the end of 2009, representing a year-on-year growth of about 45 per cent. Around 64% of the combined fund management business in Hong Kong was sourced from non-Hong Kong investors.

To enhance the competitiveness of our capital formation and asset management platforms, we have been improving our regulatory regime in cooperation with the regulators to ensure a fair, orderly and transparent market. Efforts to enhance market quality include rationalizing the public offering regime for structured products; preparing for the establishment of an investor education council and a financial dispute resolution centre; introducing legislative amendments on disclosure of price sensitive information by listed corporations; and proposing the establishment of an independent Insurance Authority, etc. Relevant initiatives to facilitate market development include rewriting the Companies Ordinance and modernising the trust law. Also, we are working on a bill to provide a level playing field in terms of tax liabilities for facilitating the issuance of Islamic bonds. As regards listing platform specifically, the SEHK is planning to accept corporations from more overseas jurisdictions to apply to list in Hong Kong, including India and

South Africa. Moreover, we have been seeking to enter into more agreements for the avoidance of double taxation (CDTA). Since the Inland Revenue (Amendment) Ordinance 2010 came into effect in March 2010, we have signed CDAs with 13 trading and investment partners as at end February 2011. On providing fiscal incentives, apart from abolishing estate duty and exempting offshore funds from profit tax since 2006, we have extended the scope of stamp duty concession in respect of the trading of exchange traded funds (ETFs) since February 2010. Besides, the Inland Revenue (Amendment) Ordinance 2011, which seeks to effect the enhancement measures for the Qualifying Debt Instrument Scheme, will commence operation on 25 March 2011. In addition, the Securities and Futures Commission will facilitate the operation of offshore funds through updating the lists of specified exchanges under the Securities and Futures Ordinance. In parallel we are stepping up our efforts to promote Hong Kong as China's Global Financial Centre.

Offshore RMB Business Centre

With the support of the Central Government and the relevant Mainland authorities, the development of offshore RMB business in Hong Kong has made satisfactory progress in 2010. As at end January 2011, RMB deposits in Hong Kong totalled around RMB 370 billion. From July 2009 to January 2011, RMB trade settlement conducted through Hong Kong amounted to RMB 479 billion. As at end February 2011, there were 37 RMB bond issues, with a total issuance size of over RMB 80 billion.

We will continue to develop the offshore RMB business in Hong Kong. It must be in tandem with the pace of Mainland's liberalisation of capital account. It must seek to support real economic activities such as trade and investment with controllable risks through gradual increase in the circulation and interaction between the offshore RMB market in Hong Kong and the onshore market in the Mainland. Areas of focus in the coming year include attracting more foreign enterprises to use Hong Kong's RMB settlement services; encouraging more Hong Kong, international and Mainland institutions and enterprises to issue RMB bonds in Hong Kong; and seeking to establish channels for enterprises to invest in the Mainland the RMB funds raised in Hong Kong.

The relevant work will be taken up by the Financial Services Branch and relevant financial regulators. 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	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
 INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)014

Question Serial No.

0724

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 consultancy studies (if any) commissioned by the Financial Services and the Treasury Bureau (Financial Services Branch) and its departments for the purpose of formulating and assessing policies, please provide information in the following format.

(a) Using the table below, please provide information on studies on public policy and strategic public policy for which funds had been allocated between 2008-09 and 2010-11:

Name of consultant	Mode of award (open auction / tender / others (please specify))	Title, content and objectives of project	Consultancy fee (\$)	Start Date	Progress of study (under planning / in progress / completed)	Follow-ups taken by the Administration on the study reports and their progress (if any)	If completed, have they been made public? If yes, through what channels? If no, why?

(b) Are there any projects for which funds have been reserved for conducting consultancy studies in 2011-12? If yes, please provide the following information:

Name of consultant	Mode of award (open auction / tender / others (please specify))	Title, content and objectives of project	Consultancy fee (\$)	Start Date	Progress of study (under planning / in progress / completed)	For the projects that are expected to be completed in 2010-11, is there any plan to make them public? If yes, through what channels? If no, why?

(c) What are the criteria for considering the award of consultancy projects to the research institutions concerned?

Asked by : Hon. HO Sau-lan, Cyd

Reply :

(a)

Name of consultant	Mode of award (open auction / tender / others (please specify))	Title, content and objectives of project	Consultancy fee (\$)	Start Date	Progress of study (under planning / in progress / completed)	Follow-ups taken by the Administration on the study reports and their progress (if any)	If completed, have they been made public? If yes, through what channels? If no, why?
Price Waterhouse Coopers Limited	Tendering	<p>Consultancy Study on the Establishment of an Independent Insurance Authority (IIA) in Hong Kong.</p> <p>The study aims to prepare proposals on the corporate governance, organization structure, funding mechanism, regulatory regime, and checks and balances of the proposed IIA.</p>	\$5.875 million	19 November 2007	Completed	<p>We completed the public consultation in the fourth quarter of 2010 on the IIA proposal. We are now carefully examining the comments received.</p> <p>We aim to issue the consultation conclusions in the first half of 2011 and shall further engage the industry and other stakeholders in developing detailed proposals.</p>	The findings and recommendations in the consultancy report have been incorporated in the public consultation document issued in July 2010.
KPMG	Tendering	<p>Consultancy Study on the Establishment of a Policyholders' Protection Fund (PPF) in Hong Kong.</p> <p>The Study aims to prepare proposals on the detailed arrangements for the proposed PPF such as the coverage, funding mechanism, levy rate, target fund size and governance arrangements, etc.</p>	<p>\$2 million</p> <p>(a) \$1.83 million for Consultancy Services</p> <p>(b) \$0.17 million for Additional Services on dynamic models, if required by the Government after the completion of (a)</p>	19 March 2010	Near completion	We plan to launch a public consultation exercise shortly on the proposals for a PPF.	Not yet completed

(b)

Name of consultant	Mode of award (open auction / tender / others (please specify))	Title, content and objectives of project	Consultancy fee (\$)	Start Date	Progress of study (under planning / in progress / completed)	For the projects that are expected to be completed in 2010-11, is there any plan to make them public? If yes, through what channels? If no, why?
N/A	Tendering	Consultancy Study on Risk-based Capital Framework for Insurance Business in Hong Kong. The study aims to prepare detailed proposals on how Hong Kong may adopt the risk-based capital framework.	Subject to the result of the tender exercise.	Earliest anticipated start date is Dec 2011.	Under planning	Not expected to be completed in 2010-11.
N/A	Quotation	Beneficiaries' right to information under a trust To research into relevant laws and experience of other jurisdictions on beneficiaries' right to information under a trust, and study whether Hong Kong should legislate on this issue.	Subject to the result of the quotation exercise.	Q2 2011	Under planning	Not expected to be completed in 2010-11.

- (c) In line with the assessment criteria generally adopted by government departments in tendering exercises, our major considerations in awarding the relevant contracts are the consultant firm's past experience and performance; experience, expertise and professional qualifications of the project team; time and resources pledged by the consultant firm; and the project cost.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	16.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
 INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)015

Question Serial No.

2751

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 regard to the implementation of the Framework Agreement on Hong Kong/Guangdong Co-operation (the Framework Agreement) and growing co-operation between Hong Kong and the Mainland in recent years, please provide relevant information on Hong Kong/Mainland cross-boundary projects or programmes in which the Financial Services and the Treasury Bureau (Financial Services Branch) and departments under its purview are or have been involved.

a) For Hong Kong/Mainland cross-boundary projects or programmes from 2008-09 to 2010-11, please provide information in the following format:

Project/ programme title	Details, objective and whether it is related to the Framework Agreement	Expenditure involved	Name of Mainland department/ organisation involved	Progress (% completed, start data, anticipated completion date)	Have the details, objective, amount involved or impact on the public, society, culture and ecology been released to the public? If yes, through which channels and what were the manpower and expenditure involved? If no, what are the reasons?

b) For Hong Kong/Mainland cross-boundary projects or programmes in 2011-12, please provide information in the following format:

Project/ programme title	Details, objective and whether it is related to the Framework Agreement	Expenditure involved	Name of Mainland department/ organisation involved	Progress (% completed, start data, anticipated completion date)	Will the details, objective, amount involved or impact on the public, society, culture and ecology be released to the public? If yes, through which channels and what will be the manpower and expenditure involved? If no, what are the reasons?

c) Apart from the projects or programmes listed above, are there any other modes of cross-boundary co-operation? If yes, what are they? What were the manpower and expenditure involved in the past 3 years, and how much financial and manpower resources are earmarked in the 2011-12 Estimates?

Asked by : Hon. HO Sau-lan, Cyd

Reply :

The Framework Agreement on Hong Kong/Guangdong Co-operation (Framework Agreement) was signed on 7 April 2010. On financial cooperation, the Framework Agreement reinforces the positioning of Hong Kong's financial industry and builds a financial co-operative region with Hong Kong's financial system taking the lead and supported by the financial resources and services of the Pearl River Delta cities. According to the Framework Agreement, Hong Kong and Guangdong will further strengthen financial market co-operation. Also, both sides will jointly take forward the cross-border Renminbi (RMB) trade settlement pilot scheme. This will reduce exchange rate risk for cross-border trade and increase the RMB trade and financing business in Hong Kong.

Implementation progress of the above mentioned measures includes: as at end January 2011, 123 Guangdong enterprises, which together raised a total of HK\$ 268 billion, were listed in Hong Kong. Besides, as at end February 2011, four Hong Kong banks have been approved by the China Banking Regulatory Commission Guangdong Bureau to set up a total of 12 sub-branches in Guangdong by means of "cross-location sub-branches" measure under Closer Economic Partnership Arrangement (CEPA) Supplement VI. As regards RMB business, in June 2010, relevant Mainland authorities expanded the RMB trade settlement pilot scheme from the original 5 cities to 20 provinces and cities in the Mainland, including Guangdong. In December 2010, Mainland authorities announced an expanded list of eligible Mainland enterprises that can settle merchandise exports in RMB under the scheme. The number of Mainland enterprises had increased from 365 to 67,359, of which about 7% are Guangdong enterprises. From January to December 2010, the amount of RMB trade settlement conducted through Hong Kong amounted to RMB369 billion. Following the substantial expansion of geographic coverage of the RMB trade settlement pilot scheme in the second half of 2010, about 30% of trade settlement is conducted between Hong Kong and Guangdong.

The 2011 Work Plan of the Framework Agreement was announced at the 16th Working Meeting of Hong Kong-Guangdong Co-operation Joint Conference. Relevant authorities and financial regulators of both sides will enhance co-operation in a number of areas including the promotion of cross-border RMB trade settlement business, financing of Guangdong enterprises in Hong Kong, mutual establishment of institutions in both places (including the setting up of joint venture securities investment advisory companies), and the launch of ETF (exchange-traded fund) in the Mainland with portfolios constituted by Hong Kong listed stocks.

The relevant work will be taken up by the Financial Services Branch and relevant financial regulators. 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	16.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)016

Question Serial No.

1244

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 provide details of the Administration's implementation of the policy associated with the "initiatives to co-ordinate the human resources development for the financial services sector" in 2010-11, and the work plan for this item in 2011-12.

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 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 FinMan Committee comprises members from the financial sector, academia and training institutes, regulators and Government. The Financial Services Branch provides secretarial and other administrative support to the FinMan Committee.

During 2010-11, the FinMan Committee continued to provide advice on partnership between the industry and the academia, compilation of manpower statistics and professional training. Leveraging its close ties with the industry, the FinMan Committee supported the Labour and Welfare Bureau in conducting the relevant consultations and surveys for its Manpower Projection exercise, organised the seventh event under the "Industry/Academia Collaboration on Nurturing Financial Talent Series", conducted a questionnaire survey and interviews with the financial sector on topics including talents development and import of skilled workers from the Mainland/overseas, explored with the Vocational Training Council on ways to strengthen its manpower surveys on the financial services and accountancy sectors, etc. For 2011-12, the FinMan Committee will continue to offer a communication platform for the financial sector, academia and training institutes, with a view to promoting development of training courses to meet market needs and experience-sharing by financial industry practitioners for university students.

Signature	Miss AU King-chi
Name in block letters	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Post Title	15.3.2011
Date	15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)017

Question Serial No.

1632

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 :

According to the section on Matters Requiring Special Attention in the coming year under the above Programme, the Administration will continue to develop a statutory corporate rescue procedure to help companies in financial difficulty turn around. Please advise us:

- (a) in the past 3 years, how many companies or enterprises have had employees' salaries, wages in lieu of notice and severance payment in arrears when going into liquidation, making it necessary for employees to seek recovery through the Labour Tribunal or for the Protection of Wages on Insolvency Fund to make advances;
- (b) when the Bill on the statutory corporate rescue procedure is expected to be introduced into the Legislative Council and when the legislation is expected to take effect; and
- (c) the amount of funding and manpower reserved in the coming year's estimates for taking forward the statutory corporate rescue procedure and implementing it after it takes effect.

Asked by : Hon. IP Wai-ming

Reply :

(a) Employees whose employer becomes insolvent may apply for ex-gratia payment from the Protection of Wages on Insolvency Fund (PWIF) for wages, wages in lieu of notice and severance payments owed. According to the Labour Department, there were 4 911, 6 717 and 4 359 applications approved for payment from PWIF respectively for the past three years (i.e. 2008 - 2010). Some of these cases involved adjudication by the Labour Tribunal (LT). The Labour Department does not have a breakdown of the number involving LT adjudication.

(b) and (c)

We are preparing legislative proposals to introduce a statutory corporate rescue procedure based on the consultation conclusions. Having considered the priorities of the legislative programme and the availability of relevant resources, we plan to incorporate the relevant legislative proposals into Phase II of the rewrite of the Companies Ordinance (i.e. on winding-up related provisions, etc), and take forward these proposals in the next term of the Legislative Council. In 2011-12, we shall continue to deploy manpower resources for performing these tasks. We do not have a separate breakdown for the manpower and expenditure involved in developing the statutory corporate rescue procedure.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)018

Question Serial No.

1633

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 :

According to the section on Matters Requiring Special Attention in the coming year under the above Programme, the Administration will prepare detailed proposals on the establishment of an independent Insurance Authority and engage stakeholders in the process. Please advise us:

- (a) what the current progress of this task is and what the views collected in the earlier public consultation exercise are:
- (b) what the Administration's plan and timetable are regarding this task in the coming year, when a final decision is expected to be taken on the need to establish an independent Insurance Authority and what the expenditure and manpower are estimated to be.

Asked by : Hon. IP Wai-ming

Reply :

The Government has completed the public consultation on the proposed establishment of an independent Insurance Authority (IIA) in the fourth quarter of 2010. We are now analysing the views collected from the insurance industry and the general public. We aim to announce the consultation conclusions within the first half of this year.

Whilst there is general support for the establishment of an IIA, we will give due regard to the views collected and continue to engage the industry and other stakeholders in developing detailed proposals.

In order to take forward the proposed establishment of a Policyholders' Protection Fund and also prepare the consultation conclusions and develop detailed proposals on the proposed establishment of an IIA to facilitate public discussion and further engagement with the industry and stakeholders, we have obtained the support of the Establishment Subcommittee of the Finance Committee (FC) of the Legislative Council on 16 February 2011 to create a supernumerary Administrative Officer Staff Grade C post. The staffing proposal will be put to the FC in April 2011 for approval. The proposed creation of the supernumerary post will incur a full annual average staff cost of \$2,097,000. The post holder will be supported by three non-directorate posts (including one Senior Administrative Officer, one Personal Secretary I and one Assistant Clerical Officer) and their full annual average staff cost is \$2,272,000. We have included the necessary provision in the Estimates of 2011-12.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	16.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
 INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)019

Question Serial No.

1720

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 :

In 2011-12, the Bureau intends to increase 9 non-directorate posts and 1 directorate post and therefore the operational expenses for 2011-12 is 19.6% higher than the revised estimate for 2010-11. What are the reasons for the increase of posts? What are the respective ranks of such posts? What are the payroll costs for each post?

Asked by : Hon. LAM Kin-fung, Jeffrey

Reply :

The full annual average staff cost of the nine non-directorate posts and the directorate post to be created in 2011-12 is \$8.54 million. The reasons for the increase of posts, the respective ranks of such posts and the breakdown of staff cost are as follows:

<u>Rank</u>	<u>Number</u>	<u>Reasons for creation</u>	<u>Full annual average staff cost (\$)</u>
Administrative Officer Staff Grade C	1	To prepare for the establishment of a Policyholders' Protection Fund, and take forward the proposal of establishing an independent Insurance Authority.	2.1 million
Administrative Officer	1		0.53 million
Personal Secretary I	1		0.43 million
Assistant Clerical Officer	1		0.31 million
Chief Executive Officer	1	To prepare for the establishment of a financial dispute resolution centre.	1.38 million
Senior Executive Officer	2		2.11 million
Assistant Clerical Officer	1		0.31 million
Senior Executive Officer	1	To support the administration and resource management of the Branch.	1.06 million
Assistant Clerical Officer	1	To provide support for Mainland cooperation matters.	0.31 million
			Total 8.54 million

Signature	
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)020

Question Serial No.

1721

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 establish a financial dispute resolution centre in 2011-12. What is the annual estimated costs? Will the Bureau need to employ staff for this? If so, what are the details?

Asked by : Hon. LAM Kin-fung, Jeffrey

Reply :

The Financial Services Branch is preparing for the establishment of a financial dispute resolution centre by mid-2012. Four non-directorate posts, with the full annual average staff cost at \$3.8 million, are to be created for this purpose in 2011-12. Details of these new posts are as follows:

<u>Rank</u>	<u>Number</u>
Chief Executive Officer	1
Senior Executive Officer	2
Assistant Clerical Officer	1

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)021

Question Serial No.

1723

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 :

As the Bureau will implement the Employee Choice Arrangement in the Mandatory Provident Fund system, will the arrangement incur additional administrative costs? If yes, what are the details? Is it necessary to create posts to implement the arrangement?

