

**Replies to initial written questions raised by Finance Committee Members  
in examining the Estimates of Expenditure 2012-13**

**Director of Bureau : Secretary for Financial Services and the Treasury  
Session No. : 14**

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

**FSTB(FS)001**

Question Serial No.

2086

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 paragraph 114 of the Budget Speech, “Hong Kong was ranked first worldwide for the third consecutive year in terms of the total amount of funds raised through initial public offering, which amounted to US\$33 billion in 2011”. Please tabulate the companies listed through initial public offerings in Hong Kong over the past three years by region, the amount of funds raised and the percentage of total amount of funds raised.

Asked by: Hon. CHAN Kam-lam

Reply:

Please refer to Annex for information.

Signature: \_\_\_\_\_

Name in block letters: \_\_\_\_\_

Miss AU King-chi

Post Title: \_\_\_\_\_

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

Date: \_\_\_\_\_

29.2.2012

**Information on listed companies which raised funds through initial public offering (IPO)  
on the Hong Kong Exchanges and Clearing Limited 2009-2011**

Breakdown by Country / Region	2009		2010		2011	
	IPO Funds Raised (\$ million)	% of IPO Funds Raised	IPO Funds Raised (\$ million)	% of IPO Funds Raised	IPO Funds Raised (\$ million)	% of IPO Funds Raised
Canada	-	-	3,062.77	0.68%	-	-
Germany	185.00	0.07%	-	-	-	-
Hong Kong	20,735.02	8.35%	23,872.07	5.31%	30,254.61	11.69%
Indonesia	-	-	3,645.74	0.81%	540.00	0.21%
Italy	-	-	-	-	19,227.22	7.43%
Japan	-	-	1,772.97	0.39%	1,604.60	0.62%
Luxembourg	-	-	6,109.47	1.36%	10,090.55	3.90%
Macau	-	-	75.00	0.02%	1,145.38	0.44%
Mainland	191,648.32	77.21%	219,188.75	48.77%	94,705.32	36.58%
Mongolia	-	-	5,807.92	1.29%	-	-
Russia	-	-	17,391.16	3.87%	-	-
Singapore	-	-	1,595.82	0.36%	1,559.16	0.60%
Switzerland	-	-	-	-	77,745.76	30.03%
Taiwan	1,199.20	0.48%	-	-	-	-
Taiwan/ France <sup>(1)</sup>	-	-	-	-	9,471.06	3.66%
UK	558.90	0.23%	1,872.00	0.42%	-	-
US	33,900.60	13.66%	165,083.58	36.73%	12,568.66	4.85%
<b>Total</b>	<b>248,227.04</b>	<b>100.00%</b>	<b>449,477.25</b>	<b>100.00%*</b>	<b>258,912.32</b>	<b>100.00%*</b>

<sup>(1)</sup> Note: The IPO refers to Sun Art Retail Group Ltd., which is a joint venture of French and Taiwanese companies.

\* Rounded down to the nearest per cent.

Source: The Hong Kong Exchanges and Clearing Limited

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION****FSTB(FS)002**

Question Serial No.

3284

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 local bond situation, please provide, in table form, a breakdown of the issuance of local bonds in the past 5 years by type, maturity period and total issuance amount.

Asked by: Hon. CHAN Kam-lam

Reply:

Debt instrument issuance activities would not necessarily take place in a single location. Nonetheless, in general, when entities issue debt instruments denominated in a local currency, the issuance activities would primarily be organised in the respective local market. For instance, if an entity issues Hong Kong dollar debt instrument, the majority of the issuance activities would naturally be conducted in Hong Kong. When the entity issue foreign currency debt instrument, the issuance could be originated and distributed elsewhere. In view of the foregoing, the following information is confined to Hong Kong dollar debt instruments only –

New Issues of Hong Kong Dollar Debt Instruments (in HK\$ million)							
Year	Fixed-rate Instruments (original maturity) <sup>1</sup>			Floating-rate Instruments (original maturity) <sup>2</sup>			Total
	less than 3 years	3 to 5 years	more than 5 years	less than 3 years	3 to 5 years	more than 5 years	
2007	297,374	50,272	41,613	25,627	29,901	0	444,787
2008	334,301	37,193	27,255	24,276	1,310	26	424,361
2009	1,093,244	58,290	28,660	34,190	25,688	2,000	1,242,072
2010	1,868,126	41,496	41,536	36,837	7,977	0	1,995,972
2011	1,930,606	57,564	27,187	40,379	15,609	0	2,071,345

Source: Hong Kong Monetary Authority's Monthly Statistical Bulletin

- Notes: 1. Fixed-rate instruments include fixed-rate certificates of deposit, commercial papers and straight bonds.
2. Floating-rate instruments include floating-rate certificates of deposit, floating-rate notes and floating-rate asset-backed securities.

Also, in line with the active development of Hong Kong as an offshore Renminbi (RMB) business centre and with the supporting measures of the Central Government, the RMB bonds issued in Hong Kong amounted to RMB10 billion, RMB12 billion, RMB16 billion, RMB35.76 billion and RMB105.831 billion in 2007, 2008, 2009, 2010 and 2011 respectively.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 29.2.2012

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

**FSTB(FS)003**

Question Serial No.

3296

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 issuance of Renminbi-denominated bonds in Hong Kong in the past few years, please provide a breakdown for such issues as the number of issuances, the percentages by target buyers, the issuing financial institutions, the issue values, the tenors and the terms of paying interests.

Asked by: Hon. CHAN Kam-lam

Reply:

Hong Kong is the first place outside the Mainland to develop an Renminbi (RMB) bond market. The initial issue of RMB bonds dated back to July 2007 and the issuance for the entire year of 2007 totalled RMB 10 billion. In 2008, 2009 and 2010, the size of issue increased to RMB 12 billion, RMB 16 billion and RMB 35.8 billion respectively. For 2011, bonds totaling RMB 107.9 billion were issued, three times that of 2010.

Bond issuers have expanded from Mainland financial institutions to enterprises and international financial institutions from all over the world, for example, McDonald's and Caterpillar from the United States, Unilever and Volkswagen from Europe, the World Bank and the Asian Development Bank.

The Central Government announced in August 2011 a package of measures to support Hong Kong in developing into an offshore RMB business centre, including the expansion of issuance of RMB bonds in Hong Kong by Mainland entities to a total amount of RMB 50 billion, divided between Mainland financial and non-financial enterprises with each taking up about RMB 25 billion. In December 2011, Baosteel became the first non-financial Mainland enterprise issuing RMB-denominated bonds in Hong Kong.

In 2009, the Ministry of Finance launched its inaugural offering of RMB sovereign bonds in Hong Kong, with a total value of RMB 6 billion: 2-year maturity and 3-year maturity at respective interest rates of 2.25% and 2.70% for retail investors, and 3-year maturity and 5-year maturity for institutional investors.

In 2010, the Ministry of Finance issued another lot of RMB sovereign bonds totaling RMB 8 billion in Hong Kong. Of these, RMB 5 billion were issued to institutional investors by tender and in varying tenors: RMB 2 billion with 3-year maturity, RMB 2 billion with 5-year maturity and RMB 1 billion with 10-year maturity. The remaining RMB 3 billion sovereign bonds with 2-year maturity were issued to retail investors.

In 2011, the Ministry of Finance launched the third sovereign bond offering in Hong Kong, with the total value reaching RMB 20 billion. Bonds of RMB 15 billion were issued to institutional investors by tender: RMB 6 billion with 3-year maturity, RMB 5 billion with 5-year maturity, RMB 3 billion with 7-year maturity and RMB 1 billion with 10-year maturity. The remaining RMB 5 billion with 2-year maturity were issued to retail investors.

In the past year, the tenors of RMB bonds issued by enterprises varied from 1 to 10 years. The interest rates were determined by the market.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 29.2.2012

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

**FSTB(FS)004**

Question Serial No.

3297

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 RMB Qualified Foreign Institutional Investors (RQFII) Scheme, the first batch of products was approved by the Securities and Futures Commission (SFC) in December last year for public subscription. In this connection, please provide the following information:

- (a) Details of the products approved by the SFC, including their names, issuers, issue values, nature, tenors, charges and availability for public subscription.
- (b) At present, there are other RQFII products pending approval. When will the next batch of products available for public subscription?

Asked by : Hon. CHAN Kam-lam

Reply :

- (a) RQFII is a new policy initiative of the Mainland authorities. It was announced by China Securities Regulatory Commission on 16 December 2011, and allows qualified RQFII holders to channel Renminbi funds raised in Hong Kong to invest into the Mainland securities markets.

The SFC assesses and processes all fund applications with the same set of rules, standards and procedures according to the statute. RQFII fund applications are not treated differently.

According to the RQFII regulations, RQFII funds must invest at least 80% of its assets in renminbi debt instruments issued in Mainland China. They may also invest no more than 20% of its assets in China A-shares and other equity investments permitted under Mainland regulations.

SFC-authorized RQFII funds are open-ended funds. These funds provide regular dealing days for investors to exit their investment.

The SFC authorised 4 RQFII funds in December 2011 and another 14 RQFII funds in January 2012. Please refer to the Appendix for the names of the 18 SFC-authorized RQFII funds and their managers, and the RQFII quota sizes allocated by Mainland authorities to the RQFII funds.

Of the 18 SFC-authorized RQFII funds, their maximum subscription fees for retail class range from 3% to 5% of the subscription amount, and their management fees for retail class range from 1% to 1.75% p.a. of the fund's net asset value. The level of fees is broadly in line with that of SFC-authorized non-RQFII funds with similar investment objectives.