Asked by : Hon. LAM Kin-fung, Jeffrey

Reply :

The Administration and the Mandatory Provident Fund Schemes Authority are preparing detailed proposals to strengthen the existing regulatory arrangements for Mandatory Provident Funds (MPF) intermediaries. We plan to consult the Legislative Council Panel on Financial Affairs on the legislative proposals shortly. If all goes smoothly, we aim to introduce the relevant Bill into the Legislative Council within this year with a view to completing the legislative exercise within the 2011-12 legislative year, such that the Employee Choice Arrangement can be implemented as soon as possible.

The Administration is taking forward the legislative proposals for strengthening MPF intermediaries regulation with existing resources.

Signature	
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)022

Question Serial No.

2343

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 in the Matters Requiring Special Attention in 2011-12 that the Branch will prepare for the establishment of a financial dispute resolution centre. Will the Administration inform us of the details of and estimated expenditure for this objective? As for the other matters requiring special attention, such as promoting Hong Kong's position as a premier international capital formation centre, asset management centre and offshore Renminbi business centre in Asia, what are the details of progress and the estimated expenditure involved?

Asked by : Hon. LAM Tai-fai

Reply :

Establishing a Financial Dispute Resolution Centre

The Financial Services Branch is preparing for the establishment of a financial dispute resolution centre by mid-2012. Four non-directorate posts, with the full annual average staff cost at \$3.8 million, are to be created for this purpose in 2011-12. Details of these new posts are as follows:

<u>Rank</u>	<u>Number</u>
Chief Executive Officer	1
Senior Executive Officer	2
Assistant Clerical Officer	1

Developing Hong Kong as a Premier International Capital Formation Centre, Asset Management Centre and Offshore Renminbi (RMB) Business Centre in Asia

Our policy objective is to develop Hong Kong as a global capital formation centre, asset management centre and offshore RMB business centre to attract capital and talent, with a view to providing world-class, comprehensive and quality financial services in the Asian time zones.

International Capital Formation and Asset Management Centre

Hong Kong remained first worldwide in 2010 in terms of the total amount of funds raised through initial public offerings. In 2010, we had the first Russian company, the first French company, the first Brazilian company and two giant insurers from the UK and the US respectively listed on the Stock Exchange of Hong Kong Limited (SEHK).

Besides, Hong Kong's combined fund management business rebounded significantly to \$8,500 billion by the

end of 2009, representing a year-on-year growth of about 45 per cent. Around 64% of the combined fund management business in Hong Kong was sourced from non-Hong Kong investors.

To enhance the competitiveness of our capital formation and asset management platforms, we have been improving our regulatory regime in cooperation with the regulators to ensure a fair, orderly and transparent market. Efforts to enhance market quality include rationalizing the public offering regime for structured products; preparing for the establishment of an investor education council and a financial dispute resolution centre; introducing legislative amendments on disclosure of price sensitive information by listed corporations; and proposing the establishment of an independent Insurance Authority, etc. Relevant initiatives to facilitate market development include rewriting the Companies Ordinance and modernising the trust law. Also, we are working on a bill to provide a level playing field in terms of tax liabilities for facilitating the issuance of Islamic bonds. As regards listing platform specifically, the SEHK is planning to accept corporations from more overseas jurisdictions to apply to list in Hong Kong, including India and South Africa. Moreover, we have been seeking to enter into more agreements for the avoidance of double taxation (CDTA). Since the Inland Revenue (Amendment) Ordinance 2010 came into effect in March 2010, we have signed CDTAs with 13 trading and investment partners as at end February 2011. On providing fiscal incentives, apart from abolishing estate duty and exempting offshore funds from profit tax since 2006, we have extended the scope of stamp duty concession in respect of the trading of exchange traded funds (ETFs) since February 2010. Besides, the Inland Revenue (Amendment) Ordinance 2011, which seeks to effect the enhancement measures for the Qualifying Debt Instrument Scheme, will commence operation on 25 March 2011. In addition, the Securities and Futures Commission will facilitate the operation of offshore funds through updating the lists of specified exchanges under the Securities and Futures Ordinance. In parallel we are stepping up our efforts to promote Hong Kong as China's Global Financial Centre.

Offshore RMB Business Centre

With the support of the Central Government and the relevant Mainland authorities, the development of offshore RMB business in Hong Kong has made satisfactory progress in 2010. As at end January 2011, RMB deposits in Hong Kong totalled around RMB 370 billion. From July 2009 to January 2011, RMB trade settlement conducted through Hong Kong amounted to RMB 479 billion. As at end February 2011, there were 37 RMB bond issues, with a total issuance size of over RMB 80 billion.

We will continue to develop the offshore RMB business in Hong Kong. It must be in tandem with the pace of Mainland's liberalisation of capital account. It must seek to support real economic activities such as trade and investment with controllable risks through gradual increase in the circulation and interaction between the offshore RMB market in Hong Kong and the onshore market in the Mainland. Areas of focus in the coming year include attracting more foreign enterprises to use Hong Kong's RMB settlement services; encouraging more Hong Kong, international and Mainland institutions and enterprises to issue RMB bonds in Hong Kong; and seeking to establish channels for enterprises to invest in the Mainland the RMB funds raised in Hong Kong.

The relevant work will be taken up by the Financial Services Branch and relevant financial regulators. 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	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)023

Question Serial No.

2880

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 2011-12, the Bureau will prepare for the establishment of a financial dispute resolution centre. Please state the plan in details and the estimated expenditure.

Asked by : Hon. LAM Tai-fai

Reply :

The Financial Services Branch is preparing for the establishment of a financial dispute resolution centre by mid-2012. Four non-directorate posts, with the full annual average staff cost at \$3.8 million, are to be created for this purpose in 2011-12. Details of these new posts are as follows:

<u>Rank</u>	<u>Number</u>
Chief Executive Officer	1
Senior Executive Officer	2
Assistant Clerical Officer	1

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)024

Question Serial No.

2881

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 2011-12, the Branch will continue to enhance Hong Kong's position as a premier international capital formation centre in Asia. Please state the details and estimated expenditure of the project.

Asked by : Hon. LAM Tai-fai

Reply :

As a premier international capital formation centre in Asia, Hong Kong offers a number of advantages, including world-class financial services, rule of law, free flow of capital and information, as well as appropriate regulation and abundant capital. Hong Kong provides an ideal platform for Mainland and overseas enterprises to conduct international capital raising activities. Together with the regulators, we have been improving our regulatory regime to ensure a fair, orderly and transparent market. For instance, we are planning to introduce a bill into the Legislative Council in this legislative session, to statutorily oblige listed corporations to disclose price sensitive information in a timely manner. To promote the issuance of debt instruments, the Inland Revenue (Amendment) Ordinance 2011, which seeks to effect the enhancement measures for the Qualifying Debt Instrument Scheme, will commence operation on 25 March 2011. Also, we are working on a bill to provide a level playing field in terms of tax liabilities for facilitating the issuance of Islamic bonds, while further developing Hong Kong's Renminbi (RMB) bond market. As at end February 2011, there had been 37 RMB bond issues in Hong Kong, with a total issuance size of over RMB 80 billion.

In parallel, the Stock Exchange of Hong Kong Limited (SEHK) is planning to accept corporations from more overseas jurisdictions to apply to list in Hong Kong, including India and South Africa. The Government will continue to join force with SEHK in promoting Hong Kong's listing platform.

The relevant work will be taken up by existing staff of the Financial Services Branch. 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	16.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)025

Question Serial No.

2882

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

Subhead (No. & title) :

Programme : Financial Services

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

In 2011-12, the Branch will continue to enhance Hong Kong's position as an asset management centre. Can the Government advise us what measure it has in response to competition from places such as Singapore, Shanghai and Beijing, and the details and estimated expenditure of the specific plans?

Asked by : Hon. LAM Tai-fai

Reply :

With a view to developing the asset management business, apart from capitalizing on our fundamental strengths such as free flow of capital and alignment with international regulatory standards, we have been leveraging the opportunities presented by the post-financial tsunami landscape with the economic gravity shifting from the West to the East, by means of a multi-pronged approach to enhance the competitiveness of our asset management industry, including –

- (a) enhancing market quality – such as (i) introducing the Securities and Futures and Companies Legislation (Structured Products Amendment) Bill 2010 into the Legislative Council in July 2010 to rationalize the public offering regime for structured products; (ii) preparing for the establishment of an investor education council and a financial dispute resolution centre; (iii) preparing to statutorily oblige listed corporations to disclose price sensitive information in a timely manner, so as to cultivate a continuous disclosure culture among listed corporations; and (iv) proposing the establishment of an independent Insurance Authority, etc.;
- (b) facilitating market development – such as (i) further enhancing the development of offshore Renminbi business in Hong Kong; (ii) rewriting the Companies Ordinance to reinforce Hong Kong's status as an international business and financial centre; (iii) modernising the trust law to strengthen the competitiveness of our trust services industry; and (iv) working on a bill to provide a level playing field in terms of tax liabilities for facilitating the issuance of Islamic bonds, etc.;
- (c) entering into more agreements for the avoidance of double taxation (CDTA) – since the commencement of the Inland Revenue (Amendment) Ordinance 2010 in March 2010, we have signed CDAs with 13 trading and investment partners as at end February 2011. Meanwhile, we are conducting negotiations on the signing of CDAs with a number of other countries/territories;
- (d) providing fiscal incentives – we have abolished estate duty and exempted offshore funds from profit tax since 2006, so as to attract capital inflow to Hong Kong and encourage existing funds to continue to invest in Hong Kong. With effect from February 2010, we have expanded the stamp duty concession in respect of the trading of exchange traded funds (ETFs) to facilitate the development of our ETF market. Besides, the Inland Revenue (Amendment) Ordinance 2011, which seeks to enhance the

Qualifying Debt Instrument Scheme, will come into operation on 25 March 2011. In addition, the Securities and Futures Commission published in February 2011 a consultation paper to update the lists of specified exchanges in the Securities and Futures Ordinance so as to facilitate the operation of offshore funds; and

- (e) stepping up overseas promotion – the Government will continue to lead financial services delegations to the Mainland and other markets to conduct visits and roadshows. For instance, the Financial Services and the Treasury Bureau, together with InvestHK, promoted Hong Kong as China’s Global Financial Centre in the United Kingdom in November 2010 and the United States in March 2011 respectively. We also successfully organised the 4th Asian Financial Forum in January 2011, which was participated by financial leaders around the world.

These measures will help serve the national development needs as well as respond to the articulation in support of Hong Kong’s development as an international asset management centre in the “Outline of the Twelfth Five-Year Plan for National Economic and Social Development of the People’s Republic of China”. We will continue to deploy existing resources of the Financial Services Branch to implement the relevant work and we do not have separate breakdown for the expenditure involved.

Signature	_____
Name in block letters	<u>Miss AU King-chi</u>
Post Title	<u>Permanent Secretary for Financial Services and the Treasury (Financial Services)</u>
Date	<u>17.3.2011</u>

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)026

Question Serial No.

2883

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 :

Can the Government advise this Committee as to the position in 2011-12 regarding the Bureau's efforts to promote Hong Kong as an offshore Renminbi business centre and the division of labour between Hong Kong and Mainland cities such as Shanghai in the area of offshore Renminbi business centre? What are the details of the plan and the estimates of expenditure needed to establish Hong Kong as an offshore Renminbi business centre?

Asked by : Hon. LAM Tai-fai

Reply :

With the support of the Central Government and the relevant Mainland authorities, the development of offshore RMB business in Hong Kong has made satisfactory progress in 2010. As at end January 2011, RMB deposits in Hong Kong totalled around RMB 370 billion. From July 2009 to January 2011, RMB trade settlement conducted through Hong Kong amounted to RMB 479 billion. As at end February 2011, there were 37 RMB bond issues, with a total issuance size of over RMB 80 billion.

We will continue to develop the offshore RMB business in Hong Kong. It must be in tandem with the pace of liberalisation of Mainland's capital account. It must seek to support real economic activities such as trade and investment with controllable risks through gradual increase in the circulation and interaction between the offshore RMB market in Hong Kong and the onshore market in the Mainland. Areas of focus in the coming year include attracting more foreign enterprises to use Hong Kong's RMB settlement services; encouraging more Hong Kong, international and Mainland institutions and enterprises to issue RMB bonds in Hong Kong; and seeking to establish channels for enterprises to invest in the Mainland the RMB funds raised in Hong Kong.

The relevant work will be taken up by the Financial Services Branch and relevant financial regulators. 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	15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)027

Question Serial No.

0151

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

Subhead (No. & title) : 000 –
Operational Expenses

Programme : Financial Services

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Please give details of the expenditure on salaries, allowances and benefits for one directorate post and 9 non-directorate posts to be created on this Head's establishment in 2011-12, the reasons for expanding the establishment and how these personnel will help the bureau pursue its aims.

Asked by : Hon. LEUNG Kwan-yuen, Andrew

Reply :

The full annual average staff cost of the directorate post and nine non-directorate posts to be created in 2011-12 is \$8.54 million. These new posts are created to take forward the following tasks:

<u>Rank</u>	<u>Number</u>	<u>Reasons for creation and key responsibilities</u>
Administrative Officer Staff Grade C	1	To prepare for the establishment of a Policyholders' Protection Fund, and take forward the proposal of establishing an independent Insurance Authority.
Administrative Officer	1	
Personal Secretary I	1	
Assistant Clerical Officer	1	
Chief Executive Officer	1	To prepare for the establishment of a financial dispute resolution centre.
Senior Executive Officer	2	
Assistant Clerical Officer	1	
Senior Executive Officer	1	To support the administration and resource management of the Branch.
Assistant Clerical Officer	1	To provide support for Mainland cooperation matters.

Signature _____

Name in block letters _____

Miss AU King-chi

Post Title _____

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

Date _____

15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)028

Question Serial No.

3236

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 estimates of expenditure of Information Technology Management Unit of the Office of the Commissioner for Insurance:

- a. What is the estimated expenditure for 2011-12? What is the percentage change compared with the actual expenditure for 2010-11? What account for this percentage change in expenditure?
- b. What specific initiatives are involved in the estimates of expenditure for 2011-12? Which of them are on-going and new projects initiatives respectively? What are the staff number, cost and implementation timetable of each initiative? Among the staff involved, how many of them are civil servants, non-civil service contract staff and staff of outsourced services respectively?
- c. Whether funds have been reserved for promoting electronic civic participation and public sector information access? If yes, what are the specific details, including the titles and particulars of the initiatives, the manpower cost involved, and the implementation timetable? If not, what are the reasons and will consideration be given to introducing the initiatives in the future?
- d. What are the permanent establishment and the number of existing staff of the information technology unit? Is manpower expected to increase in the coming year? If yes, how many additional posts will be created? What ranks will be involved? Will they be permanent posts? Will they be appointed on civil service terms? If there will be no increase in manpower, what are the reasons?
- e. Has there been any comprehensive review of the effectiveness of the Information Technology Management Unit? If yes, what are the results and the specific improvement measures involved? If not, what are the reasons and will a review be conducted in the future?

Asked by : Hon. TAM Wai-ho, Samson

Reply :

- a. The estimated expenditure for the Information Technology Management Unit (ITMU) of the Office of the Commissioner for Insurance (OCI) for 2011-12 is \$1.4 million which is about 40% lower than the actual expenditure for 2010-11. The higher expenditure in 2010-11 is mainly due to the computer servers upgrading project carried out in the year.

b. The major on-going projects in 2011-12 include:

Project	No. of staff required in 2011-12		Estimated expenditure in 2011-12
	Non-civil service contract staff	Staff of outsourced service provider	
Support and enhancements of the Insurance System	1	4	\$800,000
Support of IT infrastructure and facilities	3	0	\$235,000

In addition, an IT Security Risk Assessment and Audit will be carried out in 2011-12. The project will cost about \$367,000 and will be carried out by an outsourced service contractor and completed within the same financial year.

- c. We consider the current channel of distributing information through OCI's website adequate and have no plan to make substantial changes at the moment.
- d. The ITMU is currently manned by 4 staff on non-civil service terms. The manpower is considered sufficient for 2011-12 as there would not be any major new projects.
- e. The ITMU is working smoothly. Currently, we do not see a need for a comprehensive review, but will keep the operation of the ITMU under view from time to time.

Signature _____
 Name in block letters Miss AU King-chi

 Post Title Permanent Secretary for Financial Services
and the Treasury (Financial Services)
 Date 16.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)029

Question Serial No.

2878

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 advancing 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, please state:

- a) the expenditure of this task;
- b) who the responsible officers are and the number of hours worked;
- c) the scope of work; and
- d) the schedule or timetable of work for 2011-12.

Asked by : Hon. TO Kun-sun, James

Reply :

By fully leveraging our competitive edge of being “part of China but outside the Mainland” under “One Country, Two Systems”, we will strengthen financial co-operation with the Mainland while complementing the overall developmental need of our country, with a view to bringing the positioning of Hong Kong in the the “Outline of the Twelfth Five-Year Plan for the National Economic and Social Development of the People’s Republic of China” (the Outline) into full play.

As pointed out in the Outline, the Central Government will fortify and enhance Hong Kong’s status as an international financial centre and strengthen its global influence; support the development of Hong Kong into an offshore Renminbi (RMB) business centre and international asset management centre; and build a financial co-operative region with Hong Kong’s financial system taking the lead and supported by the financial resources and services of the Pearl River Delta cities.

Areas of focus in the coming year include further developing Hong Kong into an offshore RMB business centre, as well as implementing co-operation initiatives set out in the Outline and the “Framework Agreement on Hong Kong-Guangdong Co-operation” by means of the Closer Economic Partnership Arrangement (CEPA) and the “Early and Pilot Implementation” model. We will continue to maintain close dialogues with relevant Mainland authorities and financial regulators to facilitate the two-way flows of financial markets between Hong Kong and the Mainland, for example, by seeking channels for enterprises to invest in the Mainland the RMB funds raised in Hong Kong; as well as encouraging Mainland enterprises to “go abroad” using the offshore RMB business platform in Hong Kong, and conduct relevant financing and management of their assets. Also, we will seek to strengthen the linkage of financial products between the two places, for example, the launch of ETF (exchange-traded fund) in the Mainland with portfolios constituted by Hong Kong listed stocks.