(b) The SFC will continue to process outstanding RQFII fund application(s) according to the statute.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 29.2.2012

<b>Appendix</b>			
	<b>Management company</b>	<b>Name of SFC-authorized RQFII Fund</b>	<b>Size of RQFII quota allocated by Mainland authorities to the fund</b>
1	CSOP Asset Management Limited	CSOP Shen Zhou RMB Fund	RMB 1.1 billion.
2	China Asset Management (Hong Kong) Limited	ChinaAMC Select RMB Bond Fund	RMB 1.2 billion
3	Harvest Global Investments Limited	Harvest RMB Fixed Income Fund	RMB 1.1 billion
4	China Universal Asset Management (Hong Kong) Company Limited	CUAM RMB Bondplus Fund	RMB1.1 billion
5	E Fund Management (Hong Kong) Co.,Limited	E Fund RMB Fixed Income Fund	RMB 1.1 billion
6	China International Capital Corporation Hong Kong Asset Management Limited	CICC RMB Fixed Income Fund	RMB 0.9 billion
7	Da Cheng International Asset Management Company Limited	Da Cheng China RMB Fixed Income Fund	RMB 1.1 billion
8	GF Asset Management (Hong Kong) Limited	GF China RMB Fixed Income Fund	RMB 0.9 billion
9	Hai Tong Asset Management (HK) Limited	Haitong China RMB Income Fund	RMB 0.9 billion
10	Bosera Asset Management (International) Co., Limited	Bosera RMB Bond Fund	RMB 1.1 billion
11	HFT Investment Management (HK) Limited	HFT (HK) China RMB Fixed Income Fund	RMB 1.1billion
12	Guotai Junan Assets (Asia) Limited	Guotai Junan Great Dragon China Fixed Income Fund	RMB 0.9 billion
13	CMS Asset Management (HK) Co., Limited	CMS China Opportunities Flexifund	RMB 0.9 billion
14	Shenyin Wanguo Asset Management (Asia) Limited	Shenyin Wanguo RMB Mainland Investment Fund	RMB 0.9 billion
15	HuaAn Asset Management (Hong Kong) Limited	HuaAn Aggregate China Bond Fund	RMB 1.1 billion
16	CITIC Securities International Investment Management (HK) Limited	CSI RMB Income Fund	RMB 0.9 billion
17	Guosen Securities (HK) Asset Management Company Limited	Guosen RMB Renaissance Fund	RMB 0.9 billion
18	Esesnce Asset Management (Hong Kong) Limited	Essence RMB Bond Fund	RMB 0.9 billion

*Source: Securities and Futures Commission*

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

**FSTB(FS)005**

Question Serial No.

0036

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 draft key legislative provisions for the establishment of an independent Insurance Authority (IIA) for stakeholder engagement. One of the primary objectives of the proposed establishment of the IIA is to promote the long-term development of Hong Kong's insurance industry. However, the vast majority of the consultation conclusions and detailed proposals set out by the Administration for the proposed establishment of the IIA are related to the organisation of the IIA and how it makes investigations and imposes punishment and regulation on insurance companies. Little is said about the promotion of Hong Kong's insurance products, Hong Kong's insurance companies and the long-term development of the insurance industry as a whole. In the face of the keen competition from Singapore and Mainland multinational insurance companies, how can the Administration ensure that the IIA will have adequate resources to create a more favourable and competitive business environment for the Hong Kong insurance industry?

Asked by: Hon. CHAN Kin-por

Reply :

As set out in the paper entitled "Proposed Establishment of an Independent Insurance Authority – Consultation Conclusions and Detailed Proposals" submitted to the Legislative Council Panel of Financial Affairs on 24 June 2011, the proposed independent Insurance Authority (IIA) is intended to, inter alia, facilitate market innovation and maintain competitiveness of the insurance industry while ensuring effective regulation. One of the additional statutory functions to be performed by the IIA would be to conduct thematic researches and studies into the latest market development trends and issues of policyholders' interest etc., with a view to facilitating sustainable market development.

According to the consultation proposals, the proposed IIA will establish a Policy and Development Division to promote long-term development of the insurance industry and conduct relevant researches. The proposed funding mechanism seeks to ensure that the IIA will have stable income and adequate resources to perform its functions. After establishment, the IIA will also conduct regular reviews to ensure that there are adequate resources to carry out work in various areas.

Signature: \_\_\_\_\_

Name in block letters: Miss AU King-chi

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

Post Title: \_\_\_\_\_

Date: 29.2.2012

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

**FSTB(FS)006**

Question Serial No.

0037

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 liaise with the Mandatory Provident Fund Schemes Authority (MPFA) on its on-going review to further enhance the efficiency and effectiveness of the system, including the withdrawal of benefits, cost structure of trustees, and the establishment of a central database as part of the feasibility study on full portability. However, only through further automation and simplification of the rules and operational procedures of MPF will there be room for reduction in the administrative fees. As both management by MPF intermediaries and electronic platform proposed by MPFA are subject to fee charging, this will most probably lead to an increase in managers' administrative costs, which will in turn jeopardise the rewards for employees. Will the Administration earmark provisions for conducting studies, or even subsidise the industry to the semi-portability and full-portability of MPF without increasing the administrative costs?

Asked by: Hon. CHAN Kin-por

Reply:

The Mandatory Provident Fund Schemes Authority (MPFA) has made it clear that it will bear the costs of developing and establishing the E-platform for the transfer of Mandatory Provident Fund (MPF) accrued benefits. Although the Mandatory Provident Fund Schemes (Amendment) (No.2) Bill 2011 (the Bill) currently being scrutinised by the relevant Bills Committee would empower MPFA to charge a fee to be payable by the relevant trustees for the use of the E-platform, MPFA has informed the Bills Committee that it would not impose such fees during the initial operating period of the E-platform and that according to its initial assessment, the future fee level is expected to be not higher than the current postage cost incurred by trustees for effecting the transfer of accrued benefits. MPFA has also indicated that it would not charge the registration fees and annual fees for MPF intermediaries during the initial period of implementation of the new statutory regime to ensure smooth transition. In future, any proposal to collect such fees and the determination of fee levels will require the enactment of subsidiary legislation, hence mandating the need for consultation and Legislation Council's approval.

MPFA has engaged a consultant in December 2011 to study MPF trustees' administration costs in order to identify ways to further simplify administrative processes, with the aim of reducing their costs and thereby allowing room for further fee reduction. The Government will liaise closely with MPFA to follow up as appropriate. With the increasing net asset values of the MPF System, the Administration and MPFA believe there is room for further reduction of MPF fees and charges. In the past few years, all MPF trustees have reduced fees or introduced new MPF funds with lower fees. Overall, the fund expense ratio of MPF funds has reduced by more than 15% from 2.1% in early 2008 to 1.77% in January 2012.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Permanent Secretary for Financial Services  
Post Title: and the Treasury (Financial Services)  
Date: 29.2.2012

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

**FSTB(FS)007**

Question Serial No.

0086

Head: 148 – Government Secretariat : Subhead (No. & title): 700 General non-recurrent  
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 Subhead 700 General non-recurrent, the provision for educational campaign for insurance policy replacement is just used for printing of educational leaflets to provide guidance to the general public when approached for replacement of insurance policies. Given the booming flow of information on the Internet, many people also like to research materials on the Internet for taking out insurance policies. With the balance of over \$180,000 in this expenditure item, will the Administration consider, in addition to the continual production of educational leaflets, making use of other more easily accessible channels to provide the public with guidance on replacement of insurance policies?

Asked by : Hon. CHAN Kin-por

Reply :

To facilitate the public in accessing the educational leaflet on replacement of insurance policies, we have already placed the leaflet on the website of the Office of the Commissioner of Insurance (OCI). The website of the Hong Kong Federation of Insurers has also provided a link to OCI's website. The printing of the leaflet is mainly to cater for those members of the public who prefer to read the printed version. OCI will approach the Consumer Council to explore the feasibility of publishing the leaflet via its website.

Signature: \_\_\_\_\_

Name in block letters: \_\_\_\_\_

Miss AU King-chi

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

Post Title: \_\_\_\_\_

Date: \_\_\_\_\_

29.2.2012

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

**FSTB(FS)008**

Question Serial No.

0455

Head: 148 – Government Secretariat : Subhead (No. & title): 700 General non-recurrent  
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 balance of provision for “Initiatives to co-ordinate the human resources development for the financial services sector” under the Subhead of *General non-recurrent* in this year remains at \$1,144,000, same as that in the Estimates for 2011-12. Does it mean that the Advisory Committee on Human Resources Development in the Financial Services Sector (FinMan Committee) has not pursued any initiative or activity to promote financial services manpower development or co-ordinated the efforts between the industry and the academia on the training of financial services manpower in 2011? Out of the \$2 million approved commitment of this item, only \$660,000 have been used as at April 2011. Will the Administration require the Committee to use the remaining amount (more than \$1 million) properly?

Asked by: Hon. CHAN Kin-por

Reply:

The resource under Item 014 is mainly for supporting activities organised 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 Committee comprises members from the financial sector, academia and training institutions, regulators and the Government, with the Financial Services Branch (FSB) providing secretariat and administrative support.

In rolling out initiatives to promote human resources development for the financial services sector, the FinMan Committee proactively seeks to collaborate with the parties mentioned above with a view to achieving the most efficient use of resources and maximum degree of effectiveness. For instance, the FinMan Committee organised a workshop and working group meetings on the development of financial talent for the future, and explored with the Vocational Training Council ways to strengthen its manpower surveys. These projects were supported mainly by FSB through the Committee’s secretariat and conducted in close collaboration with relevant organisations. Hence, the Item incurred no major expenditure during the fiscal year.

The FinMan Committee will continue to look for tripartite partnership among the public, academic and private sectors in strengthening the talent base of the financial services sector. For instance, in partnership with tertiary institutions, the Committee organises regular events under the “Industry/Academia Collaboration on Nurturing Financial Talent Series”. Very often the co-organising institutions would provide the event venues as well as share part of the organising costs with the FinMan Committee. The Committee’s actual outlay depends very much on the nature of the initiatives and support from other co-organisers.

In the coming year, the FinMan Committee will organise a “Pilot Scheme for Cross-border Study Tour for Post-secondary Financial Talents”, which seeks to enhance undergraduates’ understanding of the financial landscape in the Mainland and cross-border career. It will also pursue other initiatives to enhance collaboration between the industry and academia. The Committee secretariat will strive to ensure that the allotted provision will be used in a prudent and proper manner.

Signature: \_\_\_\_\_  
Name in block letters: \_\_\_\_\_ Miss AU King-chi  
Post Title: \_\_\_\_\_ Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: \_\_\_\_\_ 29.2.2012

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

**FSTB(FS)009**

Question Serial No.

0456

Head: 148 – Government Secretariat : Subhead (No. & title): 700 General non-recurrent  
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), *Matters Requiring Special Attention* in the coming year include the establishment of a financial dispute resolution centre and overseeing of its implementation of a financial dispute resolution scheme. As indicated under the Subhead of *General non-recurrent*, the revised estimated expenditure of the centre for 2011-12 was \$15 million. According to previous records, among the total of \$15 million, \$8 million are set-up costs and \$7 million are operating costs for the first 3 months of 2012. However, the operating costs of \$7 million are calculated on a pro rata basis. Given an estimated caseload of 2 000 a year, the operating costs are estimated to be \$28 million for a 12-month period. The centre is expected to come into service and accept claims by end of June this year at the earliest. In other words, the centre will process zero case before this June. Why do the operating costs remain at \$7 million, which are based on an estimated caseload of 2 000 a year, according to the revised estimated expenditure for 2011-12?

Asked by: Hon. CHAN Kin-por

Reply:

Preparatory work for the setting up of the Financial Dispute Resolution Centre (FDRC) is in full swing. The operating costs of FDRC cover its staff cost, premises rental, professional and consultancy services, publicity and education, training for mediators and arbitrators, insurance, etc. If the costs incurred during the initial period of operation fall below the estimated budget, any unused balance will be kept in a reserve fund to provide flexibility in resources deployment in case of an upsurge of caseload and support reviews of FDRC's operations in future.

Signature: \_\_\_\_\_

Name in block letters: Miss AU King-chi

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

Date: 29.2.2012

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

**FSTB(FS)010**

Question Serial No.

1196

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
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 the Programme that the Financial Services Branch will continue to advance financial and related co-operation with the Mainland by co-ordinating the implementation of new measures announced by Vice Premier Li Keqiang in August 2011 and promoting financial co-operation at the central and regional levels during 2012-13. Given that Vice Premier Li Keqiang has proposed a number of measures involving local insurance sector, including supporting Hong Kong's insurance companies to enter the Mainland market by setting up offices or taking up stakes, please provide information on the work involving insurance sector in respect of the aforesaid coordination work in the coming year? What are the amount of funds as well as the number of manpower involved?

Asked by : Hon. CHAN Kin-por

Reply :

In advancing financial and related co-operation with the Mainland, the Financial Services Branch (FSB) will continue to coordinate the implementation of new measures announced by Vice Premier Li Keqiang in August 2011. In November 2011, the Secretary for Financial Services and the Treasury led a Hong Kong delegation comprising, inter alia, representatives from the insurance sector to Beijing to meet with Mainland authorities on early implementation of the measures involving local insurance sector.

In the coming year, the FSB and the Office of the Commissioner of Insurance (OCI) will continue to follow up the matter with relevant Mainland authorities and the China Insurance Regulatory Commission, including the participation of local insurance companies in the Mainland inter-bank bond market, and pursuing other measures via the CEPA or Hong Kong/Guangdong Cooperation platforms. The FSB and OCI will continue to maintain liaison with the insurance sector. The FSB and OCI staff responsible for Mainland affairs will assume the relevant work and the necessary expenses will be absorbed from within the existing resources and no separate breakdown is available.

Signature: \_\_\_\_\_

Name in block letters: Miss AU King-chi

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

Date: 2.3.2012

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

**FSTB(FS)011**

Question Serial No.

1197

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
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 stated under this programme, in 2012-13, the Financial Services Branch will “continue to monitor the operation of the Mandatory Provident Fund (MPF) system and liaise with the Mandatory Provident Fund Schemes Authority (MPFA) on its on-going review to further enhance the efficiency and effectiveness of the system, including the withdrawal of benefits, cost structure of trustees, and the establishment of a central database as part of the feasibility study on full portability”. In this connection, will the Government:

- (a) inform this Committee whether the Financial Services and the Treasury Bureau will study and examine the efficiency and effectiveness of the MPF system in the coming year; and if yes, list the work to be carried out and the funding and manpower involved; and
- (b) inform this Committee of the progress of the study on MPF administration fee commissioned earlier, the date when the findings are available, and the manpower and funding involved.

Asked by: Hon. CHAN Kin-por

Reply:

The Mandatory Provident Fund (MPF) System commenced operation in December 2000. As at 31 December 2011, the MPF System has accumulated over \$356 billion for over 2.5 million scheme members. Together with other retirement schemes, 85% of the working population have some form of retirement protection, as compared with one-third before implementation of the System. During the period, the annualised internal rate of return of the MPF System (net of fees) is higher than the Consumer Price Index. Overall, the MPF System has achieved its objective of assisting the working population to accumulate retirement savings.

In 2012-13, we will focus on following up various improvement measures of the MPF System to increase the efficiency and effectiveness of the System in close liaison with the Mandatory Provident Fund Schemes Authority (MPFA), including the reviews and studies mentioned in the question. We will also work closely with the Bills Committee in its scrutiny of the Bill to introduce a statutory regime for the regulation of MPF intermediaries, with a view to securing its passage in the current term of the Legislative Council for implementation of the Employee Choice Arrangement on 1 November 2012.

MPFA has engaged a consultant in December 2011 to conduct a study on MPF trustees' administrative costs to identify ways to further simplify administrative processes, with a view to facilitating cost reduction and thereby allowing room for further fee reduction. The study is expected to complete within 2012.

We are taking forward the relevant tasks 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: 29.2.2012

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

**FSTB(FS)012**

Question Serial No.

1829

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 in the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch) that the Branch will continue to advance financial and related co-operation with the Mainland, which includes continuing to reinforce our offshore Renminbi business platform. But on the other hand, when the National Development and Reform Commission recently announced the “The 12<sup>th</sup> Five-year Plan for the Provision of Shanghai International Financial Centre”, Shanghai had secured to establish its status as a global Renminbi product innovation, trading, pricing and clearing centre in 2015. Will the Administration inform this Committee of whether an assessment of the effect of the Plan on Hong Kong has been made? At the same time, in the face of competition from Shanghai, how will Hong Kong reinforce the offshore Renminbi business platform?

Asked by: Hon. CHAN Kin-por

Reply:

The 12<sup>th</sup> Five-Year Plan promulgated in March 2011 states that the Central Government supports Hong Kong in developing its financial services and consolidating its position as an international financial centre as well as enhancing its global influence, and in particular supporting the city's development into an international asset management centre and offshore Renminbi (RMB) business centre. In August 2011, Vice Premier Li Keqiang announced a package of measures to support Hong Kong in developing into an offshore RMB business centre. This has reaffirmed the Central Government's recognition of our role in this regard.

Hong Kong and Shanghai can both play their parts in promoting the development of RMB business with their respective strengths. It is necessary for Hong Kong, as an offshore RMB business centre, to maintain close connection with the onshore markets in the Mainland. Through strategic co-operation, the two cities can achieve complementary development for mutual benefit and meet the overall development needs of our country. Given that Shanghai is the largest onshore RMB market and Hong Kong is the largest offshore RMB market, the two cities are highly complementary to each other and well-placed to seize the ample opportunities for co-operation through the circulation mechanism of onshore and offshore RMB funds.

To support the reform and modernisation of our country's financial system, Hong Kong and Shanghai will continue to enhance financial co-operation and linkages by fostering exchanges and collaboration between the financial markets, institutions, products, businesses and talents of the two places. This will promote market development of both cities in terms of breadth and depth, and facilitate the gradual integration of the Mainland market with the international markets, thereby adding to China's strengths in the international financial system.

We will take advantage of our unique position of being “part of China but outside the Mainland”, and the strengths of our system, for example, sound legal system and regulatory regimes, free flow of information, world-class risk management, sophisticated financial infrastructures, etc. With these efforts, we will be able to further promote the growth of offshore RMB business, including diversifying RMB-denominated products, increasing the liquidity of RMB and attracting more market participants from home and abroad, so as to tie in with the pace of liberalisation of our country.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 29.2.2012

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

**FSTB(FS)013**

Question Serial No.

1830

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 in the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch) that a financial dispute resolution centre (FDRC) will be established in the new financial year. In fact, as stated in a paper submitted by the Administration to this Council, the FDRC is expected to be established by mid-2012 and preparation works will have to be done to pave the way for its establishment. These include the amendment of the licensing conditions for authorised institutions and the Code of Conduct for SFC-licensed corporations to incorporate the requirement to abide by the FDRC procedures, etc. Will the Administration inform this Committee of the progress of such preparation works? Can they be completed by mid-2012 as scheduled?

Asked by: Hon. CHAN Kin-por

Reply:

Preparatory work for the setting up of the Financial Dispute Resolution Centre (FDRC) is in full swing. Consultations on amending the licensing conditions for authorised institutions and the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (SFC) are underway. The Hong Kong Monetary Authority (HKMA) has written to the industry associations in November last year to consult their views on the proposed amendments, and the SFC has launched a public consultation at the same time. The consultations ended in January this year. The HKMA and SFC are now collating and considering the comments received. The HKMA will notify the authorised institutions in writing on the consultation outcome and related matters (including the commencement date of the revised licensing conditions) and the SFC will publish the consultation conclusions later. In light of the latest progress, preparatory work for the setting up of the FDRC is expected to be completed by mid-2012.