The relevant work will be taken up by the Financial Services Branch and relevant financial regulators. 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	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)030

Question Serial No.

3278

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 mentioned under Matters Requiring Special Attention in 2011-12 that the Government will explore initiatives to further enhance the efficiency and effectiveness of the Mandatory Provident Fund (MPF) system. In this connection, please provide the following information:

- (a) the expenditure required for exploring initiatives;
- (b) who the responsible officers are and the number of hours worked;
- (c) the scope for exploring initiatives; and
- (d) the duration of exploring initiatives.

Asked by : Hon. TO Kun-sun, James

Reply :

The Administration has maintained close liaison with the Mandatory Provident Fund Schemes Authority in reviewing from time to time the various arrangements under the Mandatory Provident Fund (MPF) System, including the adequacy of the contents of the information disclosed to scheme members and the disclosure channels, the conditions of allowing early withdrawal of scheme members' accrued benefits, the feasibility of allowing scheme members to withdraw MPF accrued benefits in phases, the review of the Compensation Fund and the review of minimum and maximum relevant income level. The Administration will take into account MPFA's review results and take appropriate follow-up actions, and will consult the Legislative Council on proposals that require legislative amendments. In the Financial Services Branch, the team handling MPF affairs has a Principal Assistant Secretary and an Assistant Secretary, supervised by a Deputy Secretary.

Signature _____

Name in block letters _____

Miss AU King-chi

Post Title _____

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

Date _____

17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)031

Question Serial No.

3279

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 preparing legislative proposals to strengthen the regulation of Mandatory Provident Fund intermediaries for the implementation of the Employee Choice Arrangement, please advise us:

- (a) the expenditure involved in preparing the legislative proposals; and
- (b) whether the legislative exercise will be completed in 2011-12;

Asked by : Hon. TO Kun-sun, James

Reply :

The Administration and the Mandatory Provident Fund Schemes Authority are preparing detailed proposals to strengthen the existing regulatory arrangements for Mandatory Provident Funds (MPF) intermediaries. We plan to consult the Legislative Council Panel on Financial Affairs on the legislative proposals shortly. If all goes smoothly, we aim to introduce the relevant Bill into the Legislative Council within this year with a view to completing the legislative exercise within the 2011-12 legislative year, such that the Employee Choice Arrangement can be implemented as soon as possible.

The Administration is taking forward the legislative proposals for strengthening MPF intermediaries regulation with existing resources.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)032

Question Serial No.

3286

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 mentioned under Matters Requiring Special Attention in 2011-12 that the Administration will prepare for the establishment of a financial dispute resolution centre. In this connection, please advise on:

- (a) the expenditure of work;
- (b) the responsible officials and working hours;
- (c) the scope of work; and
- (d) the progress and timetable for 2011-12.

Asked by : Hon. TO Kun-sun, James

Reply :

The Financial Services Branch is preparing for the establishment of a Financial Dispute Resolution Centre by mid-2012. Four non-directorate posts, with the full annual average staff cost at \$3.8 million, are to be created for this purpose in 2011-12. Details of these new posts are as follows:

<u>Rank</u>	<u>Number</u>
Chief Executive Officer	1
Senior Executive Officer	2
Assistant Clerical Officer	1

Signature _____
Name in block letters Miss AU King-chi
Permanent Secretary for Financial Services
and the Treasury (Financial Services)
Post Title _____
Date 15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)033

Question Serial No.

3287

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 mentioned under Matters Requiring Special Attention in 2011-12 that the Administration will continue to promote development of the bond market, including Islamic bonds, in Hong Kong. In this connection, please advise on:

- (a) The expenditure of work;
- (b) The responsible officials and working hours;
- (c) The scope of work; and
- (d) The progress and timetable for 2011-12.

Asked by : Hon. TO Kun-sun, James

Reply :

We will continue to promote further development of the bond market in Hong Kong. In 2011-12, our work will include ongoing implementation of the Government Bond Programme, further optimising the bond market infrastructure and promoting our bond market to overseas issuers and investors. Through these efforts, we seek to increase the scale of our bond market such that it would become an effective platform for financial intermediation apart from the equity market and the banking system. This would help promote the financial stability of Hong Kong and consolidate the role of Hong Kong as an international financial centre.

In 2011-12, we will focus our efforts on amending the Inland Revenue Ordinance (Cap. 112) and Stamp Duty Ordinance (Cap. 117) to promote Islamic bond market development. The relevant amendments seek to level the playing field for common types of Islamic bonds vis-à-vis conventional bonds as far as tax liabilities are concerned. We plan to introduce the relevant amendment bill into the Legislative Council in the second half of 2011. In addition, we will continue to keep close contact with market players to understand the market conditions and needs, and draw reference from the development experience of other financial markets, in further optimising our market infrastructure and encouraging product development, thereby fostering development of the Islamic bond market in Hong Kong.

The above work will be taken up by existing staff of the Financial Services Branch. We do not have a separate breakdown for the relevant expenditure, working hours, etc.

Signature _____

Name in block letters _____

Miss AU King-chi

Post Title _____

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

Date _____

16.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)034

Question Serial No.

3288

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 mentioned under Matters Requiring Special Attention in 2011-12 that the Administration will legislate for certain disclosure requirements on price sensitive information. In this connection, please advise on:

- (a) the expenditure of work;
- (b) the responsible officials and working hours;
- (c) the scope of work; and
- (d) the progress and timetable for 2011-12.

Asked by : Hon. TO Kun-sun, James

Reply :

On 11 February 2011, the Administration published the consultation conclusions on the proposed statutory codification of certain requirements to disclose price sensitive information (PSI) by listed corporations. Together with the Department of Justice, the Securities and Futures Commission as well as the Hong Kong Exchanges and Clearing Limited, the Financial Services Branch is drafting the legislative provisions. We plan to introduce a bill into the Legislative Council in this legislative session to include PSI disclosure requirements in the Securities and Futures Ordinance.

The relevant work is being undertaken by the Financial Services Branch. We do not compile statistics on working hours.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)035

Question Serial No.

3338

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 mentioned under Matters Requiring Special Attention in 2011-12 that the Branch will “continue to monitor the operation of the Mandatory Provident Fund (MPF) system, explore initiatives to further enhance the efficiency and effectiveness of the system, and prepare legislative proposals to strengthen the regulation of MPF intermediaries for the implementation of the Employee Choice Arrangement”. Please advise us:

- (a) Regarding the implementation of the “Employee Choice Arrangement”, what has the Branch done in the past to ensure that the Arrangement could be implemented?
- (b) How much resources and expenditure has the Branch allocated to this initiative, including staff solely for this task and other expenditures?
- (c) When will the “Employee Choice Arrangement” be implemented?

Asked by : Hon. TONG Ka-wah, Ronny

Reply :

Since completing the legislative exercise to implement the Employee Choice Arrangement, the Mandatory Provident Fund Schemes Authority (MPFA) has been making preparation, including –

- (a) ensuring the various systems of MPFA and trustees will cope with the Employee Choice Arrangement;
- (b) stepping up Mandatory Provident Funds (MPF) investment education to assist employees to make informed choices that suit their own need; and
- (c) strengthening MPF intermediaries regulation and training to better protect scheme members' interest.

The Administration and MPFA are preparing detailed proposals to strengthen the existing regulatory arrangements for MPF intermediaries. We plan to consult the Legislative Council Panel on Financial Affairs on the legislative proposals shortly. If all goes smoothly, we aim to introduce the relevant Bill into the Legislative Council within this year with a view to completing the legislative exercise within the 2011-12 legislative year, such that the Employee Choice Arrangement can be implemented as soon as possible.

The Administration is taking forward the legislative proposals for strengthening MPF intermediaries regulation with existing resources.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)036

Question Serial No.

3339

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 monitor the operation of the Mandatory Provident Fund (MPF) system, have performance indicators been set? If so, what are the specific indicators? If not, how does one ensure that the system can effectively protect the retired?

Asked by : Hon. TONG Ka-wah, Ronny

Reply :

The Mandatory Provident Fund Schemes Authority (MPFA) submits a progress report to the Legislative Council Panel on Manpower every month. The report includes figures that cover various aspects of the MPF System, like enrolment statistics, number of complaints received, number of enforcement actions taken and prosecution figures. MPFA also conducts education and publicity work proactively to facilitate scheme members to make informed MPF investment decisions. In addition MPFA launched the fee comparative platform at its website detailing the fees of various funds to promote market transparency.

Signature	_____
Name in block letters	<u>Miss AU King-chi</u>
Post Title	<u>Permanent Secretary for Financial Services and the Treasury (Financial Services)</u>
Date	<u>17.3.2011</u>

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)037

Question Serial No.

3340

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 :

There are now calls from the community for “universal retirement protection” and the Central Policy Unit (CPU) is studying the implementation of a sustainable retirement protection scheme. Some proposals involve injecting part of the financial provision for the Mandatory Provident Fund (MPF) into the reserves for a “universal retirement protection” scheme. In this connection, we wish to know:

- (a) whether the Bureau has participated in the CPU’s study and discussions in this area;
- (b) whether the Bureau has engaged the public in discussions on the MPF or universal retirement protection as the system for retirement protection and if yes, what the details are; and
- (c) what resources are devoted to the above two tasks.

Asked by : Hon. TONG Ka-wah, Ronny

Reply :

The Central Policy Unit (CPU) is refining its study on the sustainability of the three-pillar model of retirement protection in Hong Kong having regard to the latest developments. In the course of refining the study, CPU will take account of the latest opinion in the community on retirement protection for the elderly and tap the views of academics, professionals, think tanks and interested parties as appropriate through its established channels. The CPU study is ongoing and its findings will serve as internal reference for the Government. The CPU will consult relevant bureaux, including our Bureau, in due course.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	16.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
 INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)038

Question Serial No.

3341

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 :

Regarding the increase of \$30.4 million in provision for 2011-12 due to the increase of ten new posts to meet operational needs, what are the posts, their duties and their respective emoluments?

Asked by : Hon. TONG Ka-wah, Ronny

Reply :

The ten posts to be created in 2011-12 include one directorate post and nine non-directorate posts. The details of the posts, their key responsibilities and staff cost are as follows:

<u>Rank</u>	<u>Number</u>	<u>Key responsibilities</u>	<u>Full annual average staff cost (\$)</u>
Administrative Officer Staff Grade C	1	To prepare for the establishment of a Policyholders' Protection Fund, and take forward the proposal of establishing an independent Insurance Authority.	2.1 million
Administrative Officer	1		0.53 million
Personal Secretary I	1		0.43 million
Assistant Clerical Officer	1		0.31 million
Chief Executive Officer	1	To prepare for the establishment of a financial dispute resolution centre.	1.38 million
Senior Executive Officer	2		2.11 million
Assistant Clerical Officer	1		0.31 million
Senior Executive Officer	1	To support the administration and resource management of the Branch.	1.06 million
Assistant Clerical Officer	1	To provide support for Mainland cooperation matters.	0.31 million
			Total 8.54 million

Signature

Name in block letters

Miss AU King-chi

Post Title

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

Date

15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)039

Question Serial No.

3342

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 :

Why does Mandatory Provident Fund contribution decrease from \$133,000 to \$75,000 and why does Civil Service Provident Fund contribution increase from \$395,000 to \$879,000 in the recurrent expenditure in 2011-12 as compared with the estimates for 2010-11?

Asked by : Hon. TONG Ka-wah, Ronny

Reply :

Civil servants appointed on the new probationary terms are required to join the Mandatory Provident Fund (MPF) Scheme. Having completed three years' service satisfactorily, they will be appointed on the new permanent terms and join the Civil Service Provident Fund (CSPF) Scheme. We expect the number of officers appointed on the new probationary terms will reduce while that on the new permanent terms will increase. As such, the expenses for MPF contribution will decrease while that for CSPF will increase.

Signature

Name in block letters

Miss AU King-chi

Post Title

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

Date

15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)040

Question Serial No.

3343

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 in 2011-12, it repeats what is mentioned in 2010-11 that the Branch will continue to promote development of the bond market, including Islamic bonds, in Hong Kong. In addition, the Financial Secretary also says that the Administration will continue to develop an Islamic financial platform. What is the work progress so far? How will the Bureau evaluate the performance in this regard?

Asked by : Hon. TONG Ka-wah, Ronny

Reply :

We have been striving for the further development of the bond market in Hong Kong. Since the launch of the Government Bond Programme in 2009, we have issued a total of HK\$27.5 billion worth of Government Bonds under the Institutional Bond Issuance Programme, with tenors ranging from 2 to 10 years. Market responses to the bonds have been positive, indicating strong demand from institutional investors for high-quality public bonds. As regards the retail bonds, we will launch an inflation-linked retail bond as announced in the Budget for 2011-12 with a view to promoting the development of the local retail bond market. In addition, the Inland Revenue (Amendment) Bill 2011, which seeks to effect the enhancement measures for the Qualifying Debt Instrument Scheme, will come into operation on 25 March 2011. Going forward, we will continue to promote the further development of our bond market, with a view to increasing the scale of our bond market, enabling it to become an effective platform for financial intermediation apart from the equity market and the banking system, thereby promoting the financial stability of Hong Kong and consolidating the role of Hong Kong as an international financial centre.

As far as developing an Islamic financial platform in Hong Kong is concerned, the Government has been in close co-operation with the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC) and the industry in encouraging product development, raising market awareness of Islamic financial products, strengthening co-operation with other Islamic financial markets, and proactively promoting Hong Kong's policy initiatives and strategies in developing Islamic finance to overseas markets. Also, the HKMA and the SFC have entered into Memoranda of Understanding with relevant regulatory authorities in Dubai and Malaysia in an effort to strengthen co-operation in Islamic finance. Since the end of 2007, various Islamic financial products have been launched in Hong Kong. These include Islamic bonds, funds, loan syndication, index and banking window.

In 2011-12, we will focus our efforts on amending the Inland Revenue Ordinance (Cap. 112) and Stamp Duty Ordinance (Cap. 117) to promote Islamic bond market development. The relevant amendments seek to level the playing field for common types of Islamic bonds vis-à-vis conventional bonds as far as tax liabilities are concerned. We plan to introduce the relevant amendment bill into the Legislative Council in the second half of 2011. Before implementing these legislative amendments, we issued reference materials

to the industry in November 2009 to facilitate their application for tax exemption in relation to the issuance 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 issuance and trading of Islamic bonds.

Developing an Islamic financial platform in Hong Kong will increase the breadth and depth of the local financial market and diversify our financial market, thereby promoting the financial and economic developments of Hong Kong in the long run. We will review our development policies and strategies on Islamic finance from time to time having regard to latest developments of the international markets.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)041

Question Serial No.

0312

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 this programme, it is mentioned under Matters Requiring Special Attention in 2011-12 that the Administration intends to prepare legislative proposals to strengthen the regulation of Mandatory Provident Fund (MPF) intermediaries for the implementation of the Employee Choice Arrangement. Would the Administration:

- (a) state the current progress regarding the implementation of the Employee Choice Arrangement, when the legislation can be tabled in the Legislative Council for consideration, and when the actual implementation is expected to take place?
- (b) advise, in the face of public desire for a choice arrangement for employers' contributions besides the Employee Choice Arrangement, how the study and progress of the relevant matter are, and when the actual implementation of "MPF complete choice" can be expected to take place?
- (c) advise on the details of the plan in 2011-12 to strengthen the regulation of MPF intermediaries, as well as the expenditure and manpower involved?

Asked by : Hon. WONG Kwok-hing

Reply :

The Administration and the Mandatory Provident Fund Schemes Authority (MPFA) are preparing detailed proposals to strengthen the existing regulatory arrangements for Mandatory Provident Funds (MPF) intermediaries. We plan to consult the Legislative Council Panel on Financial Affairs on the legislative proposals shortly. If all goes smoothly, we aim to introduce the relevant Bill into the Legislative Council within this year with a view to completing the legislative exercise within the 2011-12 legislative year, such that the Employee Choice Arrangement can be implemented as soon as possible.

The complexity and the cost of the MPF system will be increased substantially if MPF scheme members are allowed to choose MPF schemes for contributions made by their employers. The relevant matter has been discussed at length with the Legislative Council during the legislative exercise in 2009 to provide for the implementation of the Arrangement. At this stage, the Administration and the MPFA will focus on the preparatory work for implementing the Arrangement.

The Administration is taking forward the legislative proposals for strengthening MPF intermediaries regulation with existing resources.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	16.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)042

Question Serial No.

1707

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 mentioned under Matters Requiring Special Attention in 2011-12 that the Administration will continue to monitor the operation of the Mandatory Provident Fund (MPF) system and explore initiatives to further enhance the efficiency and effectiveness of the system. The Government is invited to advise us:

- (a) on MPF monitoring, whether the authorities will conduct any review on the MPF system in the coming year and if yes, what aspects will be covered by the review and what the funding and manpower required will be;
- (b) whether the authorities will conduct a study in the coming year on hedging severance payment and long service payment against employers' MPF contributions with employers, employees and the public consulted; if yes, when it will take place and if no, why;
- (c) on enhancing the efficiency and effectiveness of the MPF system, what plans and measures are under consideration by the authorities in the coming year and on this, what the expenditure involved is and when the study will be completed.

Asked by : Hon. WONG Kwok-kin

Reply :

The Administration has maintained close liaison with the Mandatory Provident Fund Schemes Authority (MPFA) in reviewing from time to time the various arrangements under the Mandatory Provident Fund (MPF) System, including the adequacy of the contents of the information disclosed to scheme members and the disclosure channels, the conditions of allowing early withdrawal of scheme members' accrued benefits, the feasibility of allowing scheme members to withdraw MPF accrued benefits in phases, the review of the Compensation Fund and the review of minimum and maximum relevant income level. The Administration will take into account MPFA's review results and take appropriate follow-up actions, and will consult the Legislative Council on proposals that require legislative amendments. In the Financial Services Branch, the team handling MPF affairs has a Principal Assistant Secretary and an Assistant Secretary, supervised by a Deputy Secretary.

To achieve a reasonable balance, any relevant review of the offsetting arrangement should proceed from the perspective of the general employer-employee relationship. The Administration has no time table to conduct a review at this stage.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)043

Question Serial No.

1824

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 2011-12, the Financial Services Branch will prepare for the establishment of a financial dispute resolution centre. Could the Administration advise this Committee of the working timetable as well as the expenditure and manpower involved?

Asked by : Hon. WONG Ting-kwong

Reply :

The Financial Services Branch is preparing for the establishment of a financial dispute resolution centre by mid-2012. Four non-directorate posts, with the full annual average staff cost at \$3.8 million, are to be created for this purpose in 2011-12. Details of these new posts are as follows:

<u>Rank</u>	<u>Number</u>
Chief Executive Officer	1
Senior Executive Officer	2
Assistant Clerical Officer	1

Signature _____

Name in block letters _____

Miss AU King-chi

Post Title _____

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

Date _____

15.3.2011

The relevant work will be taken up by the Financial Services Branch and relevant financial regulators. 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	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)045

Question Serial No.

1826

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

Subhead (No. & title) :

Programme : Financial Services

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

In 2011-12, the Financial Services Branch will continue to optimise the quality and competitiveness of the local listing regime. It is mentioned in paragraph 94 of the Financial Secretary's Budget Speech that the Stock Exchange of Hong Kong Limited (SEHK) accepted more jurisdictions last year to facilitate companies incorporated there to apply to list in Hong Kong. The SEHK is also studying ways to accept companies incorporated in other jurisdictions to apply to list here. Please advise the effectiveness of the past efforts to attract more overseas companies to list in Hong Kong. How many overseas companies applied to list here last year? What specific measures will be implemented and how much resources will be allocated for this purpose in the coming year?

Asked by : Hon. WONG Ting-kwong

Reply :

In 2010, we had the first Russian company, the first French company, the first Brazilian company and two giant insurers from the UK and the US respectively listed on the Stock Exchange of Hong Kong Limited (SEHK). There were 20 companies incorporated overseas (excluding those from Bermuda and Cayman Islands) applied for listing on SEHK in 2010. To make our listing regime more attractive to overseas companies, the SEHK has proposed to the Securities and Futures Commission (SFC) to review jointly, in the coming year, the Joint Policy Statement Regarding the Listing of Overseas Companies that it issued together with the SFC in 2007, and to review the regime for secondary listing under the Listing Rules. The intention is to further facilitate overseas companies to list in Hong Kong, without compromising investor protection.

The Administration will continue to work with the SEHK in promoting listing of overseas companies in Hong Kong. This includes visiting overseas jurisdictions and companies, as appropriate, to promote our listing platform. We will also continuously enhance our listing regime – e.g. to statutorily oblige listed corporations to disclose price sensitive information in a timely manner, hence bringing our disclosure regime more in line with overseas jurisdictions. 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 _____

15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)046

Question Serial No.

1827

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 2011-12, the Financial Services Branch will prepare detailed proposals on the establishment of a Policyholders' Protection Fund. When will the work be completed? What is the estimated expenditure involved?

Asked by : Hon. WONG Ting-kwong

Reply :

The Government will soon consult the public on the proposals to establish a Policyholders' Protection Fund (PPF). Depending on the views to be collected from the public consultation, we aim to finalize the proposals by end of this year. Assuming smooth progress of the preparatory work, we expect that the proposed PPF can be implemented in 2013-14 at the earliest.

In order to take forward the proposed establishment of a PPF and also prepare the consultation conclusions and develop detailed proposals on the proposed establishment of an independent Insurance Authority to facilitate public discussion and further engagement with the industry and stakeholders, we have obtained the support of the Establishment Subcommittee of the Finance Committee (FC) of the Legislative Council on 16 February 2011 to create a supernumerary Administrative Officer Staff Grade C post. The staffing proposal will be put to the FC in April 2011 for approval. The proposed creation of the supernumerary post will incur a full annual average staff cost of \$2,097,000. The post holder will be supported by three non-directorate posts (including one Senior Administrative Officer, one Personal Secretary I and one Assistant Clerical Officer) and their full annual average staff cost is \$2,272,000. We have included the necessary provision in the Estimates of 2011-12.

Signature	_____
Name in block letters	<u>Miss AU King-chi</u>
Post Title	<u>Permanent Secretary for Financial Services and the Treasury (Financial Services)</u>
Date	<u>16.3.2011</u>

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)047

Question Serial No.

1828

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 2011-12, the Financial Services Branch will prepare detailed proposals on the establishment of an independent Insurance Authority and engage stakeholders in the process. What is the related work schedule? What is the estimated expenditure involved?

Asked by : Hon. WONG Ting-kwong

Reply :

The Government has completed the public consultation on the proposed establishment of an independent Insurance Authority (IIA) in the fourth quarter of 2010. We are now analysing the views collected from the insurance industry and the general public. We aim to announce the consultation conclusions within the first half of this year, and will continue to engage the industry and other stakeholders in developing detailed proposals.

In order to take forward the proposed establishment of a Policyholders' Protection Fund and also prepare the consultation conclusions and develop detailed proposals on the proposed establishment of an IIA to facilitate public discussion and further engagement with the industry and stakeholders, we have obtained the support of the Establishment Subcommittee of the Finance Committee (FC) of the Legislative Council on 16 February 2011 to create a supernumerary Administrative Officer Staff Grade C post. The staffing proposal will be put to the FC in April 2011 for approval. The proposed creation of the supernumerary post will incur a full annual average staff cost of \$2,097,000. The post holder will be supported by three non-directorate posts (including one Senior Administrative Officer, one Personal Secretary I and one Assistant Clerical Officer) and their full annual average staff cost is \$2,272,000. We have included the necessary provision in the Estimates of 2011-12.

Signature _____

Name in block letters _____

Miss AU King-chi

Post Title _____

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

Date _____

16.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)048

Question Serial No.

1829

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

Subhead (No. & title) : 000 –
Operational Expenses

Programme : Financial Services

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

The provision for 2011-12 is \$30.4 million (19.6%) higher than the revised estimate for 2010-11. This is due to the increase of ten posts to meet operational needs. What are the duties of these posts and the total expenditure incurred?

Asked by : Hon. WONG Ting-kwong

Reply :

The ten posts to be created in 2011-12 include one directorate post and nine non-directorate posts and the full annual average staff cost is \$8.54 million. The key responsibilities of these new posts are as follows:

<u>Rank</u>	<u>Number</u>	<u>Key responsibilities</u>
Administrative Officer Staff Grade C	1	To prepare for the establishment of a Policyholders' Protection Fund, and take forward the proposal of establishing an independent Insurance Authority.
Administrative Officer	1	
Personal Secretary I	1	
Assistant Clerical Officer	1	
Chief Executive Officer	1	To prepare for the establishment of a financial dispute resolution centre.
Senior Executive Officer	2	
Assistant Clerical Officer	1	
Senior Executive Officer	1	To support the administration and resource management of the Branch.
Assistant Clerical Officer	1	To provide support for Mainland cooperation matters.

Signature

Name in block letters

Post Title

Date

Miss AU King-chi

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

15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)049

Question Serial No.

3030

Head : G01 – Bond Fund

Subhead (No. & title) :

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

The Administration has forecasted that the inflation rate for 2011 will be 4.5%, and the rate will stand at a high level for some time, which may be higher than the interest rate of the bonds currently issued by the Government. In view of the inactive bond market and the lack of urgency for the Government to issue bonds to meet public expenses, would the Administration please explain the reasons for issuing bonds at a higher rate, thus incurring a greater expenditure on interests?

Asked by : Hon. CHAN Tanya

Reply :

The primary objective of the proposed issuance of iBond by the Government is to promote development of the retail bond market in Hong Kong. The current low-interest rate environment has reduced the attractiveness of conventional fixed-rate retail bonds to investors. Issuing the iBond is a preferable option for initiating the retail part of the Government Bond Programme to enhance retail investors' awareness and interest in bond investment. The iBond can also provide retail investors with one more investment option for maintaining the purchasing power against the backdrop of low interest rate and rising inflation. We are formulating the relevant details including the interest rate determination mechanism, and will make an announcement in due course.

Signature _____

Name in block letters _____

Miss AU King-chi

Post Title _____

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

Date _____

17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)050

Question Serial No.

2463

Head : G01 – Bond Fund

Subhead (No. & title) :

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

In paragraphs 46 - 47 of the Budget Speech, it is stated that “The issuance of inflation-linked retail bonds, or “iBond”, will help reduce the impact of inflation on our people. A low-interest rate environment with an inflationary trend will inevitably erode the purchasing power of household savings. I will issue \$5 billion to \$10 billion worth of Hong Kong-dollar iBond under the Government Bond Programme (GBP). This will provide our citizens with another investment option for coping with inflation while promoting the development of the local retail bond market. Our preliminary plan is to issue iBond with a maturity of three years to Hong Kong residents. Interest will be paid to bond holders once every six months at a rate linked to the inflation of the last half-year period. The Hong Kong Monetary Authority (HKMA) is working out the implementation details and formulating the sales arrangements, with a view to launching the bonds in six months.” In this connection, will the Administration inform this Committee of details of the above issuance of iBond, the sales arrangements and the estimated administrative costs of subscription? Will the Administration increase the size of the issue in light of public response? What are the internal expenditure and manpower requirements of the HKMA for taking forward the above plan?

Asked by : Hon. FUNG Kin-kee, Frederick

Reply :

According to our tentative plan, the iBond will have a tenor of 3 years and a minimum denomination of HK\$10,000. We will issue the bond at par, i.e. 100% of the face value. Interest for the bond will be paid once every six months, with the per annum coupon rate determined as the higher of a floating rate and a fixed rate. We propose that the floating rate be determined by the inflation rate measured by the Composite Consumer Price Index compiled and published by the Census and Statistics Department in the most recent six-month period, while the fixed rate will be determined by reference to the interest rates of bonds with similar credit quality in the market and pre-announced in the issue circular of the iBond. Upon maturity of the bond, the Government will repay the principal to investors at 100% of the face value of the bond. We are formulating the relevant details and will make an announcement in due course.

As far as the sales arrangements are concerned, the iBond will be available for investors' subscription via intermediaries, namely, the placing banks, Hong Kong Securities and Clearing Company and securities brokers. Investors may be subject to different types of fees charged by the intermediaries in relation to subscription, coupon collection, custody and redemption of bonds. These fees are set on a commercial basis by the intermediaries and may vary among different intermediaries.

Regarding the bond issuance size, we propose issuing at least HK\$5 billion worth of iBond. In case of overwhelming demand, the issuance size may be adjusted to a maximum of HK\$10 billion. The issuance size of HK\$5-10 billion is proposed having regard to the following two factors. First, pursuant to the resolution for establishing the Government Bond Programme (GBP) passed by the Legislative Council, the GBP as a whole (comprising the parts for institutional and retail investors) is subject to a ceiling of HK\$100 billion by way of outstanding principal, with the objective of promoting the further and sustainable

development of the bond market in Hong Kong. In order to achieve this objective, the issuance size of individual bonds should be proportionate to the overall programme size so as to allow adequate room for developing other segments of the bond market. Second, issuing too large a size of a bond may risk crowding out other prospective bond issuers from the market, which is contrary to the objective of setting up the GBP. Having considered the above factors, at this stage we believe that the proposed issuance of up to HK\$10 billion for the iBond will strike a reasonable balance between satisfying the potential demand for this bond from retail investors and meeting the objective of the GBP as a whole, while minimising the potential impact on other prospective retail bond issuers in Hong Kong.

As we are still formulating the relevant details of the issuance of iBond, we cannot provide an estimate of the expenditure involved at this juncture. But the relevant expenditure will be met from the Bond Fund pursuant to the prevailing funding arrangements. The duties involved in the issuance of iBond will be performed by existing staff of the Financial Services Branch and the Hong Kong Monetary Authority.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)051

Question Serial No.

0481

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 :

Concerning the interest payment of \$465 million from the Bond Fund in 2011-12, the Administration is invited to advise:

- (a) whether interests for iBond are included;
- (b) if yes, what the amount is;
- (c) what the principal of the bond concerned is; and
- (d) what the coupon rate (%) of the iBond is.

Asked by : Hon. HO Chun-yan, Albert

Reply :

In line with the established practice, the estimated payments from the Bond Fund for each fiscal year are projected on the basis of the actual expenditure in the previous fiscal year. In other words, the estimated interest payments for 2011-12 are projected based on the bond issuance size in 2010-11. As no retail Government Bond was issued in 2010-11, the estimated interest payments from the Bond Fund in 2011-12 do not include the interest payments involved in the proposed issuance of inflation-linked retail Government Bond (i.e. iBond) as announced in the 2011-12 Budget.

According to our tentative plan, interest for the iBond will be paid once every six months, with the per annum coupon rate determined as the higher of a floating rate and a fixed rate. We propose that the floating rate be determined by the inflation rate measured by the Composite Consumer Price Index compiled and published by the Census and Statistics Department in the most recent six-month period, while the fixed rate will be determined by reference to the interest rates of bonds with similar credit quality in the market, and pre-announced in the issue circular of the iBond. We are formulating the relevant details including the issuance size as well as the detailed interest rate determination mechanism, and will make an announcement in due course.

Signature	
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	15.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)052

Question Serial No.

1677

Head : G01 – Bond Fund

Subhead (No. & title) :

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Please describe the basic structure of iBond, including how the coupon rate is determined.

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

Reply :

According to our tentative plan, the proposed inflation-linked retail Government Bond (i.e. iBond) announced in the 2011-12 Budget will have a tenor of 3 years and a minimum denomination of HK\$10,000. We will issue the bond at par, i.e. 100% of face value. Interest for the bond will be paid once every six months, with the per annum coupon rate determined as the higher of a floating rate and a fixed rate. We propose that the floating rate be determined by the inflation rate measured by the Composite Consumer Price Index compiled and published by the Census and Statistics Department in the most recent six-month period, while the fixed rate will be determined by reference to the interest rates of bonds with similar credit quality in the market, and pre-announced in the issue circular of the iBond. Upon maturity of the bond, the Government will repay the principal to investors at 100% of face value of the bond. We are formulating the relevant details including the detailed interest rate determination mechanism, and will make an announcement in due course.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)053

Question Serial No.

1678

Head : G01 – Bond Fund

Subhead (No. & title) :

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Does the Government expect that the net return on iBond can really achieve the purpose of countering inflation after the collection of subscription fee and custodian fee by the distributing banks?

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

Reply :

The primary objective of the proposed issuance of iBond by the Government is to promote the development of the retail bond market in Hong Kong. The current low-interest rate environment has reduced the attractiveness of conventional fixed-rate retail bonds to investors. Issuing the iBond is a preferable option for initiating the retail part of the Government Bond Programme to enhance retail investors' awareness and interest in bond investment. The iBond can also provide investors with one more investment option for maintaining the purchasing power against the backdrop of low interest rate and rising inflation.

According to our tentative plan, the iBond will be available for investors' subscription via intermediaries, namely, the placing banks, Hong Kong Securities and Clearing Company and securities brokers. Investors may be subject to different types of fees charged by the intermediaries in relation to subscription, coupon collection, custody and redemption of bonds. These fees are set on a commercial basis by the intermediaries and may vary among different intermediaries.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)054

Question Serial No.

3877

Head : G01 – Bond Fund

Subhead (No. & title) :

Programme :

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 pointed out in paragraph 46 of the Budget Speech that \$5 billion to \$10 billion worth of iBond will be issued under the Government Bond Programme. Will the Government advise us:

- (a) of the approximate administration cost of issuing Government Bonds and the approximate subscription fee to be paid by the public with reference to past experience of the Administration in such issuance?
- (b) if the bonds are distributed to the public through banks, there will be bank charges in connection with subscription and collection of interest, meaning that people's gains from the bonds will be reduced. Will the Government consider using more user-friendly ways of selling the bonds and paying interest so that the public can receive inflation-linked return directly, thus serving the purpose of coping with inflation?

Asked by : Hon. PAN Pey-chyou

Reply :

In general, the administration cost for retail bond issuers mainly includes non-interest expenses items, such as the management fee payable to co-arrangers and the placing fee payable to placing institutions. These fees may vary depending on the issuance size, maturity and sales arrangements of the bonds. Earlier on in implementation of the Government Bond Programme, the Government has appointed two local banks as the co-arranger banks. The co-arranger banks will assist in arranging for the offering of the iBond. Since we are still discussing with the co-arranger banks the relevant implementation details, we cannot provide an estimate of the administration cost involved at this juncture.

The iBond will be available for investors' subscription via intermediaries, namely, the placing banks, Hong Kong Securities and Clearing Company and securities brokers. Investors may be subject to different types of fees charged by the intermediaries in relation to subscription, coupon collection, custody and redemption of bonds. These fees are set on a commercial basis by the intermediaries and may vary among different intermediaries.

It is a common practice to offer bonds via intermediaries in Hong Kong's retail bond market. In general, bond issuers have to rely on intermediaries to distribute to investors the interest and principal relating to the bonds, while these intermediaries can hold the bonds allotted to the investors on their behalf. Through the issuance of iBond, we seek to enhance retail investors' understanding of bond investment, thereby promoting the development of the retail 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	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)055

Question Serial No.