Signature: \_\_\_\_\_

Name in block letters: Miss AU King-chi

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

Date: 29.2.2012

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

**FSTB(FS)014**

Question Serial No.

1359

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:

Will the Administration advise this Committee that during the Estimates compilation and Budget preparation processes for the year, whether the amounts waived for Cheung Kong (Holdings) Limited, Sun Hung Kai Properties Limited, Sino Land Company Limited, Henderson Land Development Company Limited, Chinachem Group, The Wharf (Holdings) Limited, Hutchison Whampoa Limited, Hang Lung Group Limited, Wheelock and Company Limited, as well as their subsidiary companies, affiliated companies and holding companies in respect of the proposal to abolish capital duty as mentioned in paragraph 41 of the Budget Speech been evaluated? If so, what are the details? If not, what are the reasons?

Asked by: Hon. CHAN Wai-yip, Albert

Reply:

Currently, under the Companies Ordinance (Cap 32), capital duty is levied on local companies (i.e. companies incorporated in Hong Kong) for the amount of (a) their nominal share capital on their incorporation; (b) the increase in their nominal share capital after incorporation; and (c) the premium when they issue shares at a premium, at a rate of \$1 for every \$1,000 or part thereof. The payment is subject to a cap of \$30,000 per case.

The Financial Secretary announced in his Budget speech a proposal to abolish capital duty. The proposal will bring Hong Kong in line with other comparable jurisdictions such as the UK, Singapore, Australia and New Zealand. It will enhance our overall competitiveness as a corporate domicile. Since capital duty is presently subject to a cap of \$30,000 per case, the benefit of the abolition to small and medium enterprises will be especially pronounced.

Based on the trend of capital duty receipts in the past few years, we estimate that the abolition of capital duty as a whole will cost the general revenue around \$90 million a year. Since whether a company decides to incorporate, increase its nominal share capital or issue shares at a premium is ultimately a commercial decision of the company in question, we are not able to assess how the proposal will affect individual companies.

Signature: \_\_\_\_\_

Name in block letters: Miss AU King-chi

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

Post Title: \_\_\_\_\_

Date: 29.2.2012

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

**FSTB(FS)015**

Question Serial No.

0674

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

Programme: Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 119 of the Budget Speech that “We shall launch a further issuance of iBond worth not more than HK\$10 million under the Government Bond Programme. The iBond, with a maturity of three years, will target 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 ...” and it is also mentioned under *Matters Requiring Special Attention* that the Government will “continue to promote development of the bond market, including Islamic bonds, in Hong Kong”. In this connection, will the Administration inform this Committee of: (a) the strategies and direction to promote development of the bond market in Hong Kong; (b) the details on further issuance of the iBond; (c) whether the experience of the first issuance of iBond will be taken into account so as to make improvement in further issuance; and (d) whether more bonds will be issued in the next exercise to cater to public response?

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

(a) We are committed to promoting the further development of the bond market in Hong Kong. In 2012-13, we will continue to implement the Government Bond Programme (including a further issuance of iBond worth not more than \$10 billion), further enhance the bond market infrastructure and promote our bond market to overseas issuers and investors. Through these efforts, we seek to increase the scale of our bond market so that it would become an effective platform for financial intermediation, in addition to 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 the long run.

We are continuing with our efforts to develop an Islamic finance platform, including a sukuk market, in Hong Kong. We are working on an amendment bill to provide a level playing field for common types of sukuk vis-à-vis their conventional counterparts in terms of tax liabilities. We will shortly expose the draft legislative amendments for market consultation, with a view to ensuring that the amendments could cater for the evolving nature of sukuk transactions and meet latest market needs. We will keep in close contact with market players to gauge market conditions and needs, and draw reference from the development experience of other financial markets, in further optimising our market infrastructure. These would foster the development of an Islamic bond market in Hong Kong.

(b) - (d) Regarding the further issuance of iBond under the GBP, the issuance size will not be more than \$10 billion as announced in the 2012-13 Budget. Like the inaugural issuance last year, the iBond, with a maturity of 3 years, will target Hong Kong residents. Interest will be paid to bond holders once every 6 months at a rate linked to the inflation of the last half-year period. A fair and reasonable allocation mechanism will be put in place as in the past to satisfy the demand of the

small-lot investors as far as possible. We will formulate the details of the proposed further issuance of iBond with the Hong Kong Monetary Authority, and make an announcement as soon as possible.

The issuance size of not more than \$10 billion is proposed having regard to two factors. First, pursuant to the resolution for establishing 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, we believe that the proposed issuance of not more than 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:	29.2.2012

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

**FSTB(FS)016**

Question Serial No.

0912

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
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:

With regard to “co-ordinating the implementation of new measures announced by Vice Premier Li Keqiang in August 2011 and promoting financial co-operation at the central and regional levels” by the Financial Services Branch, please inform the Committee of:

- (a) the estimated expenditure for this item in 2012-13;
- (b) the number of officers undertaking this task and their ranks;
- (c) the specific work plan and the projects included; and
- (d) the schedule or timetable for 2012-13.

Asked by: Hon. HO Chun-yan, Albert

Reply:

We have made good progress in co-ordinating the implementation of new supportive measures announced by Vice Premier Li Keqiang in August 2011 (new supportive measures) and promoting financial co-operation with the Mainland at the central and regional levels. The major tasks are as follows:

- (a) Promotion and implementation of new supportive measures

Most of the new supportive measures announced by Vice Premier Li Keqiang have been implemented or secured progress.

On financial development, a number of measures have been implemented. The Pilot Scheme for Cross-Border Trade Settlement in Renminbi (RMB) has been extended to cover the whole country since August 2011. The “Notice on Cross-border Renminbi Foreign Direct Investment” and the relevant administrative arrangements on settlement in RMB were announced in October 2011. Baosteel, as the first Mainland enterprise issuing RMB-denominated bonds in Hong Kong, issued RMB3.6 billion bonds in Hong Kong in December 2011. Mainland financial institutions also continue to issue RMB bonds, including the issuance of RMB3 billion and RMB2.5 billion bonds by the Agricultural Development Bank of China and China Development Bank respectively in January 2012. Furthermore, the “Rules on Pilot Scheme on Investment in Mainland Securities by Renminbi Qualified Foreign Institutional Investors of Fund Management and Securities Companies” (Rules on RQFII) were announced in December 2011. The Securities and Futures Commission authorised the first batch of RQFII products in the same month. For exchange-traded fund constituted by Hong

Kong listed stocks on the Mainland, we understand the formulation of relevant rules and regulations on trading and administrative arrangements has reached its final stage and they are expected to be promulgated shortly.

There is also good progress in other areas, including: Hong Kong and the Mainland signed the “Supplement VIII to Closer Economic Partnership Arrangement (CEPA)” in Hong Kong in December 2011, fulfilling the objective of signing the Agreement in the year as announced by Vice Premier Li Keqiang during his visit to Hong Kong in August 2011; the Department of Justice signed the “Arrangement for Hong Kong/Shenzhen Co-operation on Legal Services” with the Shenzhen Municipal Government in November 2011; Hong Kong and Guangdong held the 17<sup>th</sup> Working Meeting of the Hong Kong/Guangdong Co-operation Joint Conference in January 2012 and signed the 2012 Work Plan of the Framework Agreement after the meeting; the Development Bureau signed an agreement with the Department of Water Resources of the Guangdong Province in December 2011 on the supply of Dongjiang water to Hong Kong for a period of 3 years, etc.

The Hong Kong Special Administrative Region Government will continue to maintain close contact with relevant Mainland authorities. We will pay duty visits to the Mainland and hold meetings/seminars in Hong Kong as and when necessary. We will also step up our exchanges with the Central Government and market participants for early implementation of other measures.

(b) Promotion of financial co-operation with the Mainland at the central and regional levels

Leveraging our advantage of being “part of China but outside the Mainland” under “One Country, Two Systems”, and with the implementation of the National 12<sup>th</sup> Five-Year Plan, we will continue to promote financial co-operation between Hong Kong and the Mainland. Through CEPA and other regional co-operation platforms (including the Hong Kong/Guangdong and Hong Kong/Shanghai co-operation platforms), we will promote exchange and co-operation in respect of financial institutions, financial instruments, capital and talents between Hong Kong and the Mainland.

The above work will be pursued by the Financial Services Branch and relevant financial regulators. The expenses incurred will be absorbed from within our existing resources and we do not have a separate breakdown. In order to better co-ordinate the work in this aspect, strengthen the financial co-operation between Hong Kong and the Mainland, and foster the development of offshore RMB business, we have sought the support of the Establishment Subcommittee of the Legislative Council for the proposal to create a supernumerary Administrative Officer Staff Grade C (AOSGC) post in the Mainland Affairs Division in 2012-13 for 2 years. The proposed supernumerary AOSGC post will be supported by a team of 4 non-directorate officers, comprising 1 Senior Administrative Officer, 1 Executive Officer I, 1 Personal Secretary I and 1 Assistant Clerical Officer. We will submit the proposal to the Finance Committee for approval in April 2012.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 2.3.2012

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

**FSTB(FS)017**

Question Serial No.

0913

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 noted that the Financial Services Branch will “continue to reinforce our offshore Renminbi business platform”. In this regard, please inform the Committee of:

- (a) the estimated expenditure for this item in 2012-13;
- (b) the number of officers undertaking this task and their ranks;
- (c) the specific work plan and the projects included; and
- (d) the schedule or timetable for 2012-13.

Asked by: Hon. HO Chun-yan, Albert

Reply:

The Government has been promoting the development of offshore Renminbi (RMB) business since 2004. Along with the introduction of more measures and the deepening of existing measures to expand the use of RMB in cross-border trade, the offshore RMB business in Hong Kong had grown rapidly in the past year with support from the Central Government and related Mainland authorities. RMB trade settlement conducted through banks in Hong Kong in 2011 amounted to RMB1,915 billion, which was 5 times the value of the whole year of 2010.