1781

Head : G01 – Bond Fund

Subhead (No. & title) :

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

As mentioned in paragraph 46 - 47 of the 2011 Budget Speech, the Financial Secretary proposed to issue the inflation-linked retail bonds – “iBond” with a view to reducing the impact of inflation on our people. However, interest will be paid to bond holders once every six months at a rate linked to the inflation of the last half-year period. In this connection, will the Government inform the Committee

- (a) whether it has acknowledged the time-lag in between and of the measures proposed to address the matter, if so, of the details and whether the rate linked to the inflation of the last half-year period is comparable to similar arrangements overseas, i.e. the Treasury Inflation-Protected Securities (TIPS), and
- (b) given the half-year interest is linked to the inflation rate of last half-year period, please explain whether it will fail to serve the aim of reducing the impact of inflation on our people, and whether a review on the linkage arrangement between the interest payment and inflation rate will be made, if so, of the details?

Asked by : Hon. SHEK Lai-him, Abraham

Reply :

- (a) The Government is formulating the implementation details and the sales arrangements for the iBond with a view to launching the bond within six months. According to our tentative plan, interest for the bond will be paid once every six months, with the per annum coupon rate determined as the higher of a floating rate and a fixed rate. We propose that the floating rate be determined by the inflation rate measured by the Composite Consumer Price Index compiled and published by the Census and Statistics Department in the most recent six-month period, while the fixed rate will be determined by reference to the interest rates of bonds with similar credit quality in the market, and pre-announced in the issue circular of the iBond. The inflation data published by the Census and Statistics Department usually has a time-lag of about one month from the reference period due to the time required to compile the statistics.

For the US Treasury Inflation-Protected Securities (TIPS), interest is paid once every six months. Unlike the iBond, the coupon rate of TIPS is fixed, while the principal amount will be adjusted on each interest payment date based on the accumulated inflation changes between the bond issue date and three months before the relevant interest payment date. Therefore, the amount of interest payment, which is calculated by multiplying the inflation-adjusted principal amount by the fixed coupon rate, will also be adjusted accordingly. It is worth noting that TIPS target institutional investors, while the iBond will target retail investors. As the interest rate determination mechanism of TIPS may be difficult for retail investors to understand, we believe that the mechanism proposed by the Government is more desirable and suitable for retail investors.

- (b) The primary objective of the proposed issuance of iBond by the Government is to promote the development of the retail bond market in Hong Kong. The current low-interest rate environment has reduced the attractiveness of conventional fixed-rate retail bonds to investors. Issuing the iBond is a preferable option for initiating the retail part of the Government Bond Programme and enhancing retail investors' awareness and interest in bond investment. The iBond can also provide retail investors with one more investment option for maintaining the purchasing power against the backdrop of low interest rate and rising inflation. It is a common practice for bonds to make interest payments every six months. The proposed interest rate determination mechanism is relatively easy for retail investors to understand, while the return is attractive. We believe that the relevant arrangement can achieve the objective of the issuance of iBond. We are devising the detailed interest rate determination mechanism, and will make an announcement in due course.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)056

Question Serial No.

1783

Head : G01 – Bond Fund

Subhead (No. & title) :

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

As mentioned in paragraph 46 of the 2011 Budget Speech, the Financial Secretary proposed to issue \$5 billion to \$10 billion worth of Hong Kong-dollar iBond under the Government Bond Programme. In this connection, will the Government provide the details of whether the total issuance of iBond will be offloaded to the market in one-time or in several phases? Will the Government provide the details about under what evaluations the Government has considered with its decision to issue the \$5 billion to \$10 billion worth of iBond; and will the Government inform the Committee on what conditions the total amount of iBond issuance will be reviewed in light of its public demand?

Asked by : Hon. SHEK Lai-him, Abraham

Reply :

The primary objective of the proposed issuance of iBond by the Government is to promote the development of the retail bond market in Hong Kong. The current low-interest rate environment has reduced the attractiveness of conventional fixed-rate retail bonds to investors. Issuing the iBond is a preferable option for initiating the retail part of the Government Bond Programme (GBP) to enhance retail investors' awareness and interest in bond investment.

The Government is formulating the details of the proposed issuance of iBond, which include the size and timing of issuance. According to our tentative plan, at least HK\$5 billion worth of iBond will be issued. In case of overwhelming demand, the issuance size may be adjusted to a maximum of HK\$10 billion. The offering will be an one-off exercise. The issuance size of HK\$5-10 billion is proposed having regard to the following two factors. First, pursuant to the resolution establishing for the GBP passed by the Legislative Council, the GBP as a whole (comprising the parts for institutional and retail investors) is subject to a ceiling of HK\$100 billion by way of outstanding principal, with the objective of promoting the further and sustainable development of the bond market in Hong Kong. In order to achieve this objective, the issuance size of individual bonds should be proportionate to the overall programme size so as to allow adequate room for developing other segments of the bond market. Second, issuing too large a size of a bond may risk crowding out other prospective bond issuers from the market, which is contrary to the objective of setting up the GBP. Having considered the above factors, at this stage we believe that the proposed issuance of up to HK\$10 billion for the iBond will strike a reasonable balance between satisfying the potential demand for this bond from retail investors and meeting the objective of the GBP as a whole, while minimising the potential impact on other prospective retail bond issuers 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 _____

17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)057

Question Serial No.

1784

Head : G01 – Bond Fund

Subhead (No. & title) :

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

As mentioned in paragraph 47 of the 2011 Budget Speech, the Financial Secretary said that HKMA is working out the implementation details and formulating the sales arrangements, with a view to launching the bonds in six months. In this connection, will the Government provide the details of the timetable for the release of such information, and whether the Government has considered any promotion and publicity measures about the implementation and sales arrangements, if so, of the details, if not, the reasons for that?

Asked by : Hon. SHEK Lai-him, Abraham

Reply :

The Government is formulating the implementation details and the sales arrangements for the iBond with a view to launching the bond within six months. The relevant details will be announced in due course.

Earlier on in implementation of the Government Bond Programme, the Government has appointed two local banks as the co-arranger banks. The co-arranger banks will assist in arranging for the offering of the iBond, including promotion and publicity activities. We will make an announcement after we have hammered out the relevant details.

Signature	
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)058

Question Serial No.

1785

Head : G01 – Bond Fund

Subhead (No. & title) :

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

As mentioned in paragraph 46 of the 2011 Budget Speech, regarding the issuance of \$5 billion to \$10 billion worth of Hong Kong-dollar iBond under the Government Bond Programme, will the Government provide the details of the underwriting arrangements of iBond with regards to the proportion of the amounts of iBond distributed amongst the designated underwriters? Will the Government specify the details of its role in monitoring the level of transaction costs by the underwriters, and whether a cap on the transaction costs charged against different tiers of the amount of investment will be considered; if so, of the details, if not, of the criteria to how a uniform administrative charge will be decided and applied?

Asked by : Hon. SHEK Lai-him, Abraham

Reply :

A bond offering by way of underwriting usually targets institutional investors. Since the iBond targets retail investors, we plan to allow investors to subscribe to the iBond via intermediaries, namely, the placing banks, Hong Kong Securities and Clearing Company and securities brokers. Investors may be subject to different types of fees charged by the intermediaries in relation to subscription, coupon collection, custody and redemption of bonds. These fees are set on a commercial basis by the intermediaries and may vary among different intermediaries.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)059

Question Serial No.

1786

Head : G01 – Bond Fund

Subhead (No. & title) :

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

With regards to the Financial Secretary's proposal to issue \$5 billion to \$10 billion worth of Hong Kong-dollar iBond under the Government Bond Programme that was introduced in 2009, will the Government provide details of the operating costs of the Programme in fiscal years 2009-10 and 2010-11; the estimated costs including the numbers of both civil service and non-civil service posts to be recruited, with breakdown by post-title and salary to fill the vacancies in 2011-12 and the increase in total estimated costs of the programme, in number and in percentage, when compared to the fiscal years 2009-10 and 2010-11?

Asked by : Hon. SHEK Lai-him, Abraham

Reply :

Operating costs in relation to bonds issued under the Government Bond Programme (GBP) will be met from the Bond Fund pursuant to the prevailing funding arrangements. Details of payments from the Bond Fund for 2009-10 and 2010-11 are as follows –

	Actual Expenditure in 2009-10 (HK\$ million)	Revised Estimate in 2010-11 (HK\$ million)
(a) Interest payments for bonds	15.97	313.51
(b) Others (e.g. listing fee, expenses for external services procured, etc.)	1.03	3.74
Total:	17.00	317.25

Details of estimated payments from the Bond Fund for 2011-12 are as follows –

	(HK\$ million)
(a) Repayments of principal for bonds	7,000.00
(b) Interest payments for bonds	465.71
(c) Others (e.g. listing fee, expenses for external services procured, etc.)	3.17
Total:	7,468.88

We estimate that the total payments from the Bond Fund in 2011-12 will reach HK\$7.469 billion, representing an increase of HK\$7.452 billion and HK\$7.152 billion from 2009-10 and 2010-11 respectively. This is mainly because two bond issues with a tenor of 2 years are expected to mature in September 2011 and March 2012 respectively. An additional funding of HK\$7 billion is therefore required for repaying the principal of those two bond issues. Also, with the ongoing implementation of the GBP, more bonds have been issued and therefore the estimated interest payments for the bonds concerned are expected to increase in 2011-12.

In line with the established practice, the estimated payments from the Bond Fund for each fiscal year are projected on the basis of the actual expenditure in the previous fiscal year. In other words, the estimated payments for 2011-12 are projected based on the bond issuance size in 2010-11. As no retail Government Bond was issued in 2010-11, the estimated payments from the Bond Fund in 2011-12 do not include the payments involved in the proposed issuance of iBond as announced in the 2011-12 Budget.

The duties involved in the issuance of iBond will be performed by existing staff of the Financial Services Branch and the Hong Kong Monetary Authority.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)060

Question Serial No.

1787

Head : G01 – Bond Fund

Subhead (No. & title) :

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

As mentioned in paragraph 46 of the 2011 Budget Speech, \$5 billion to \$10 billion worth of Hong Kong-dollar iBond under the Government Bond Programme will be issued. The Financial Secretary proposed that iBond will provide our citizens with another investment option for coping with inflation. In this connection, will the Government consider to establish a price floor under which full percentage of bonds subscribed will be fully granted, if yes, of the details, with breakdown in the subscribed amount and the minimum amount of bonds granted; and will the Government provide the factors considered in determining the price floor?

Asked by : Hon. SHEK Lai-him, Abraham

Reply :

A bond issued via the book-building process usually targets institutional investors. It typically involves underwriters inviting potential investors to indicate the amount of bonds they want to subscribe and the price they are willing to pay, thereby setting a price that is accepted by the market. Since the iBond targets retail investors, in line with the common practice in the retail bond market in Hong Kong, we tentatively plan to sell the bond at par, i.e. 100% of the face value. The iBond will be available for investors' subscription via intermediaries, namely, the placing banks, Hong Kong Securities and Clearing Company and securities brokers. The Government will adopt a fair and reasonable allocation mechanism so as to meet the demand of small investors as far as possible. We are formulating the relevant implementation details and the sales arrangements, and will make an announcement in due course.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)061

Question Serial No.

1830

Head : G01 – Bond Fund

Subhead (No. & title) :

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

The Financial Services mentioned in the Budget Speech that \$5 billion to \$10 billion worth of Hong Kong-dollar iBond would be issued under the Government Bond Programme. What is the timetable for devising and implementing the plan? What are the estimated expenditure and manpower involved?

Asked by : Hon. WONG Ting-kwong

Reply :

The Government is formulating the implementation details and the sales arrangements for the iBond with a view to launching the bond within six months. The relevant details will be announced in due course.

As we are still working on the relevant details of the issuance of iBond, we cannot provide an estimate of the expenditure involved. The relevant expenditure will be met from the Bond Fund pursuant to the prevailing funding arrangements. The duties involved in the issuance of iBond will be performed by existing staff of the Financial Services Branch and the Hong Kong Monetary Authority.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)062

Question Serial No.

2834

Head : G01 – Bond Fund

Subhead (No. & title) :

Programme :

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

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

- a. The Government mentioned that it will issue \$5 billion to \$10 billion worth of Hong Kong-dollar “inflation-linked retail bonds” (iBond) with a maturity of 3 years. What are the grounds for such arrangement?
- b. Will the Government impose limit on the subscription fee (in terms of percentage) charged by banks when selling the iBond, custodian fee, and handling fee in connection with distribution of interest? Will these fees be borne by the public or the Government?
- c. Please advise us whether the Government expects that the issuance of iBond will have impact on the amount of funds in the market? If so, what is the impact?

Asked by : Hon. WONG Yuk-man

Reply :

- a. According to our tentative plan, at least HK\$5 billion worth of iBond will be issued. In case of overwhelming demand, the issuance size may be adjusted to a maximum of HK\$10 billion. The issuance size of HK\$5-10 billion is proposed having regard to the following two factors. First, pursuant to the resolution for establishing the Government Bond Programme (GBP) passed by the Legislative Council, the GBP as a whole (comprising the parts for institutional and retail investors) is subject to a ceiling of HK\$100 billion by way of outstanding principal, with the objective of promoting the further and sustainable development of the bond market in Hong Kong. In order to achieve this objective, the issuance size of individual bonds should be proportionate to the overall programme size so as to allow adequate room for developing other segments of the bond market. Second, issuing too large a size of a bond may risk crowding out other prospective bond issuers from the market, which is contrary to the objective of setting up the GBP. Having considered the above factors, at this stage we believe that the proposed issuance of up to HK\$10 billion for the iBond will strike a reasonable balance between satisfying the potential demand for this type of bonds from retail investors and meeting the objective of the GBP as a whole, while minimising the potential impact on other prospective retail bond issuers in Hong Kong.

Separately, in view of the fact that the retail bond market is currently dominated by short-dated bonds, we believe that short-dated bonds will better suit the needs of retail investors, and thus propose that the tenor of the iBond be set at 3 years. The Government is formulating the details of the proposed issuance of iBond, and will make an announcement in due course.

- b. According to our tentative plan, the iBond will be available for investors’ subscription via intermediaries, namely, the placing banks, Hong Kong Securities and Clearing Company and securities brokers. Investors may be subject to different types of fees charged by the intermediaries in relation to subscription, coupon collection, custody and redemption of bonds. These fees are set on a commercial basis by the intermediaries and may vary among different intermediaries.

- c. As there is abundant liquidity in the market at this juncture, and the proposed issuance size of the iBond is comparable to that of some large-scale bond offerings in the market in recent years, we expect that the impact of the relevant offering on the amount of funds in the market will be minimal.

Signature	_____
Name in block letters	Miss AU King-chi
Post Title	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date	17.3.2011

Examination of Estimates of Expenditure 2011-12
**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

FSTB(FS)063

Question Serial No.

3763

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

Programme : (1) Trade Statistics

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

It is mentioned in the "Details of Expenditure by Subhead" that one of the main reasons for the increase of \$282,489,000 (52%) over the revised estimate for 2010-11 is due to the provision for enhancing the processing and checking of import/export declarations and cargo manifests.

- (a) Please explain the said enhancement with breakdown by nature of expenditure for 2009-10 Actual, 2010-11 Revised Estimate and 2011-12 Estimate, why such enhancement is needed.
- (b) Please list the respective numbers of import/export declaration and cargo manifests actually handled in 2007-08, 2008-09, 2009-10, April to December 2010, their budget numbers and their variances.
- (c) Please list the respective numbers of import/export declaration and cargo manifests with age of outstanding at the end of the fiscal periods for 2007-08, 2008-09, 2009-10, April to December 2010 and explain the reasons for such outstanding numbers.

Asked by : Hon. CHAN Mo-po, Paul

Reply :

- (a) The increase of \$282,489,000 over the revised estimate for 2010-11 is mainly due to making provision for conducting the 2011 Population Census. An additional provision of \$1.8 million is also earmarked for enhancing the processing and checking of import/export declarations and cargo manifests with a view to strengthening the vetting process to help ensure the accuracy of source data (information gathered in the import/export declarations) for compiling trade statistics. The enhancement will be introduced in 2011-12 and there was no relevant expenditure in 2009-10 and 2010-11.

(b) The number of import/export declarations and cargo manifests handled is shown below:

Year	Import/export declarations			Cargo manifests		
	Actual (million) (1)	Estimate (million) (2)	Difference (%) (3) = [(1)-(2)]/(2)x100%	Actual (million) (4)	Estimate (million) (5)	Difference (%) (6) = [(4)-(5)]/(5)x100%
2007-08	19.7	20.2	-2.5%	9.5	9.8	-3.1%
2008-09	18.4	19.4	-5.2%	8.7	9.4	-7.4%
2009-10	17.9	18.2	-1.6%	8.4	8.6	-2.3%
Apr-Dec 2010	14.9	12.9*	15.5%	6.8	6.1*	11.5%

* Adjustment is made to the 2010 Estimates on a pro-rata basis (i.e. 9-month period).

(c) Import/export declarations and cargo manifests are processed by the Census and Statistics Department (C&SD) as soon as the statutory time limit for submission lapses. C&SD does not keep detailed figures regarding the numbers of import/export declaration and cargo manifests with age of outstanding at the end of each fiscal period. Overdue cases in which the respondents do not reply the reminders issued by C&SD are referred to the Customs and Excise Department for further investigation/enforcement actions as necessary.

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 16.3.2011

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

FSTB(FS)064

Question Serial No.

3842

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:

In 2011-12, the Census and Statistics Department will release a new series of Consumer Price Indexes (CPIs) with updated weights for 2009-10. In view of the surge of food prices together with the appreciation of Renminbi in recent years, please advise if and how the Department will adjust the percentage of food in each expenditure weight when updating the expenditure weights of the CPIs, especially the CPI(A), so as to truly reflect the people's livelihood.

Asked by: Hon. CHAN Mo-po, Paul

Reply:

The expenditure weights to be adopted in the new series of 2009/10-based Consumer Price Indices (CPIs), which will be released in 2011-12, will be derived from the results of the 2009/10 Household Expenditure Survey (HES). The HES is conducted once every five years to ensure that up-to-date expenditure patterns of households in different expenditure ranges are used in the compilation of the CPIs, viz. Composite CPI, CPI(A), CPI(B) and CPI(C). This method follows international standard and practice ensuring the accuracy of the CPI.

The updated set of expenditure weights compiled from results of the 2009/10 HES will be able to reflect the expenditure profile of households on food and other major categories of goods and services resulting from changes in price and volume of consumption over time.

Signature _____

Name in block letters _____ FUNG Hing-wang _____

Post Title _____ Commissioner for Census and Statistics _____

Date _____ 16.3.2011 _____

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

FSTB(FS)065

Question Serial No.

1366

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

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

With reference to the establishment ceiling for 2011-12, please advise the reason for the reduction of 82 non-directorate posts in 2011-12. Please also advise if there are any manpower resources and financial provision for conducting statistical surveys and studies on minimum wage policies and that as required by Minimum Wage Commission? If yes, please provide the details. If no, why?

Asked by : Hon. CHEUNG Yu-yan, Tommy

Reply :

The net reduction of 82 non-directorate posts in Census and Statistics Department (C&SD) in 2011-12 is due to the deletion of 83 posts upon the completion of the fieldwork of the 2011 Population Census and the deletion of another 4 posts upon the completion of the 2009/10 Household Expenditure Survey, which are partly offset by the creation of 5 posts in 2011-12.

A total of 15 new non-directorate posts were created in C&SD in 2009-10 for conducting the Annual Earnings and Hours Survey and expanding the sample size of the Annual Survey of Economic Activities in order to support the data collection and statistical analysis related to the Statutory Minimum Wage (SMW). Furthermore, C&SD has also redeployed 28 non-directorate posts from other programmes to assist in undertaking these two statistical surveys. In 2011-12, a Statistician post will be upgraded to a Senior Statistician post to provide enhanced professional support related to SMW.

Signature _____

Name in block letters _____ FUNG Hing-wang _____

Post Title _____ Commissioner for Census and Statistics _____

Date _____ 16.3.2011 _____

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

FSTB(FS)066

Question Serial No.

1379

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

Programme: (4) General Statistical Services

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Production of the biennial publication “Hong Kong Social and Economic Trends” will cease in 2011. However, the 2011-12 estimate for “General Statistical Services” is \$35 million, significantly up by 25.9% when compared with the revised estimate of this programme in 2010-11. Please advise the reasons for the increase and the use of the additional provision.

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

Reply :

The increase of 25.9% under “General Statistical Services” in 2011-12 against the revised estimate of the item in 2010-11 is mainly attributable to the additional operating expenses (about \$5.6 million) for carrying out the preparatory work (booking venues, publicity activities and employment of professional conference organiser) for hosting the 59th World Statistics Congress (WSC) of the International Statistical Institute to be held during 25-30 August 2013 as well as a salary provision of about \$1.2 million for filling up vacancies and staff changes. The Finance Committee of the Legislative Council had already approved the creation of a new commitment of \$15.2 million for organising the WSC on 30 April 2010.

Signature _____

Name in block letters _____ FUNG Hing-wang

Post Title _____ Commissioner for Census and Statistics

Date _____ 16.3.2011

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

FSTB(FS)067

Question Serial No.

2468

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

Programme : (6) Labour Statistics

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question :

Please list for the past three years the names of the statistical reports/publications produced and titles of all the regular/ad hoc surveys conducted by the Census and Statistics Department each year.

Asked by : Hon. IP Wai-ming

Reply :

In the past 3 years, the Census and Statistics Department produced the following statistical reports/publications on labour topics each year :

1. Quarterly Report on General Household Survey
2. Quarterly Report of Wage and Payroll Statistics
3. Quarterly Report of Employment and Vacancies Statistics
4. Quarterly Report of Employment and Vacancies at Construction Sites
5. Report of Salaries and Employee Benefits Statistics : Managerial and Professional Employees (Excluding Top Management)
6. Report on Annual Earnings and Hours Survey (first published in 2010)
7. Thematic Household Survey Report No. 42 on Importance of Age Factor in Employment (only published in 2009)
8. Special Topics Report No. 49 and 53 on Hong Kong Residents Working in the Mainland of China (only published in 2009 and 2010)
9. Special Topics Report No. 50 on Patterns of Hours of Work of Employees (only published in 2009)
10. Special Topics Report No. 51 on Desire of Economically Inactive Persons for Taking up Jobs if being Offered Suitable Employment (only published in 2009)
11. Special Topics Report No. 52 on Casual Employment and Part-time Employment (only published in 2010)

Moreover, in the past 3 years, the Census and Statistics Department conducted the following regular/ad hoc surveys each year :

1. Monthly Building Materials Wholesale Price Survey
2. Monthly Retail Price Survey
3. Monthly Import and Export Price Survey
4. Monthly Survey on Insurance and Freight Costs for Import Trade
5. Monthly Survey of Re-export Trade

6. Monthly Survey of Retail Sales
7. Monthly Survey on Trade Involving Outward Processing in the Mainland of China
8. General Household Survey
9. Labour Earnings Survey
10. Quarterly Business Tendency Survey
11. Quarterly Survey of Construction Output
12. Quarterly Employment Survey of Construction Sites
13. Quarterly Survey of Employment and Vacancies
14. Quarterly Survey of Industrial Production
15. Quarterly Survey of Restaurant Receipts and Purchases
16. Quarterly Survey of Service Industries
17. Quarterly Survey of Merchanting and Other Trading Activities (only conducted in 2010)
18. Quarterly Survey for Energy Statistics
19. Annual Survey of External Claims, Liabilities and Income
20. Annual Survey of Imports and Exports of Services
21. Annual Survey of Overseas Tours
22. Annual Survey of Premises Owned and Occupied by Private Non-profit Bodies
23. Annual Survey of Companies in Hong Kong Representing Parent Companies Located outside Hong Kong
24. Survey of Innovation Activities
25. Survey of Salaries and Employee Benefits - Managerial and Professional Employees (Excluding Top Management)
26. Annual Survey of the Public's Expenditure on Hairdressing
27. Annual Survey of the Public's Expenditure on Newspapers and Periodicals
28. Annual Survey of the Public's Expenditure on Taxi Fare
29. Annual Survey of Profile of Inmates of Private Elderly Homes (only conducted in 2009 and 2010)
30. Annual Earnings and Hours Survey (only conducted in 2009 and 2010)
31. Annual Survey of Economic Activities (only conducted in 2010)
32. Monthly Cotton Consumption Survey (only conducted in 2008 and 2009)
33. Annual Survey on Information Technology Usage and Penetration in the Business Sector (only conducted in 2008 and 2009)
34. Annual Survey of Building, Construction and Real Estate Sectors (only conducted in 2008 and 2009)*
35. Annual Survey of Industrial Production (only conducted in 2008 and 2009)*
36. Annual Survey of Storage, Communication, Financing, Insurance and Business Services (only conducted in 2008 and 2009)*
37. Annual Survey of Transport and Related Services (only conducted in 2008 and 2009)*
38. Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels (only conducted in 2008 and 2009)*
39. Annual Survey of Banks, Deposit-taking Companies, Restricted Licence Banks and Representative Offices of Foreign Banks (only conducted in 2008 and 2009)*
40. Annual Survey of Personal, Social and Recreational Services (only conducted in 2008 and 2009)*
41. Thematic Household Survey
42. Supplementary Survey on Offshore Trade (only conducted in 2008 and 2009)
43. 2009 Survey of Testing and Certification Activities (only conducted in 2009)
44. Wage Survey of the Care Workers/Personal Care Workers Engaged in Elderly Service in Elderly Homes (only conducted in 2009)
45. Pretest Survey of the 2009/10 Household Expenditure Survey (only conducted in June 2009)

46. The 2009/10 Household Expenditure Survey (only conducted during October 2009 to September 2010)
47. Survey on Babies Born in Hong Kong to Mainland Women (only conducted in 2009 and 2010)
48. Survey for Assessing the Economic Impact of the “Mainland and Hong Kong Closer Economic Partnership Arrangement” (CEPA) on Hong Kong (only conducted in 2009 and 2010)
49. Small-scale Test Survey of the 2011 Population Census (only conducted during December 2009 to January 2010)
50. Pilot Survey for the 2011 Population Census (only conducted during June to August 2010)
51. Survey on Provision of Employment Benefits by Employers (only conducted in 2010)
52. Survey on Economic Benefits of Wine Duty Exemption (only conducted in 2010)

*Note : * As from January 2010, these 7 economic surveys have been integrated to form the new Annual Survey of Economic Activities.*

Signature _____

Name in block letters _____ FUNG Hing-wang _____

Post Title _____ Commissioner for Census and Statistics _____

Date _____ 16.3.2011 _____

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

FSTB(FS)068

Question Serial No.

2344

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 advise the details and estimated provision for supporting more detailed analyses on small and medium enterprises and also the six priority industries based on enhanced sample size of the Annual Survey of Economic Activities by the Census and Statistics Department, as mentioned in the "Matters Requiring Special Attention in 2011-12".

Asked by : Hon. LAM Tai-fai

Reply :

The Census and Statistics Department (C&SD) has increased the sample size of the Annual Survey of Economic Activities from 17 000 to 21 000 establishments as from the reference year of 2009. The increase in sample size enables the compilation of more detailed and accurate operating statistics on small and medium enterprises (SMEs) to support the Government in the formulation of policies which may affect SMEs. On the other hand, the sample size for the six priority industries has been expanded so that more comprehensive statistics on these industries can be compiled to reflect their development and contribution to the Hong Kong economy.

Apart from redeploying internal resources to absorb part of the workload arising from the aforementioned increase in sample size, C&SD had created five new non-directorate posts to cope with such increase in workload in 2009-10. The additional annual provision involved is around \$1.2 million. No further increase in provision will be required in 2011-12.

Signature _____

Name in block letters _____ FUNG Hing-wang _____

Post Title _____ Commissioner for Census and Statistics _____

Date _____ 16.3.2011 _____

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

FSTB(FS)070

Question Serial No.

0231

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 :

As regards the 2011 Population Census, please advise the following:

- (a) There is no change to the number of data topics for this round of population census and that for 2006 Population By-census which remains as 41. If it is required to add or delete any data topic, please advise the impact on the estimated expenditure.
- (b) Will the census results reflect such issues as mobility pattern, schooling, etc on the babies born in Hong Kong to Mainland women? If yes, please advise the details. If no, please advise the reasons for not including the relevant data topics.
- (c) Nine-tenths of households in Hong Kong will be enumerated by using the short form questionnaire. Please advise if the projection of the other data will be affected.
- (d) Only one-tenth of households will be enumerated by long form questionnaire, please advise the difference in arrangement as compared to the 2006 Population By-census which the size and characteristics of the entire population were inferred from the sample results obtained through enquiry on the detailed characteristics of a large sample of the population. Please advise the measures for ensuring all data topics are comprehensive and accurate.

Asked by : Hon. SHEK Lai-him, Abraham

Reply :

- (a) Since the number and complexity of questions required to be asked in respect of each data topic may vary, the impact of adding or deleting any data topic in this round of Population Census on the estimated expenditure would depend on the data topics involved.
- (b) In view of the increasing number of babies born in Hong Kong to Mainland women, the Census and Statistics Department has conducted four rounds of focused statistical survey at the Birth Registration Offices in 2007 - 2010 to collect the relevant information from parents particularly their intention on whether their babies would stay in Hong Kong. The result of the first three rounds of survey conducted was included in the Hong Kong Population Projection (2010-2039) report. The result of the 4th round of survey conducted would be made public in due course. The Census and Statistics Department conducted these focused statistical surveys because the Population Census is not the most effective channel to collect information on babies born to Mainland women.

- (c) Using the short form questionnaire to enumerate nine-tenths of households in Hong Kong would not affect the estimation of the other data, as the other one-tenth of households will be enumerated using the long form questionnaire for the estimation of detailed characteristics of the entire Hong Kong population. From a statistics point of view, the existing sample size provides estimates with acceptable precision.
- (d) Both the Population Census and the Population By-census make estimation of the characteristics of the entire population based on a large sample of the population. Same as in the 2006 Population By-census, about 10% of the households will be selected in this round of Population Census for detailed enumeration for the estimation of the characteristics of the entire Hong Kong population. The existing sample size provides estimates with acceptable precision. On the other hand, the Census and Statistics Department has consulted the relevant Government policy bureaux/departments, tertiary education institutions, major organisations, etc. to ensure the comprehensiveness of the data topics covered in the Population Census. Further, a series of quality assurance measures is also in place to ensure the accuracy of the data collected.

Signature _____

Name in block letters _____ FUNG Hing-wang _____

Post Title _____ Commissioner for Census and Statistics _____

Date _____ 16.3.2011 _____

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

FSTB(FS)071

Question Serial No.

0232

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

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Please advise if the Census and Statistics Department had collaborated with or entrusted the Mainland statistical authorities to conduct survey projects in the past. If yes, please provide information on the surveys concerned and the financial provision involved. If no, please advise if suitable surveys will be conducted in response to the integration between Hong Kong and the Mainland. If no, what are the reasons?

Asked by : Hon. SHEK Lai-him, Abraham

Reply :

The Census and Statistics Department had not collaborated with or entrusted the Mainland statistical authorities to conduct any survey projects in the past. The Department would consider such initiative should there be requirements from policy bureaux and departments in the future.

Signature _____

Name in block letters _____ FUNG Hing-wang _____

Post Title _____ Commissioner for Census and Statistics _____

Date _____ 16.3.2011 _____

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

FSTB(FS)072

Question Serial No.

1751

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

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In 2011-12, the Census and Statistics Department will decrease 82 non-directorate posts. What are the justifications for such a reduction? What is the actual expenditure involved? Please also provide a breakdown for the 82 posts including their ranks and salaries, and responsibilities of these posts.

Asked by : Hon. SHEK Lai-him, Abraham

Reply :

The net reduction of 82 non-directorate posts in Census & Statistics Department in 2011-12 is due to the deletion of 83 posts (involving a provision of about \$24.4 million in 2011-12) upon the completion of the fieldwork of the 2011 Population Census (11C) and deletion of another 4 posts (involving a provision of about \$0.3 million in 2011-12) upon the completion of the 2009/10 Household Expenditure Survey (HES), which are partly offset by the creation of 5 posts in 2011-12.

The breakdown for the 87 posts to be deleted is as follows -

(a) Posts relating to the fieldwork and related support services for 11C

- 1 Senior Statistician post with mid-point salary of around \$83,100;
- 5 Statistical Officer (SO) grade posts involving Senior Statistical Officer (SSO) and Statistical Officer I (SOI) ranks with mid-point salary ranging from around \$33,700 to \$44,400;
- 70 Census and Survey Officer grade posts involving Chief Census and Survey Officer, Senior Census and Survey Officer and Census and Survey Officer ranks with mid-point salary ranging from around \$30,800 to \$55,600;
- 4 Executive Officer grade posts involving Senior Executive Officer and Executive Officer I ranks with mid-point salary ranging from around \$44,400 to \$60,900; and
- 3 Clerical Officer (CO) posts with mid-point salary of around \$25,500.

(b) Posts relating to 2009/10 HES

- 3 SO grade posts involving SSO and SOI ranks and 1 CO post with mid-point salary ranging from around \$25,500 to \$44,400.

The 5 posts to be created in 2011-12 include 1 Statistician, 1 Analyst/Programmer I and 3 Statistical Officer II/Student Statistical Officer posts.

Signature _____

Name in block letters _____ FUNG Hing-wang _____

Post Title _____ Commissioner for Census and Statistics _____

Date _____ 16.3.2011 _____

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

FSTB(FS)073

Question Serial No.

3190

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

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the following information on the estimated expenditure for the Information Technology Management Unit in the Census and Statistics Department:

- a. The estimated expenditure for 2011-12, the magnitude of change as compared to the actual expenditure for 2010-11 and the reasons for such changes in expenditure.
- b. The projects, on-going or new, that are involved in the 2011-12 estimated expenditure. The number of staff, expenses and implementation schedule; and the respective percentages of civil servants, non-civil service contract (NCSC) staff and outsourced service worker required for each project.
- c. The provision, if any, for promoting e-citizen participation and public information access policy. If yes, please provide information including project name, detailed arrangement, manpower resources, expenses and implementation schedule. If no, please advise the reasons and decision, if any, to be made in future for implementing these initiatives.
- d. The permanent establishment, number of existing staff and vacancies of the Information Technology Management Unit and the plan, if any, for additional staff next year. If yes, the estimated number of posts to be created and the ranks involved. If permanent posts are to be created, please advise if the staff will be employed on civil service term or not. If there is no plan for additional staff, please advise the reasons.
- e. The comprehensive review, if any, on the effectiveness of the Information Technology Management Unit. If yes, please provide the review results and improvement measures identified. If no, please advise the reasons and if any review will be conducted in future.

Asked by: Hon. TAM Wai-ho, Samson

Reply:

- a. In 2011-12, the provision for the permanent establishment of the Information Technology Management Unit (ITMU) in the Census and Statistics Department is \$23.0 million, representing an increase of 2.4% as compared with 2010-11 to cater for the planned increase of 1 Analyst/Programmer I post and staff changes. The provision for other IT expenses of the department in 2011-12 is \$7.2 million, representing an increase of 6.7% over the actual expenditure in 2010-11. The increase will be used for upgrading existing office computing equipment and coping with price changes in the maintenance of existing facilities.
- b. In 2011-12, 27 permanent posts (involving \$8.2 million provision) will be deployed for IT infrastructural support services, 19 permanent posts (involving \$8.9 million) for application support services and 11 permanent posts (involving \$5.9 million) for statistical computing and end user support services.

Expenditures on new IT projects in 2011-12 (namely replacement/redevelopment of survey computer systems) are not under the department's estimates. These new IT projects will be funded under the Capital Works Reserve Fund (CWRF) Head 710 Computerisation administered by the Office of Government Chief Information Officer.