Driven by RMB trade settlement, RMB deposits in Hong Kong increased significantly and RMB financing activities became more active. As at the end of January 2012, RMB deposits in Hong Kong amounted to RMB576.0 billion, representing an increase of 83% as compared to the amount as at end of 2010.

Concurrently, Hong Kong has become the largest offshore RMB financing market. From 2007 to the end of January 2012, there were 127 RMB bond issuances with a total value amounting to RMB189.0 billion. The total amount of RMB bond issuance reached RMB107.9 billion in 2011, which was 3 times the value of 2010. The issuers included multinational corporations like McDonald's and Caterpillar in US, Unilever and Volkswagen in Europe, and also international financial institutions like the World Bank and Asian Development Bank.

Various RMB products were also launched in the market, including Renminbi Qualified Foreign Institutional Investor (RQFII) Funds and RMB Gold Exchange-traded Funds (ETF). As at the end of 2011, there were a total of 187 banks participating in Hong Kong's RMB clearing platform. Among these participating banks, 165 were branches and subsidiaries of foreign banks and overseas arms of Chinese banks. They

represented a global payment network capable of handling RMB transactions for different parts of the world, providing RMB clearing services between the Mainland and different parts of the world as well as among the various offshore markets.

In the financial year of 2012-13, Hong Kong will strive to provide related services for banks and financial institutions in the Mainland and various parts of the world to attract more offshore RMB funds to congregate and circulate in Hong Kong. This will consolidate our existing edge. We will continue to enhance the existing RMB financial platform and facilitate RMB financial product innovation to meet the needs of corporations, financial institutions and investors. Our direction of work includes: as the financial institutions in Hong Kong that are allowed access to the Mainland interbank bond market at present are mainly banks, we are exploring ways to allow more financial institutions such as insurance companies to have access to the Mainland's interbank bond market for making long-term investment; on RQFII pilot scheme, following the approval of the initial pilot investment quota of RMB20 billion, we will explore ways to enhance the scheme, including expansion of the investment quota of the pilot scheme, increase in the number and types of institutions which are allowed to participate in the pilot scheme, enlargement of the investment coverage; and we will endeavor to improve the RMB settlement infrastructure. For example, the Hong Kong Monetary Authority will extend the operating hours of the RMB Real Time Gross Settlement system in Hong Kong to 15 hours from 8:30am to 11:30pm (Hong Kong time) by end of June 2012, giving financial institutions in the European time zone an extended window to settle offshore RMB payments through the Hong Kong infrastructure.

Concurrently, we will step up our promotional efforts to advance Hong Kong's role and status as an offshore RMB business centre serving global needs and introduce our RMB trade settlement services to major overseas markets. In March this year, the Secretary for Financial Services and the Treasury will organise roadshows and seminars in the US.

An important function of the Hong Kong offshore RMB business centre is to provide an efficient market infrastructure and financial platform for the effective circulation of RMB funds. This includes "outer circulation", i.e. the circulation of RMB funds between Hong Kong and overseas markets. As an offshore RMB business centre, we endeavor to develop Hong Kong into a financial platform for RMB "outer circulation" to promote the use of RMB in international markets through trade and non-trade accounts.

The above work will be pursued by the Financial Services Branch and relevant financial regulators. The expenses incurred will be absorbed from within our existing resources and we do not have a separate breakdown. In order to better co-ordinate the work in this aspect, strengthen the financial co-operation between Hong Kong and the Mainland, and foster the development of offshore RMB business, we have sought the support of the Establishment Subcommittee of the Legislative Council for the proposal to create a supernumerary Administrative Officer Staff Grade C (AOSGC) post in the Mainland Affairs Division in 2012-13 for 2 years. The proposed supernumerary AOSGC post will be supported by a team of 4 non-directorate officers, comprising 1 Senior Administrative Officer, 1 Executive Officer I, 1 Personal Secretary I and 1 Assistant Clerical Officer. We will submit the proposal to the Financial Committee for approval in April 2012.

Signature: \_\_\_\_\_

Name in block letters: \_\_\_\_\_ Miss AU King-chi

Post Title: \_\_\_\_\_ Permanent Secretary for Financial Services  
and the Treasury (Financial Services)

Date: \_\_\_\_\_ 2.3.2012

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

**FSTB(FS)018**

Question Serial No.

0914

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
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 noted that the Financial Services Branch will “continue the legislative exercise to enhance the regulation of the Mandatory Provident Fund (MPF) intermediaries to pave the way for the implementation of the Employee Choice Arrangement in November 2012”. In this regard, please inform the Committee of:

- (a) the estimated expenditure for this item in 2012-13;
- (b) the number of officers undertaking this task and their ranks;
- (c) the specific work plan and the projects included; and
- (d) the schedule or timetable for 2012-13.

Asked by: Hon. HO Chun-yan, Albert

Reply:

The Government introduced the Mandatory Provident Fund Schemes (Amendment) (No.2) Bill 2011 into the Legislative Council (LegCo) on 14 December 2011. The Bill aims to set up a statutory regulatory regime for Mandatory Provident Fund intermediaries. We are now working closely with the Bills Committee to facilitate its scrutiny of the Bill, with a view to securing its passage within the current term of LegCo and implementing the Employee Choice Arrangement (ECA) on 1 November 2012. In parallel, we will liaise with the Mandatory Provident Fund Schemes Authority as regards its preparation work for the implementation of ECA, including investor education and drafting of the Code of Conduct for intermediaries. We are taking forward the legislative amendment exercise 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: 2.3.2012

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

**FSTB(FS)019**

Question Serial No.

0915

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
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 noted that the Financial Services Branch will continue to promote development of the bond market, including Islamic bonds, in Hong Kong. In this regard, please advise:

- (a) the estimated expenditure for this item in 2012-13;
- (b) the number of officers undertaking this task and their ranks;
- (c) the specific work plan and the projects included; and
- (d) the schedule or timetable for 2012-13.

Asked by: Hon. HO Chun-yan, Albert

Reply:

We are committed to promoting the further development of the bond market in Hong Kong. In 2012-13, we will continue to implement the Government Bond Programme (including a further issuance of iBond worth not more than \$10 billion), further enhance the bond market infrastructure and promote our bond market to overseas issuers and investors. Through these efforts, we seek to increase the scale of our bond market so that it would become an effective platform for financial intermediation, in addition to 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 the long run.

We are continuing with our efforts to develop an Islamic finance platform, including a sukuk market, in Hong Kong. We are working on an amendment bill to provide a level playing field for common types of sukuk vis-à-vis their conventional counterparts in terms of tax liabilities. We will shortly expose the draft legislative amendments for market consultation, with a view to ensuring that the amendments could cater for the evolving nature of sukuk transactions and meet latest market needs. We will keep in close contact with market players to gauge market conditions and needs, and draw reference from the development experience of other financial markets, in further optimising our market infrastructure. These would foster the development of an 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 estimated expenditure in 2012-13.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Permanent Secretary for Financial Services  
Post Title: and the Treasury (Financial Services)  
Date: 1.3.2012

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

**FSTB(FS)020**

Question Serial No.

1441

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 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 is or has been involved.

(1) For Hong Kong/Mainland cross-boundary projects or programmes from 2009-10 to 2011-12, please provide information in the following format:

Project/ Programme title	Details, objective and whether it is related to the Framework Agreement on Hong Kong/Guang dong Co-operation (the Framework Agreement)	Expenditure involved	Name of Mainland department/ organisation involved	Progress (% completed, start date, 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?

(2) For Hong Kong/Mainland cross-boundary projects or programmes from 2012-13, 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 date, 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?

(3) Apart from the projects or programmes listed above, are there any other modes of cross-boundary cooperation? 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 2012-13 Estimates?

Asked by: Hon. HO Sau-lan, Cyd

Reply:

After the promulgation of the National 12th Five-Year Plan of the Central People's Government (CPG) in March 2011 and the new measures announced by Vice Premier Li Keqiang in August 2011, financial co-operation has become increasingly close between Hong Kong and the Mainland at both the CPG and regional levels in terms of both breadth and depth. We are pursuing various policy initiatives to reinforce and enhance Hong Kong's status as an international financial centre, asset management centre as well as offshore Renminbi (RMB) business centre as detailed in the 12th Five-Year Plan. At the same time, we continue to enhance financial co-operation with the Mainland at provincial and city levels. The relevant financial measures announced in August 2011 are being implemented.

Regarding the financial co-operation between Hong Kong and Guangdong, RMB cross-border trade settlement between the two places continues to grow as RMB trade settlement scheme expands to cover the entire Guangdong Province. From January to December 2011, the amount of RMB trade settlement conducted through Hong Kong amounted to RMB 1,915 billion, of which more than 20% involved trade settlement between Guangdong and Hong Kong. In addition, as at end-December 2011, four Hong Kong banks have been approved by the Guangdong Bureau of China Banking Regulatory Commission to set up a total of 19 sub-branches in Guangdong under the "cross-location sub-branches" measure of Supplement VI to Closer Economic Partnership Arrangement (CEPA). The 2012 Work Plan of the Framework Agreement on Hong Kong/Guangdong Co-operation was announced at the 17th Working Meeting of Hong Kong-Guangdong Co-operation Joint Conference. Relevant authorities and financial regulators of both sides will continue to promote RMB business between the two places; enhance co-operation in various financial services such as credit, securities, insurance and bonds; and reinforce training and exchanges of personnel in the financial sector.