- c. There is no dedicated subhead in the department's estimates for promoting e-citizen participation and public information access policy. Related expenditures are subsumed within the overall IT expenses of the department. The department has been actively disseminating statistical information to the public free of charge in a user-friendly and speedy manner through the internet.
- d. As at March 2011, the permanent establishment and number of vacancies of the ITMU are 56 and 3 respectively. One additional Analyst/Programmer I post will be created in 2011-12, which will increase the permanent establishment of the ITMU to 57.
- e. The effectiveness of the ITMU was reviewed in the Information Systems Strategy Study (ISSS) completed in 2004. Following the recommendation of the ISSS, a Departmental IT Steering Group has been formed to monitor the work of the ITMU. Under the existing IT governance mechanism, the work of the ITMU is considered effective.

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 16.3.2011

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

FSTB(FS)074

Question Serial No.

3325

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

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As regards the 2011-12 provision for the "Personnel Related Expenses" under the Operational Expenses, the provision for the Mandatory Provident Fund contribution has decreased from \$900,000 to \$614,000 whereas that for the Civil Service Provident Fund has increased from \$649,000 to \$2,182,000 as compared to the revised estimate for 2010-11. Please explain the reasons.

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

The reduced requirement for Mandatory Provident Fund (MPF) contribution and increased requirement for Civil Service Provident Fund (CSPF) contribution in 2011-12 is due to the fact that some officers who are on probationary terms and eligible for MPF contribution in 2010-11 will be transferred to permanent terms and thus eligible for CSPF contribution in 2011-12.

Signature _____

Name in block letters _____ FUNG Hing-wang _____

Post Title _____ Commissioner for Census and Statistics _____

Date _____ 16.3.2011 _____

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

FSTB(FS)075

Question Serial No.

3334

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

Programme :

Controlling Officer : Commissioner for Census and Statistics

Director of Bureau : Secretary for Financial Services and the Treasury

Question:

The increase of \$282,489,000 in 2011-12 provision over the revised estimate for 2010-11 is due to the provision for conducting the 2011 Population Census. Please advise the number of posts to be employed and the related financial allocation.

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

A total of 18 300 additional temporary field workers, including 1 050 Chief Enumerators, 2 030 Assistant Chief Enumerators, 1 470 Checkers, 13 110 Enumerators and 640 Centre Assistants will be employed by the Census and Statistics Department for conducting the 2011 Population Census. The provision involved is about \$180 million.

Signature	_____
Name in block letters	<u>FUNG Hing-wang</u>
Post Title	<u>Commissioner for Census and Statistics</u>
Date	<u>16.3.2011</u>

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

FSTB(FS)076

Question Serial No.

1142

Head : 26 Census and Statistics Department

Subhead (No. & title) : 000 Operational Expenses

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

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

	2011-12	2010-11	2009-10	2008-09
Number of NCSC staff	()	()	()	()
Particulars of NCSC staff posts				
Expenditure on the salaries of NCSC staff	()	()	()	()
Distribution of monthly salary level of NCSC staff				
• \$30,001 or above	()	()	()	()
• \$16,001 - \$30,000	()	()	()	()
• \$8,001 - \$16,000	()	()	()	()
• \$6,501 - \$8,000	()	()	()	()
• \$5,001 - \$6,500	()	()	()	()
• \$5,000 or below	()	()	()	()
• Number of staff with monthly salary lower than \$5,824	()	()	()	()
• Number of staff with monthly salary between \$5,824 and \$6,500	()	()	()	()
Length of employment of NCSC staff				
• 5 years or longer	()	()	()	()
• 3 - 5 years	()	()	()	()
• 1 - 3 years	()	()	()	()
• less than 1 year	()	()	()	()
Number of NCSC staff that can be converted to civil servants	()	()	()	()

	2011-12	2010-11	2009-10	2008-09
Number of NCSC staff that failed to be converted to civil servants	()	()	()	()
Percentage of NCSC staff to the total number of staff in the department	()	()	()	()
Percentage of the expenditure on NCSC staff in the total staff costs in the department	()	()	()	()
Number of NCSC staff with paid meal break	()	()	()	()
Number of NCSC staff without paid meal break	()	()	()	()
Number of NCSC staff on five-day week	()	()	()	()
Number of NCSC staff on six-day week	()	()	()	()

Figures in () denote year-on-year changes

Asked by: Hon. WONG Kwok-hing

8

Reply:

The information required is set out below:

	2011-12	2010-11 (as at 31.12.2010)	2009-10* (as at 31.3.2010)	2008-09 (as at 31.3.2009)	
Number of NCSC staff		341 (-7.1%)	367 (+118.5%)	168 (N.A.)	
Particulars of NCSC staff posts	Figures for 2011-12 are not available as the number of NCSC staff varies over time in accordance with the changing service needs.	Research Manager: 20 Research Executive: 3 Information Technology Officer: 8 Assistant Information Technology Officer: 11 Knowledge Management Officer: 1 Executive Assistant: 2 Statistical Assistant: 123 Survey Interviewer: 130 General Clerk: 38 Casual Worker: 3 Logistics Officer: 1 Senior Statistical Assistant: 1	Research Manager: 18 Research Executive: 1 Information Technology Officer: 9 Assistant Information Technology Officer: 11 Knowledge Management Officer: 1 Statistical Assistant: 113 Survey Interviewer: 170 General Clerk: 42 Casual Worker: 2	Research Manager: 17 Research Executive: 1 Information Technology Officer: 4 Knowledge Management Officer: 1 Statistical Assistant: 93 Survey Interviewer: 35 General Clerk: 16 Casual Worker: 1	
Expenditure on the salaries of NCSC staff			\$44,704,884 (+30%)	\$34,399,873 (+65.7%)	\$20,765,952 (N.A.)

	2011-12	2010-11 (as at 31.12.2010)	2009-10* (as at 31.3.2010)	2008-09 (as at 31.3.2009)
Distribution of monthly salary level of NCSC staff	Figures for 2011-12 are not available as the number of NCSC staff varies over time in accordance with the changing service needs.			
• \$30,001 or above		28 (+3.7%)	27 (+28.6%)	21 (N.A.)
• \$16,001 - \$30,000		19 (+46.2%)	13 (+550%)	2 (N.A.)
• \$8,001 - \$16,000		294 (-10.1%)	327 (+125.5%)	145 (N.A.)
• \$6,501 - \$8,000		0 (- - -)	0 (- - -)	0 (N.A.)
• \$5,001 - \$6,500		0 (- - -)	0 (- - -)	0 (N.A.)
• \$5,000 or below		0 (- - -)	0 (- - -)	0 (N.A.)
• Number of staff with monthly salary lower than \$5,824		0 (- - -)	0 (- - -)	0 (N.A.)
• Number of staff with monthly salary between \$5,824 and \$6,500		0 (- - -)	0 (- - -)	0 (N.A.)
Length of employment of NCSC staff				
• 5 years or longer	1 (-50%)	2 (+100%)	1 (N.A.)	
• 3 - 5 years	15 (+7.1%)	14 (-30%)	20 (N.A.)	
• 1 - 3 years	300 (+15.4%)	260 (+192.1%)	89 (N.A.)	
• less than 1 year	25 (-72.5%)	91 (+56.9%)	58 (N.A.)	
Number of NCSC staff that can be converted to civil servants	N.A. - There is no mechanism for NCSC staff to be transferred to the civil service. They have to go through the same recruitment process as other applicants of civil service positions.			
Number of NCSC staff that failed to be converted to civil servants				
Percentage of NCSC staff to the total number of staff in the department	20.8% (-5.0%)	21.9% (+76.6%)	12.4% (N.A.)	
Percentage of the expenditure on NCSC staff in the total staff costs in the department	12.2% (+64.9%)	7.4% (+57.4%)	4.7% (N.A.)	
Number of NCSC staff with paid meal break	336 (-7.9%)	365 (+118.6%)	167 (N.A.)	
Number of NCSC staff without paid meal break	5 (+150%)	2 (+100%)	1 (N.A.)	
Number of NCSC staff on five-day week	341 (-7.1%)	367 (+118.5%)	168 (N.A.)	
Number of NCSC staff on six-day week	0 (- - -)	0 (- - -)	0 (N.A.)	

*The increase seen in 2009-10 mainly arose 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 16.3.2011

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

FSTB(FS)077

Question Serial No.

1143

Head : 26 Census and Statistics Department

Subhead (No. & title) : 000 Operational Expenses

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the following information on the use of agency workers :

	2011-12	2010-11	2009-10	2008-09
Number of contracts of engaging agency workers	()	()	()	()
Contract sum paid to each employment agency (EA)	()	()	()	()
Total amount of commission paid to each EA	()	()	()	()
Length of contract for each EA	()	()	()	()
Number of agency workers	()	()	()	()
Details of the positions held by agency workers				
Distribution of monthly salary level of agency workers				
• \$30,001 or above	()	()	()	()
• \$16,001 - \$30,000	()	()	()	()
• \$8,001 - \$16,000	()	()	()	()
• \$6,501 - \$8,000	()	()	()	()
• \$5,001 - \$6,500	()	()	()	()
• \$5,000 or below	()	()	()	()
• number of agency workers with monthly salary below \$5,824	()	()	()	()
• number of agency workers with monthly salary between \$5,824 and \$6,500	()	()	()	()
Length of employment of agency workers				
• 5 years or longer	()	()	()	()
• 3 - 5 years	()	()	()	()
• 1 - 3 years	()	()	()	()
• less than 1 year	()	()	()	()
Percentage of agency workers to the total number of staff in the department	()	()	()	()
Percentage of amount paid to EA to the total departmental staff cost	()	()	()	()

	2011-12	2010-11	2009-10	2008-09
Number of agency workers with paid meal break	()	()	()	()
Number of agency workers without paid meal break	()	()	()	()
Number of agency workers on five-day week	()	()	()	()
Number of agency workers on six-day week	()	()	()	()

Figures in () denote year-on-year changes

Asked by: Hon. WONG Kwok-hing

Reply:

The information required is set out below :

	2011-12	2010-11 (as at 30.9.2010)	2009-10 (as at 31.3.2010)	2008-09 (as at 31.3.2009)
Number of contracts of engaging agency workers	<p>Figures for 2011-12 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)	T-contract : 1 (No change)	T-contract : 1
Contract sum paid to each EA		Others : 1 (No change to -100%)	Others : Ranges from 1 to 2 (No change to +100%)	Others : 1
Total amount of commission paid to each EA		T-contract: Ranges from \$111,000 to \$190,000 (-12% to +51%)	T-contract : \$126,000 (+473%)	T-contract : \$22,000
Length of contract for each EA		Others : \$200,000 (-14% to -84%)	Others : Ranges from \$233,000 to \$1,285,000 (+50% to +171%)	Others : Ranges from \$155,000 to \$474,000
		<p>In procuring EA service, government departments must comply with the relevant Stores and Procurement Regulations, Financial Circulars and guidelines issued by the Civil Service Bureau. These regulations and guidelines do not require departments to specify the amount or the rate of commission payable to EAs. As such, we do not have comprehensive information on this matter.</p>		
		T-contract: Ranges from 5.5 to 12 months (-31% to +50%)	T-contract : 8 months (+471%)	T-contract : 1.4 months
		Others : 4 months (-60% to -67%)	Others : Ranges from 10 to 12 months (+400% to +100%)	Others : Ranges from 2 to 6 months

	2011-12	2010-11 (as at 30.9.2010)	2009-10 (as at 31.3.2010)	2008-09 (as at 31.3.2009)
Number of agency workers and details of the positions held by agency workers for each EA	<p>Figures for 2011-12 are not available as the number of agency workers varies over time in accordance with the changing service needs.</p>	<p>T-contract : 1 worker for IT support (No change)</p> <p>Others : 5 workers for general office support.</p> <p>(+67% to -67%)</p>	<p>T-contract : 1 worker for IT support (No change)</p> <p>Others : Ranges from 3 to 15 workers for general office support.</p> <p>(+50% to -21%)</p>	<p>T-contract : 1 worker for IT support</p> <p>Others : Ranges from 2 to 19 workers for technical and general office support.</p>
Distribution of monthly salary level of agency workers		<p>The contracts department entered into with EAs specify the service fee charged by the latter in providing T-contract staff. We do not specify the wages of the T-contract staff. Hence, we are unable to provide the information requested.</p> <p>Concerning the other contract, we know that the salary level of the 5 workers for general office support falls within the category of '\$8,001 - \$16,000'.</p>	<p>The contracts department entered into with EAs 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.</p> <p>As for non-skilled workers, in compliance with the mandatory requirement on wage 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>	
Length of employment of agency workers		<p>We do not keep information on the length of service of agency workers. The mode of using agency workers is that department and an EA enter into a service contract under which the EA will supply manpower as and when the department requires. As long as our requirements are satisfied (in terms of the number of agency workers and the qualifications and/or experience required from agency workers), the EA may arrange any of their employees to work in the department or arrange replacement agency workers during the contract period for different reasons.</p> <p>We therefore do not keep information on the years of service of agency workers who are employees of the EA and are at the disposal of the latter.</p>		
Percentage of agency workers to the total number of staff in the department		0.4%	1.1%	3.1%

	2011-12	2010-11 (as at 30.9.2010)	2009-10 (as at 31.3.2010)	2008-09 (as at 31.3.2009)
Percentage of amount paid to EA to the total departmental staff cost	Figures for 2011-12 are not available as the number of agency workers varies over time in accordance with the changing service needs.	0.1%	0.4%	0.3%
Number of agency workers with or without paid meal break		Agency workers are deployed by EAs to work in the department under the relevant service contract and so there is no employer-employee relationship between the agency workers and the department. The arrangement for meal break with or without pay is agreed between the agency workers and the EAs in entering the employment contracts. We therefore do not have such information.		
Number of agency workers on five-day or six-day week		All agency workers are on five-day week.		

Figures in () denote year-on-year changes

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 16.3.2011

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

FSTB(FS)078

Question Serial No.

1144

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

Programme:

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the following information on the use of "outsourced workers":

	2011-12	2010-11	2009-10	2008-09
Number of outsourced service contracts	()	()	()	()
Total amount paid to outsourced service providers	()	()	()	()
Length of contract for each outsourced service provider	()	()	()	()
Number of workers engaged through outsourced service providers	()	()	()	()
Details of the positions held by outsourced workers (e.g. customer service, property management, security, cleaning and information technology)				
Distribution of monthly salary level of outsourced workers				
• \$30,001 or above	()	()	()	()
• \$16,001 - \$30,000	()	()	()	()
• \$8,001 - \$16,000	()	()	()	()
• \$6,501 - \$8,000	()	()	()	()
• \$5,001 - \$6,500	()	()	()	()
• \$5,000 or below	()	()	()	()
• number of workers with monthly salary below \$5,824	()	()	()	()
• number of workers with monthly salary between \$5,824 and \$6,500	()	()	()	()
Length of employment of outsourced workers				
• 5 years or longer	()	()	()	()
• 3 - 5 years	()	()	()	()
• 1 - 3 years	()	()	()	()
• less than 1 year	()	()	()	()
Percentage of outsourced workers to the total number of staff in the department	()	()	()	()
Percentage of amount paid to outsourced service providers to the total departmental staff cost	()	()	()	()
Number of outsourced workers with paid meal break	()	()	()	()
Number of outsourced workers without paid meal break	()	()	()	()

	2011-12	2010-11	2009-10	2008-09
Number of outsourced workers on five-day week	()	()	()	()
Number of outsourced workers on six-day week	()	()	()	()

Figures () denote year-on-year changes

Asked by: Hon. WONG Kwok-hing

Reply:

The information required is set out below :

	2011-12	2010-11	2009-10	2008-09
Number of outsourced service contracts		10 (-9.1%)	11 (+37.5%)	8
Total amount paid to outsourced service providers		\$6,327,000 (-32.8%)	\$9,411,000 (+16.1%)	\$8,106,000
Length of contract for each outsourced service provider		Ranges from 6 to 18 months (+20% to no change)	Ranges from 5 to 18 months (-50% to no change)	Ranges from 10 to 18 months
Number of workers engaged through outsourced service providers*		86 (+19.4%)	72 (+38.5%)	52
Details of the positions held by outsourced workers	Outsourced service contracts are for meeting ad hoc service needs. The Department will review the demand for outsourced services in 2011-12 and only use outsourced services when such needs arise. Hence, the figures for 2011-12 are not available.	For provision of statistical, information technology, cleansing and labouring services.	For provision of statistical, information technology, cleansing and labouring services.	For provision of statistical, information technology, cleansing and labouring services.
Distribution of monthly salary level of outsourced workers		The contracts which the department entered into with outsourced service providers specify the service fee. This includes both staff cost and other operating costs, charged by the latter in providing various services to the department. We do not specify the wages of outsourced workers except for the wages of non-skilled workers. As for non-skilled workers, in compliance with the mandatory requirement on wage 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.		

	2011-12	2010-11	2009-10	2008-09
Length of employment of outsourced workers	Outsourced service contracts are for meeting ad hoc service needs. The Department will review the demand for outsourced services in 2011-12 and only use outsourced services when such needs arise. Hence, the figures for 2011-12 are not available.	We do not keep information on the length of service of outsourced workers. Outsourcing is an arrangement where a department contracts with outsourced service provider to deliver services (instead of providing manpower) at the specific time in accordance with the required standard and quantity, etc. As long as the outsourced service providers have delivered the service in accordance with the contract terms, the outsourced service providers may arrange any of their employees to deliver the service at its own disposal.		
Percentage of outsourced workers to the total number of staff in the department*		5.1%	4.3%	3.8%
Percentage of amount paid to outsourced service providers to the total departmental staff cost		1.3%	2.0%	1.8%
Number of outsourced workers with or without paid meal break		Outsourced workers are deployed by outsourced service providers to deliver services, either on-site or off-site, to the department under the relevant outsourcing contract and so there is no employer-employee relationship between the outsourced workers and the department. The arrangements for meal break with or without pay and also the work week pattern are agreed between the outsourced workers and the outsourced service providers in entering the employment contracts. We therefore do not have such information.		
Number of outsourced workers on five-day or six-day week				

Figures () denote year-on-year changes

*Remarks: Outsourced service contracts only require an outsourced service provider to provide specified services in accordance with the contract terms. The concerned department does not employ any staff through an outsourced service provider. The number of workers provided in this reply is the number of staff employed by outsourced service provider to provide services as specified in a contract.