In parallel, we will actively pursue financial co-operation between Hong Kong and Shanghai. The two places signed a Memorandum of Understanding Concerning Advancing Hong Kong-Shanghai Financial Co-operation in 2010, to enhance co-operation in the development of financial markets through encouraging and supporting mutual establishment of financial institutions, as well as training and exchange of financial talents. In the Second Plenary Session of the Hong Kong/Shanghai Economic and Trade Co-operation Conference and the second Working Meeting on Hong Kong-Shanghai Financial Co-operation held on 5 and 6 of January 2012, representatives from government, financial regulators and Exchanges of Hong Kong and Shanghai met and formulated the future cooperation plan including ways to foster links in financial services and products and enhance training and exchange of financial talents.

We will continue to fully leverage our advantage of being “part of China but outside the Mainland” under “One Country, Two Systems” so as to meet our country’s overall development needs and enhance co-operation in financial services between Hong Kong and the Mainland. The Financial Services Branch and the relevant financial regulators are responsible for the projects concerned. We do not have a breakdown of the relevant expenditures.

Signature: \_\_\_\_\_

Name in block letters: Miss AU King-chi

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

Date: 2.3.2012

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

**FSTB(FS)021**

Question Serial No.

2103

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 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 2009-10 and 2011-12:

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 so, through what channels? If not, why?

- (b) Are there any projects for which funds have been reserved for conducting consultancy studies in 2012-13? 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 2011-12, is there any plan to make them public? If so, through what channels? If not, 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 so, through what channels? If not, 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, organisation structure, funding mechanism, regulatory regime, and checks and balances of the proposed IIA.</p>	\$5.875 million	19 November 2007	Completed	<p>We conducted a public consultation exercise for the IIA proposals from July to October 2010, and issued the consultation conclusions and detailed proposals in June 2011.</p> <p>We aim to make available the draft key legislative provisions for further engaging the general public and stakeholders in mid-2012.</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 Proposed 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	(a) near completion	<p>We conducted a public consultation exercise on the proposals of PPF from March to June 2011, and issued the consultation conclusions and final proposals in January 2012.</p> <p>We aim to introduce the relevant Bill into LegCo in the 2012-13 legislative session.</p>	The consultancy findings have been incorporated in the public consultation document and consultation conclusions issued.

Professor Ho Kam Shuen, Lusina	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.	\$90,000	17 June 2011	Completed	We are carefully considering the research findings before making a decision on whether Hong Kong should legislate on the issue.	The research findings will be included in the consultation paper on trust law reform proposals to be issued in the first half of 2012.
Ernst & Young Advisory Services Limited	Quotation	Consultancy Study on Investment-Linked Assurance Schemes (ILAS).  The Study aims to research on the regulatory requirements in relation to ILAS products and the distribution of such products in other jurisdictions.	\$300,000	8 November 2011	In progress	The study is in progress and is expected to complete in 2012.	The study will primarily be used for internal reference.

(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 2011-12, is there any plan to make them public? If so, through what channels? If not, why?
(To be awarded)	Quotation	Effect of forced heirship rules on trusts  To research into relevant laws and experience of other jurisdictions regarding forced heirship rules and legislation against such rules, and study whether Hong Kong should	Subject to the result of the quotation exercise	Q2 2012	Under planning	We will consider publishing the research findings.

		introduce legislation against forced heirship rules.				
(To be awarded)	Tendering	<p>Consultancy Study on Risk-based Capital Framework for Insurance Business in Hong Kong.</p> <p>The Study aims to prepare detailed proposals on how Hong Kong may adopt the risk-based capital framework.</p>	Subject to the result of the tender exercise.	Aim to start in 2012.	Under planning	Not expected to be completed in 2011-12.

- (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, etc.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Post Title: \_\_\_\_\_  
Date: 29.2.2012

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

**FSTB(FS)022**

Question Serial No.

0038

Head: 148 – Government Secretariat : Subhead (No. & title): 700 General non-recurrent  
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 advised by the administration, it will establish a financial dispute resolution centre and oversee its implementation of a financial dispute resolution scheme in 2012-13. Please advise this Committee of the following:

The estimated operational expenses, staff size and establishment of the resolution centre in the first year upon inception.

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

Reply:

The annual operating costs of the Financial Dispute Resolution Centre (FDRC) for the first 3 years are estimated to be about \$55 million. This covers staff cost, premises rental, professional and consultancy services, publicity and education, training for mediators and arbitrators, insurance, etc.

The staffing structure of FDRC will be lean at the outset. Its executive team will be headed by a Chief Executive Officer, with a core team comprising about 20 professional staff including in-house mediators as well as Intake Officers who will receive claimants and decide if a case should be accepted by FDRC. If the operating costs of FDRC during its initial period of operation fall below the estimated budget, any unused balance will be kept in a reserve fund to provide flexibility in resources deployment in case of an upsurge of caseload and support reviews of FDRC's operations in future.

Signature: \_\_\_\_\_

Name in block letters: \_\_\_\_\_

Miss AU King-chi

Post Title: \_\_\_\_\_

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

Date: \_\_\_\_\_

29.2.2012

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

**FSTB(FS)023**

Question Serial No.

0039

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
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 2012-13, the Government will continue to promote development of the bond market, including Islamic bonds, in Hong Kong. Please provide details on the Government's specific measures and methods (including timetable, research method and expenditure involved).

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

Reply:

We are committed to promoting the further development of the bond market in Hong Kong. In 2012-13, we will continue to implement the Government Bond Programme (including a further issuance of iBond worth not more than \$10 billion), further enhance the bond market infrastructure and promote our bond market to overseas issuers and investors. Through these efforts, we seek to increase the scale of our bond market so that it would become an effective platform for financial intermediation, in addition to 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 the long run.

We are continuing with our efforts to develop an Islamic finance platform, including a sukuk market, in Hong Kong. We are working on an amendment bill to provide a level playing field for common types of sukuk vis-à-vis their conventional counterparts in terms of tax liabilities. We will shortly expose the draft legislative amendments for market consultation, with a view to ensuring that the amendments could cater for the evolving nature of sukuk transactions and meet latest market needs. We will keep in close contact with market players to gauge market conditions and needs, and draw reference from the development experience of other financial markets, in further optimising our market infrastructure. These would foster the development of an 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.

Signature: \_\_\_\_\_

Name in block letters: Miss AU King-chi

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

Date: 29.2.2012

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

**FSTB(FS)024**

Question Serial No.

1165

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
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 in *Matters Requiring Special Attention* in the coming year under the above Programme that the Administration will continue to take forward the proposal to introduce a statutory corporate rescue procedure. Will the Administration inform this Committee of:

- (a) the current progress of preparing legislative proposals to introduce the new statutory corporate rescue procedure and when the relevant bill is expected to be put to the Legislative Council for approval;
- (b) the work plan of the Bureau in the coming year to take forward the proposal to introduce the statutory corporate rescue procedure and whether views on the specific legislative proposals will be collected;
- (c) the expenditure and manpower involved in modernising the corporate insolvency regime in the coming year?

Asked by: Hon. IP Wai-ming

Reply:

- (a) and (b) We consulted the public on a legislative proposal to introduce a statutory corporate rescue procedure (the procedure) and published the consultation conclusions in 2010. We are working on the detailed proposals for the procedure. We plan to take forward the proposal as part of the reform of our corporate insolvency law. We aim to introduce the relevant bill into LegCo in its upcoming term. We will solicit the views of relevant stakeholders on specific issues concerning the procedure as necessary.
- (c) Earlier this year, we started an exercise to reform the corporate insolvency law and had briefed the LegCo Panel on Financial Affairs thereon in November last year. At this initial stage, we seek to absorb most of the workload by the existing resources of the Financial Services Branch, the Official Receiver's Office and the Department of Justice. However, given the need to provide high-level policy steer and management for the exercise, we propose to extend 1 supernumerary Administrative Officer Staff Grade B (D3) post (i.e. the post of Deputy Secretary for Financial Services (3)), which is due to lapse on 1 August 2012, for 2 years. With the support of the Establishment Subcommittee of the Finance Committee (FC), we shall seek FC's approval for the staffing proposal in April 2012. The full annual average staff cost of the post, including salaries and staff on-cost, is \$2,611,000.

On completion of this initial stage, we envisage that substantial additional legal and policy support will be required for the exercise as we proceed to the stage of formulating concrete legislative proposals. We will keep under review the manpower resources requirements.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Permanent Secretary for Financial Services  
Post Title: and the Treasury (Financial Services)  
Date: 1.3.2012

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

**FSTB(FS)025**

Question Serial No.

1453

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

Subhead (No. & title): 000 Operational expenses  
and 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:

The revised estimate for 2011-12 is 7.1% higher than the original estimate for the same year. What are the reasons?

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

The revised estimate for 2011-12 is higher than the original estimate. This is mainly due to the injection of non-recurrent provision for meeting the cost for preparing the set-up of the Financial Dispute Resolution Centre (FDRC) (including purchase of office equipment, premises rental, etc.). The provision was injected after the Finance Committee of the Legislative Council approved the funding proposal in June 2011.

Our current plan is to set up the FDRC by mid-2012.

Signature: \_\_\_\_\_

Name in block letters: Miss AU King-chi

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

Date: 29.2.2012

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

**FSTB(FS)026**

Question Serial No.

1454

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
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 co-ordinate the implementation of new measures announced by Vice Premier Li Keqiang in August 2011.

- (a) What is the estimated amount of expenditure involved?
- (b) Is it necessary to engage additional staff to cope with the co-ordination work?
- (c) How many staff members will be responsible for this project?

Asked by : Hon. LAM Kin-fung, Jeffrey

Reply :

The Mainland Affairs (MA) Division of the Financial Services Branch (FSB) has been tasked to co-ordinate the implementation of new measures announced by Vice Premier Li Keqiang in August 2011. In order to better co-ordinate the work in this aspect, strengthen the financial co-operation between Hong Kong and the Mainland, and foster the development of offshore Renminbi business, we have sought the support of the Establishment Subcommittee of the Legislative Council for the proposal to create a supernumerary Administrative Officer Staff Grade C (AOSGC) post in the MA Division in 2012-13 for 2 years. The proposed supernumerary post of AOSGC will be supported by a team of 4 non-directorate officers, comprising 1 Senior Administrative Officer, 1 Executive Officer I, 1 Personal Secretary I and 1 Assistant Clerical Officer. We will submit the proposal to the Finance Committee for approval in April 2012.

The expenses involved in the above work will be absorbed from within the existing resources of the FSB and we do not have a separate breakdown.

Signature: \_\_\_\_\_

Name in block letters: \_\_\_\_\_

Miss AU King-chi

Post Title: \_\_\_\_\_

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

Date: \_\_\_\_\_

2.3.2012

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

**FSTB(FS)027**

Question Serial No.

1455

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

Subhead (No. & title): 000 Operational expenses  
and 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:

Provision for 2012-13 is 9.8% higher than the revised estimate for 2011-12. This is mainly due to the need to meet the first year operating cost of the Financial Dispute Resolution Centre. Is it because the operating cost is higher than the estimate? What are the reasons for the increase?

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

The provision for 2012-13 is higher than the revised estimate for 2011-12. This is mainly due to the injection of non-recurrent provision for meeting the first year operating costs of the Financial Dispute Resolution Centre (FDRC) (including staff cost, premises rental, publicity and education, training for mediators and arbitrators, insurance, etc.). Our current plan is to set up the FDRC by mid-2012.

Signature: \_\_\_\_\_

Name in block letters: \_\_\_\_\_

Miss AU King-chi

Post Title: \_\_\_\_\_

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

Date: \_\_\_\_\_

29.2.2012

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

FSTB(FS)028

Question Serial No.

1456

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
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 estimates that there will be a decrease of 6 non-directorate posts but an increase of 1 directorate post in 2012-13. What are the reasons? What are the respective ranks and payroll for such posts? What will be the final changes in the financial provision?

Asked by: Hon. LAM Kin-fung, Jeffrey

Reply:

We will delete 9 time-limited posts (including one directorate post) and create 4 time-limited posts (including 2 directorate posts) in 2012-13. Relevant information is as follows:

<u>Rank</u>	<u>Number</u>	<u>Reasons for deletion/creation</u>	<u>Staff cost Involved (\$ million)</u>	<u>Changes (\$ million)</u>
<i>Deletion of posts</i>				
1. Administrative Officer Staff Grade C	-1	These posts are established for the legislative and related work to enhance the anti-money laundering regime in Hong Kong. Their terms will expire on 15 July 2012.	0.67	-1.62
Senior Administrative Officer	-1		0.49	-1.20
Personal Secretary I	-1		0.14	-0.33
Personal Secretary II	-1		0.10	-0.26
2. Chief Executive Officer	-1	These posts are established for setting up a financial dispute resolution centre. Their terms will expire on 30 September 2012.	0.75	-0.75
Senior Executive Officer	-2		1.14	-1.14
Assistant Clerical Officer	-1		0.16	-0.16

<u>Rank</u>	<u>Number</u>	<u>Reasons for deletion/creation</u>	<u>Staff cost Involved (\$ million)</u>	<u>Changes (\$ million)</u>
3. Administrative Officer	-1	The post will be upgraded to Senior Administrative Officer in 2012-13 (See item 4 below).	0	-0.63
<b>Total:</b>			<b><u>3.45</u></b>	<b><u>-6.09</u></b>

*Creation of posts*

4. Administrative Officer Staff Grade C	1	We propose to establish these posts in 2012-13 to co-ordinate the implementation of Central People's Government's new measures to support the economic and social development in Hong Kong announced in August 2011; the financial co-operation with the Mainland at the central and regional levels as a strategic goal under the National 12 <sup>th</sup> Five-Year Plan; and the development of offshore Renminbi business.	2.29	2.29
Senior Administrative Officer	1		1.69	1.69
Executive Officer I	1		0.77	0.77
5. Assistant Commissioner of Insurance	1	We propose to establish the post in 2012-13 to enforce the anti-money laundering regime and regulate Mandatory Provident Fund intermediaries for the insurance sector.	2.45	2.45
<b>Total:</b>			<b><u>7.20</u></b>	<b><u>7.20</u></b>

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services and the Treasury (Financial Services)  
Date: 29.2.2012

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

FSTB(FS)029

Question Serial No.

0874

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
Financial Services and the Treasury and 700 General non-  
Bureau (Financial Services Branch) 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:

On financial services, the Financial Secretary (FS) in his budget speech emphasised the importance of stabilising the financial system (paragraphs 62 to 65), but remained silent on the need to improve the regulatory regime and protect the interests of investors. Nothing in this regard was mentioned under *Matters Requiring Special Attention* in the Estimates for the Financial Services and the Treasury Bureau either. Do FS and the Secretary for Financial Services and the Treasury (SFST) consider the task of protecting investors' interest and modifying the regulatory regime completed?

Since the financial turmoil in 2008, governments and international financial institutions have proposed quite a number of policies to strengthen their financial regulatory regimes, particularly in the area of financial investor protection. In the wake of the Lehman Brothers minibond incident, the Hong Kong Monetary Authority and the Securities and Futures Commission submitted their respective reports to FS in late 2008 and stated their views on how to improve the regulatory regime in relation to the securities business conducted by banks. The relevant task force of this Council will also file a report this year on its investigation of the Lehman Brothers incident and give its recommendations.

While policies on financial regulatory regimes, financial consumer protection regimes, etc. have been introduced internationally, Hong Kong is obviously lagging behind. It is well established that "as regards the public finance, the financial system and Hong Kong's status as an international financial centre, FS shall be responsible for determining the policy objectives at a macro level. SFST shall be responsible for formulating specific policies to achieve such objectives". These responsibilities are obviously heavy and they fall solely on FS and SFST.

Therefore, will FS and SFST inform this Committee of their work plans to improve the regulation of financial institutions, especially the securities business conducted by banks, and the measures for the protection of retail investors (including the making of proposals, tasking of relevant regulators to conduct reviews, etc.) in the coming year, together with the work proposals, progress indicators, estimates and staffing involved?

Asked by: Hon. LEUNG Kwok-hung

Reply:

Investor protection has been a key focus of the Administration's financial policy, as reflected in our work on (a) introducing legislation to strengthen our regulatory regime and safety nets; (b) establishing a dedicated investor education body; (c) establishing a Financial Dispute Resolution Centre; and (d) enhancing front-line regulatory efforts. Relevant examples are as follows –

(a) Introducing legislation to strengthen our regulatory regime and safety nets

- We introduced the Securities and Futures (Amendment) Bill 2011 into the Legislative Council (LegCo) in June 2011 to oblige listed corporations to disclose price sensitive information in a timely manner, with a view to enhancing the quality and transparency of our market. The relevant Bills Committee has examined the Bill in detail and we expect that the legislative procedures could be completed shortly.
- For the insurance industry, the Government has proposed to set up a Policyholders' Protection Fund (PPF) to provide better protection for policyholders in the event of an insurer becoming insolvent. We have announced the consultation conclusions and final proposals for the proposed PPF in January 2012 and briefed the LegCo Panel on Financial Affairs in February 2012. We will prepare the enabling legislation for establishing the PPF and continue to engage stakeholders in the process. We aim to introduce the Bill into LegCo in the 2012-13 legislative session.
- The Government has also proposed to establish an independent Insurance Authority which would provide greater robustness in responding to new regulatory challenges, more effective implementation of international regulatory standards, as well as better policyholder protection through enhanced regulation of insurers and insurance intermediaries. On the basis of the consultation conclusions and detailed proposals announced in June 2011, we are drafting the key legislative provisions with a view to making them available in mid-2012 for further stakeholders' engagement.
- On Mandatory Provident Fund (MPF), the Government introduced the Mandatory Provident Fund Schemes (Amendment) (No.2) Bill 2011 into LegCo in December 2011. The Bill aims to set up a statutory regulatory regime for MPF intermediaries for better protection of MPF scheme members before the implementation of the Employee Choice Arrangement (ECA). We are now working closely with the Bills Committee to facilitate the scrutiny of the Bill with a view to securing its passage before the end of the current term of LegCo and implementing ECA on 1 November 2012 as scheduled.

(b) Establishing a dedicated investor education body

- The Securities and Futures (Amendment) Bill 2011 seeks to authorise the Securities and Futures Commission (SFC) to establish an investor education body, with a view to strengthening investor education to enhance the financial literacy and financial management capability of the public. The investor education body will holistically oversee the needs of investor education, and work together with the Government and the financial regulators in strengthening investor protection of the general public in Hong Kong. The investor education body will be set up as soon as the Bill is passed.

(c) Establishing a Financial Dispute Resolution Centre (FDRC)

- We are preparing for the establishment of the FDRC by mid-2012. The FDRC is to administer dispute resolution by way of mediation and, failing which and if the claimant so wishes, arbitration. As a first step, financial institutions regulated by the Hong Kong Monetary Authority (HKMA) and SFC will be obliged to be members of the financial dispute resolution scheme. The maximum claimable amount per case is set at \$500,000, which will cover about 83% of the monetary disputes handled by the HKMA and about 80% of securities investors.
- We have sought funding approval from LegCo for providing \$92 million between 2011-12 to 2014-15 for the establishment of the FDRC and its operating costs for the first 3 years. The HKMA and SFC will together provide the same amount of funding.

(d) Enhancing front-line regulatory efforts

- Following the Lehman Brothers incident in 2008, the Administration formulated an Action Plan in consultation with the HKMA and SFC in early 2009 for implementing in phases various recommendations to further improve our regulatory framework, especially with regard to (i) the sale of investment products; (ii) the business conduct of intermediaries; and (iii) investor education. We will continue to monitor market development, and work together with the financial regulators and the industry to enhance the regulatory framework relating to sales of investment products.