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 16.3.2011

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

FSTB(FS)079

Question Serial No.

2923

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 :

As mentioned in the "Matters Requiring Special Attention in 2011-12", the Census and Statistics Department will conduct the large scale project on the 2011 Population Census, the 2011-12 estimate for this programme has increased substantially to \$385.8 million and is 192.1% higher than the revised estimate for 2010-11. In respect of this round of population census, please advise the following:

- (a) Details of the additional operating expenditure involved; and
- (b) The number, posts, responsibilities, employment period and wages of the additional staff employed.

Asked by : Hon. WONG Kwok-hing

Reply :

- (a) The total provision for the conduct of the 2011 Population Census is \$520 million, of which the provision in 2011-12 is around \$350.7 million covering the following:
 - (i) employment of temporary field workers and short term supporting staff (\$208.4 million);
 - (ii) provision for 92 time-limited civil service posts (\$31.5 million);
 - (iii) payment for hiring school premises to serve as training centres and field centres (\$20.7 million);
 - (iv) computer facilities and related services (\$37.7 million); and
 - (v) other administrative and miscellaneous expenses, including mainly printing of Census related documents, purchase of stores, postage and publicity (\$52.4 million).
- (b) For the conduct of the 2011 Population Census, the Census and Statistics Department will employ some 18 300 additional temporary field workers (including 1 050 Chief Enumerators, 2 030 Assistant Chief Enumerators, 1 470 Checkers, 13 110 Enumerators and 640 Centre Assistants) during June to August this year. They will mainly be responsible for carrying out fieldwork, providing telephone enquiry supporting service and processing completed questionnaires. Upon completion of their duties, they will receive honoraria ranging from \$7,047 to \$16,200.

Signature _____

Name in block letters _____

FUNG Hing-wang

Post Title _____

Commissioner for Census and Statistics

Date _____

16.3.2011

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

FSTB(FS)080

Question Serial No.

0669

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 :

Provision for 2011-12 is \$1.7 million (-1.4%) lower than the revised estimate for 2010-11. However, for the 2011 performance indicators, the estimated figures for establishments enumerated and price quotations collected have increased substantially. Please advise if the work of the Census and Statistics Department will be affected due to the reduction in provision.

Asked by : Hon. WONG Ting-kwong

Reply :

For the 2011 performance indicators, the estimated increase in the establishments enumerated and price quotations collected is mainly due to additional data required to be collected for Hong Kong's participation in the 2011 International Comparison Program. To better utilise the resources, the additional data collection work will be integrated into the existing Monthly Retail Price Survey. As regards the decrease of \$1.7 million in the estimate for 2011-12 as compared with the revised estimate for 2010-11, this is mainly due to the completion of data collection work for the 2009/10 Household Expenditure Survey (conducted every five years) in 2010-11, thus lowering the operating expenses in 2011-12. The Census and Statistics Department will continue to provide high-quality statistical services in a cost-effective manner.

Signature _____

Name in block letters FUNG Hing-wang

Post Title Commissioner for Census and Statistics

Date 16.3.2011

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

FSTB(FS)081

Question Serial No.

1831

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

Programme: (1) Trade Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

Provision for 2011-12 is \$17.5 million (13.2%) higher than the revised estimate for 2010-11. This is mainly due to the additional operating expenses for conducting supplementary surveys, enhancing the processing and checking of import/export declarations and cargo manifests, as well as filling of vacancies and staff changes.

Please advise on the following:

1. The expenditure involved for each item.
2. The date of completion of the relevant supplementary surveys.
3. The estimates of the performance indicators for 2011 for the checking of import/export declarations and processing of cargo manifests are the same as the corresponding actual figures for 2010. Please advise the reasons that additional operating expenses are still required for enhancing these activities.

Asked by : Hon. WONG Ting-kwong

Reply :

1. With reference to the increased provision of \$17.5 million for 2011-12 as compared with the revised estimate for 2010-11, \$7 million is for conducting the supplementary surveys, \$1.8 million is for enhancing the processing and checking of import/export declarations and cargo manifests, and the remaining \$8.7 million is for meeting the increased salary provision for filling up vacancies and staff changes.
2. The supplementary surveys for 2011-12 will be completed in mid-2012.
3. The provision of \$1.8 million for enhancing the processing and checking of import/export declarations and cargo manifests is for strengthening the vetting process. The enhanced vetting process would help ensure the accuracy of source data (information gathered in the import/export declarations) for compiling trade statistics. The enhancement would improve the quality of our trade statistics but it would not affect the number of the two types of documents to be processed and checked. Hence, the estimates of the performance indicators for 2011 are the same as the corresponding actual figures for 2010.

Signature _____

Name in block letters _____

FUNG Hing-wang

Post Title _____

Commissioner for Census and Statistics

Date _____

16.3.2011

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

FSTB(FS)082

Question Serial No.

1832

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 :

Please advise the estimated expenditure for conducting the 2011 Population Census in mid 2011 by the Census and Statistics Department.

Asked by : Hon. WONG Ting-kwong

Reply :

The total provision for the 2011 Population Census (including the expenditure for computer equipment and services) is \$520 million, which has been approved by the Legislative Council Finance Committee. The provision for 2011-12 to be allocated to the conduct of this round of Population Census is \$350.7 million, including \$37.7 million for computer equipment and services.

Signature _____

Name in block letters _____ **FUNG Hing-wang** _____

Post Title _____ **Commissioner for Census and Statistics** _____

Date _____ **16.3.2011** _____

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

FSTB(FS)083

Question Serial No.

1982

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

Programme: (6) Labour Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question :

In 2011-12, the sample size of the payroll enquiry of the Labour Earnings Survey (LES) will be reduced from the existing level of 5 000 establishments to 4 000 establishments per quarter with effect from 2011. Please advise the reasons for such reduction and the impact on the accuracy and representativeness of the survey results.

Asked by : Hon. WONG Ting-kwong

Reply :

The sample size of the payroll enquiry in the LES will be reduced in order to enable more effective deployment of resources in the compilation and development of labour statistics. It would not affect the accuracy and representativeness of the survey results. However, with the reduction in sample size, payroll indices of some minor business sub-sectors (mainly from the manufacturing sector, e.g. leather, paper and related product businesses) will no longer be available because the number of employees and the total payroll of these sub-sectors are diminishing and thus the use of the payroll indices of these sub-sectors is limited. The department will continue to provide, on a quarterly basis, the average payroll indices of each major industry.

Signature _____

Name in block letters _____ FUNG Hing-wang

Post Title _____ Commissioner for Census and Statistics

Date _____ 16.3.2011

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

FSTB(FS)087

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

Question Serial No.

2387

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to the Programme of the Official Receiver's Office (ORO) under Head 116, the number of new cases received by the ORO has been drastically reduced from 16 730 in 2009 to 9 601 last year and further down to 8 445 (estimate) this year. However, the financial provision for the ORO for 2009 has been increased from \$115.4 million to the revised \$122.9 million last year and the estimated \$136.3 million this year. In this connection, will the Administration inform this Committee:

- (a) has the Administration evaluated the reasons for the decrease in the number of new cases and the reasons for the increased provision in the midst of having fewer new cases;
- (b) the amount of income generated from the fees levied by the ORO for handling bankruptcy proceedings and the expenses on the proceedings; and
- (c) the number of cases where fees in bankruptcy were reduced or waived in the light of the applicants' financial situation and the additional expenses involved over the past three years.

Asked by: Hon. CHAN Kin-por

Reply:

- (a) The number of new insolvency cases varies from time to time and in particular, there has been a relatively greater fluctuation in the number of new bankruptcy cases in the past couple of years. It is difficult to attribute the fluctuations to any specific factors, although in general the number of new insolvency cases is likely to increase if the economic situation deteriorates and the unemployment rate increases, and vice versa.

The increase in the provision for 2011-12 by \$13.4 million (10.9%) over the revised provision for 2010-11 is mainly due to the increased provision for anticipated payments in the contracting out of summary winding-up cases, filling of vacancies and salary increments for staff.

- (a) The amounts of income generated from the fees levied by the ORO for handling bankruptcy proceedings are as follows:-

	Head 11 – Fees and Charges (Bankruptcy) (\$'000)
Actual revenue 2009/10	94,870
Revised Estimate 2010/11	88,927
Estimate 2011/12	78,982

The ORO does not have separate breakdowns on the expenses for these bankruptcy proceedings.

(c) The Official Receiver does not have the power to waive or reduce his fees. The court may remit the fees under section 114(2) of the Bankruptcy Ordinance where appropriate.

The numbers of cases where fee remission was granted by the court and amount remitted in the past three years are as follows:-

	Number of cases where fee remission was granted by the court	Amount remitted (\$)
2008	1	2,260,248
2009	1	157,795
2010	1	87,630
Total	3	2,505,673

Signature _____

Name in block letters _____ E T O'Connell

Post Title _____ Official Receiver

Date _____ 16.3.2011

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

FSTB(FS)090

Question Serial No.

3005

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In each of the past three years, what were the respective numbers of cases where the Official Receiver (OR) was appointed as the liquidator or trustee by the court or creditors? What were the average actual operating costs in each case? In how many cases were the fees not successfully recovered? What were the total actual operating costs involved in cases where the fees could not be successfully recovered? What was the number of cases where the fees charged were higher than the actual operating costs and the difference involved? What were the expenses of the Official Receiver's Office (ORO) for handling cases where the fees charged were insufficient to cover the actual operating costs in each year?

Asked by: Hon. LEE Wai-king, Starry

Reply:

The numbers of cases where the OR was appointed trustee or liquidator from 2008 to 2010 (based on the date of appointment) are as follows:-

	Appointed as Trustee	Appointed as Liquidator
2008	6 213	3
2009	10 073	-
2010	9 355	2

The OR has largely not taken on the role as liquidator in company liquidation cases in recent years. Private sector insolvency practitioners serve as liquidator in the vast majority of liquidation cases.

In respect of the OR acting as trustee in bankruptcy or as liquidator in winding-up cases, the operating costs differ considerably from case to case, depending on the complexity of the case concerned.

The Government's policy consideration of bankruptcy and winding-up fees and charges is for recovering the costs for services of the ORO as far as possible in order to avoid using public money to subsidise the expenses incurred in the administration of insolvency cases. In order to achieve full cost recovery, the ORO's fees charging mechanism allows some degree of cross-subsidisation, meaning the fees charged in some cases will be higher than the actual costs incurred to defray the costs of administering other cases where there are no or inadequate assets to cover costs. The ORO does not keep statistics on the actual operating costs of individual cases.

For the year 2010, around 98% of new insolvency cases (both liquidation and bankruptcy cases) were non-remunerative cases (i.e. cases with assets of not more than \$50,000) and around 2% of new cases were remunerative cases.

Signature	_____
Name in block letters	E T O'Connell
Post Title	Official Receiver
Date	16.3.2011

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

FSTB(FS)092

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

Question Serial No.

3209

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the estimates of expenditure of the information technology management unit of the department:

- (a) What is the estimated expenditure for 2011-12? What is the percentage change compared with the actual expenditure for 2010-11? What account for this percentage change in expenditure?
- (b) What specific initiatives are involved in the estimates of expenditure for 2011-12? Which of them are ongoing and new initiatives respectively? What are the staff number, cost and implementation timetable of each initiative? Among the staff involved, how many of them are civil servants, non-civil service contract staff and staff of outsourced services respectively?
- (c) Whether funds have been reserved for promoting electronic civic participation and public sector information access? If yes, what are the specific details, including the titles and particulars of the initiatives, the manpower and cost involved, and the implementation timetable? If not, what are the reasons and will consideration be given to introducing the initiatives in the future?
- (d) What are the permanent establishment and the number of existing staff and vacancies of the information technology unit? Is manpower expected to increase in the coming year? If yes, how many additional posts will be created? What ranks will be involved? Will they be permanent posts? Will they be appointed on civil service terms? If there will be no increase in manpower, what are the reasons?
- (e) Has there been any comprehensive review of the effectiveness of the information technology unit? If yes, what are the results and the specific improvement measures involved? If not, what are the reasons and will a review be conducted in the future?

Asked by: Hon. TAM Wai-ho, Samson

Reply:

- (a) The estimated expenditure of the Information Technology Management Unit (ITMU) of the Official Receiver's Office (ORO) for 2011-12 is about \$3.816 million, which is slightly higher than the revised expenditure for 2010-11 of \$3.807 million by \$9,000, or 0.24%. The slight increase in the expenditure is mainly for procurement of computer facilities and support services for staff.
- (b) The estimates of expenditure for 2011-12 mainly covers the costs for (i) procurement of departmental computer facilities; (ii) hardware and software maintenance; (iii) maintenance and support service of computer systems and network equipment; and (iv) permanent and contract staff. No new initiative is involved in the estimates. Except for procurement of departmental computer facilities under (i), the estimates under the remaining items are for ongoing initiatives.

- (c) ORO's efforts made in regard of promoting electronic civic participation and public sector information access include the launch of its online search services through GovHK in January 2008, which enables members of the public to search for bankruptcy and compulsory winding-up records easily. This service has been running smoothly and the ORO does not have any plans to further enhance it in 2011-12. That said, the ORO will keep reviewing the effectiveness of its work in this area and consider introducing new initiatives where necessary.
- (d) The ITMU comprises one Systems Manager, one Analyst/Programmer I and one contract System Analyst. In addition, one contract System Analyst has been engaged to carry out project activities with funding provided by the Office of the Government Chief Information Officer. It is expected that additional manpower is not required given that part of the support and maintenance services of the existing computer systems are provided by contractors via Government service contracts.
- (e) The ORO is closely monitoring the operation of the ITMU, and considers that it has been functioning smoothly since its establishment in 2004. No separate comprehensive review of the Unit has been carried out. The ORO will continue with its regular monitoring efforts and consider reviewing the Unit's effectiveness when the need to do so arises.

Signature _____

Name in block letters _____ E T O'Connell

Post Title _____ Official Receiver

Date _____ 16.3.2011

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

FSTB(FS)093

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

Question Serial No.

3855

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under Matters Requiring Special Attention in 2011-12, it is mentioned that the Administration will implement the scheme to contract out summary liquidation cases (each with estimated realisable assets of not more than \$200,000) to practitioners in the private sector, will the Administration inform this Committee:

- (a) how many firms were awarded the outsourcing contracts in each of the past three years and what was the total amount of remuneration paid to the firms?
- (b) how many cases needed to be contracted out to practitioners in the private sector in each of the past three years and what were the amounts of fees charged and remuneration received by each firm?

Asked by: Hon. WONG Kwok-hing

Reply:

In the past 3 years, the Official Receiver's Office (ORO) has outsourced summary liquidation cases under two tender contracts covering the period from April 2008 to March 2010 and April 2010 to March 2012 respectively. The number of the selected firms, the amount of government subsidy and the number of cases outsourced are as follows:-

		Tender Contract from April 2008 to March 2010	Tender Contract from April 2010 to March 2012
(a)	Number of selected firms	11	10
	Range of maximum government subsidy per case	\$450 - \$3,100	\$850 - \$2,887
(b)	Number of cases outsourced	953	344 (up to 28 February 2011)

The selected firms charge their remuneration on a time-cost basis and the remuneration to be paid from the assets of the wound-up companies requires taxation by the court. If the assets of the wound-up companies are insufficient to meet the remuneration, the shortfall will be covered by the ORO subject to the maximum amount of subsidy quoted in the tender contracts.

Signature _____
Name in block letters E T O'Connell
Post Title Official Receiver
Date 16.3.2011

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

FSTB(FS)094

Question Serial No.

3857

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. In 2011-12, the government will contract out non-summary liquidation cases, preliminary examination of bankrupts and a certain number of debtor-petition summary bankruptcy cases to practitioners in the private sector. What are the reasons? What are the respective estimated numbers of such cases to be contracted out as a result?
2. With the continual outsourcing of cases, why is there still an increase of 10.9% in the department's estimated expenditure? Please list out the manpower and expenditure that the department will be able to save with the respective outsourcing schemes and state the reasons for the increase of 10.9% in the estimate.

Asked by: Hon. WONG Kwok-hing

Reply:

1. Implementation of the outsourcing schemes enables the Official Receiver's Office (ORO) to make use of the private sector expertise to alleviate its increasing workload arising from the upsurge in the liquidation and bankruptcy cases since 2000 without strengthening its staff complement, and in the process enhance the expertise of the insolvency sector. The estimated numbers of cases to be outsourced in 2011-12 are as follows:

Type of work	2011-12
(a) Non-summary liquidation cases	14
(b) Preliminary examination of bankrupts	2 732
(c) Debtor-petition summary bankruptcy cases	3 500

2. The increase in the provision for 2011-12 by \$13.4 million (10.9%) over the revised provision for 2010-11 is mainly for anticipated payments in the contracting out of summary winding-up cases, as well as ORO's personnel expenses including the filling of vacancies and salary increments for staff.

The amount of work and time involved in handling liquidation and debtor-petition summary bankruptcy cases varies considerably, depending on the complexity of individual cases and the procedural requirements for those cases. It is very difficult for us to estimate the cost to the Government if these cases were administered by the ORO. We therefore cannot give an accurate estimate of the savings in manpower and expenditure.

As for the outsourcing of preliminary examination of bankrupts, because the work and the time involved in each case are rather similar, we are able to work out the average time savings per case to be about 1.5 man-hours. It is estimated that the total amount of time saved in 2011-12 will be about 4 098 man-hours.

Signature _____

Name in block letters E T O'Connell

Post Title Official Receiver

Date 16.3.2011