- On enhancing regulatory focus on banks' business conduct, the HKMA will continue to step up supervision of banks' securities, insurance and MPF activities through more focused and in-depth on-site examinations, and off-site surveillance work including regular surveys on banks' sales of investment products. In respect of enforcement, the HKMA will continue to handle the remaining work in respect of Lehman-related complaints, and will accelerate the investigation of non-Lehman-related complaints.
- The SFC has implemented various measures to enhance the regulation of intermediaries selling investment products to the public since June 2010. These measures included the requirement of product key facts statements and introduction of cooling-off periods.

We would continue to monitor international regulatory developments and local market situation, and review and refine our regulatory regime from time to time. The relevant work will be taken up by the Financial Services Branch's existing manpower 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: 29.2.2012

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

**FSTB(FS)030**

Question Serial No.

3453

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 estimate for this year is 9.8% higher than the revised estimate for last year. This is mainly due to the injection of non-recurrent provision for meeting the first year cost of the Financial Dispute Resolution Centre (FDRC). The Bureau has also identified this task (the establishment of the FDRC and the overseeing of its operation) as the priority task in Matters Requiring Special Attention in this year.

While a total provision of \$92 million was approved for the FDRC last year, the estimate for this year amounts to approximately 13% of the Bureau's total estimate, reflecting high regard is paid to the FDRC by the Bureau and the Government. However, given the unsatisfactory response to arbitration and mediation services provided with respect to Lehman Brothers related cases, it is important to ensure the operational effectiveness of the FDRC so as to avoid mismatching or a waste of public money.

In this regard, can the Secretary inform this Committee of any indicators, including quantitative indicators and outcomes, for assessing the work progress and effectiveness of the FDRC so as to hold it accountable to the Committee and the public?

Asked by: Hon. LEUNG Kwok-hung

Reply:

The Financial Dispute Resolution Centre (FDRC) is set up as a company limited by guarantee. It will operate independently and has flexibility in operational and staffing matters. At the same time, its operation will be subject to stringent corporate governance and administration rules. FDRC will be governed by a Board of Directors, which is independent and broadly based. The Board is responsible for overseeing its operation and formulating the overall policy and strategy, including setting appropriate performance indicators to assess the work progress and effectiveness of FDRC. FDRC will also report its work to the public through means such as publication of annual reports.

Signature: \_\_\_\_\_

Name in block letters: Miss AU King-chi

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

Date: 1.3.2012

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

**FSTB(FS)031**

Question Serial No.

1788

Head: 148 – Government Secretariat : Subhead (No. & title): 700 General non-recurrent  
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 on the details of estimates of expenditure items for establishment of the Financial Dispute Resolution Centre.

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

The set-up costs of the Financial Dispute Resolution Centre (FDRC) are estimated to be about \$15 million, which cover office renovation, furniture and equipment, computer and data management systems, promotion and publicity, etc. The annual operating costs for the first 3 years are estimated to be around \$55 million. These cover staff cost, premises rental, professional and consultancy services, publicity and education, training for mediators and arbitrators, insurance, etc.

Signature: \_\_\_\_\_

Name in block letters: \_\_\_\_\_

Miss AU King-chi

Post Title: \_\_\_\_\_

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

Date: \_\_\_\_\_

29.2.2012

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

**FSTB(FS)032**

Question Serial No.

1789

Head: 148 – Government Secretariat : Subhead (No. & title): 700 General non-recurrent  
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 on the content of Subhead 700 Item 014 “Initiatives to co-ordinate the human resources development for the financial services sector” and the details of each expenditure item.

Asked by: Hon TONG Ka-wah, Ronny

Reply:

The resource allocation for “Initiatives to co-ordinate the human resources development for the financial services sector” under Subhead 700 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. Since its establishment in June 2000, the FinMan Committee has been providing advice on partnership between the industry and the academia, compilation of manpower statistics, professional training and the strategic human resources needs of Hong Kong as an international financial centre. The FinMan Committee comprises members from the financial sector, academia, training institutes, regulators and Government. The Financial Services Branch provides secretariat and administrative support to the FinMan Committee.

Up to the end of 2011, the cumulative expenses of the FinMan Committee were about HK\$674,000. Details of expenditure items are set out below –

Expenses item	HK\$ ('000)	Share (%)
Seminars and events	571	85
<i>Of which:</i>		
<i>Forum on “Hong Kong as an International Asset Management Centre: Challenges and Opportunities” (December 2004)</i>	221	33
<i>High level workshop on “Developing Financial Talent for the Next Decade - A Tripartite Approach” (December 2009)</i>	121	18
<i>Events under the “Industry/Academia Collaboration on Nurturing Financial Talent Series” (2006-2011)</i>	158	23
Publications	91	14
Miscellaneous	12	2
Cumulative total	674	100

Note: Figures for individual items may not add up to total due to rounding.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 29.2.2012

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

**FSTB(FS)033**

Question Serial No.

1790

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
Financial Services and the Treasury and 700 General non-  
Bureau (Financial Services Branch) 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:

The estimate of the amount required in 2012-13 for the salaries and expenses of the Financial Services Branch is significantly higher than the actual expenditure in 2010-11 by \$73,429,000. Please advise the reasons for the increase and provide a breakdown of the additional expenditure items and their estimates.

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

The main reasons for the increase in Financial Services Branch's 2012-13 estimate for salaries and expenses as compared with the actual expenditure in 2010-11 are as follows:

- (i) injection of a non-recurrent provision of \$28 million for meeting the first year operating cost of the Financial Dispute Resolution Centre;
- (ii) provision of about \$15 million for various consultancy services and promotional events, including a consultancy study on risk-based capital framework for insurance business in Hong Kong and overseas roadshows on Hong Kong as China's global financial centre; and
- (iii) additional provision of about \$30 million for increased payment, including salary and associated general departmental expenses, arising from the increase in number of staff and the pay rise from 2011-12 to 2012-13.

Signature: \_\_\_\_\_

Name in block letters: \_\_\_\_\_

Miss AU King-chi

Post Title: \_\_\_\_\_

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

Date: \_\_\_\_\_

29.2.2012

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

**FSTB(FS)034**

Question Serial No.

2523

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:

Has the Administration reviewed the functions of the Mandatory Provident Fund (MPF) Schemes Compensation Fund and its scope before preparing legislation for the establishment of an automatic levying mechanism for the Compensation Fund as mentioned in *Matters Requiring Special Attention in 2012-13* under this Programme? If so, what are the details? Will the Administration consider extending the scope of the Compensation Fund so as to provide protection for employees who are owed MPF contributions by their employers but unable to seek recovery from them? If not, in what way can the Administration help those employees who are owed MPF contributions by their employers at present?

Asked by: Hon. WONG Kwok-kin

Reply:

The Government consulted the Legislative Council Panel on Financial Affairs in November 2011 on the review conducted by the Mandatory Provident Fund Schemes Authority (MPFA) on the Mandatory Provident Fund (MPF) Compensation Fund, including MPFA's proposal to introduce an automatic mechanism for suspension and resumption of the levy (the proposed mechanism). According to the proposed mechanism, the MPF Compensation Fund levy can be suspended given the current size of the Compensation Fund. This proposal is premised on the existing scope of the Compensation Fund. With the support of the Panel, we plan to introduce amendments to the relevant subsidiary legislation in Q2 this year to implement the proposal.

It should be noted that expanding the scope of the Compensation Fund to cover default contributions by employers would represent a fundamental change to the objective of the Fund. This could give rise to moral hazards with law-abiding employers and employees subsidising defaulting employers, and on the other hand, would require a fresh review of the acceptable level of target fund size which would entail modifications to the proposed mechanism. Therefore we have no intention at this stage to consider extending the scope of the Fund as proposed in the question.

To assist employees in cases of default contributions by their employers, MPFA will investigate the cases and recover the default contributions in arrears through civil action if the employers concerned fail to rectify the situation. MPFA will also consider initiating criminal prosecution against the employer where appropriate. If an employer goes bankrupt, MPFA will file proofs of debt to the liquidator to recover the default contributions on behalf of the employee. If an employer has deducted employees' salaries for MPF contributions but does not make the contributions, the relevant amount is already covered under the Protection of Wages on Insolvency Fund subject to certain specific conditions.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Permanent Secretary for Financial Services  
Post Title: and the Treasury (Financial Services)  
Date: 29.2.2012

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

**FSTB(FS)035**

Question Serial No.

2524

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 one of the matters requiring special attention in 2012-13 under this programme, the Financial Services Branch will continue to monitor the operation of the MPF system and liaise with the MPFA on its on-going review to further enhance the efficiency and effectiveness of the system, including the withdrawal of benefits, cost structure of trustees, and the establishment of a central database as part of the feasibility study on full portability. Please advise us of the following:

- (a) What are the details of the above review and study? When will the results be available, and when will the initiatives be implemented?
- (b) What is the progress in implementing the full portability arrangement? Has the Administration drawn up any timetable for its implementation?
- (c) In the coming year, will the Administration examine the issues related to the use of employers' contributions to MPF schemes for offsetting severance payments and long service payments? Will employers, employees and the public be consulted? If yes, when will the consultation take place? If no, why is there no consultation?

Asked by: Hon. WONG Kwok-kin

Reply:

The Mandatory Provident Fund Schemes Authority (MPFA) has begun in December 2011 the public consultation on its proposal regarding the inclusion of terminal illness as an additional ground for early withdrawal of MPF accrued benefits and allowing scheme members to withdraw MPF accrued benefits in phases when reaching 65. The consultation will complete by end March 2012. On the study on MPF trustees' administrative costs, MPFA engaged a consultant in December 2011. The study aims to identify ways to further simplify administrative processes with the aim of reducing their costs and thereby allowing room for further fee reduction. It is now in progress and expected to complete within 2012. With regard to full portability, MPFA is studying the feasibility of establishing a central database capturing information on the distribution of employees' accrued benefits. MPFA expects that preliminary results of the study will be ready within the 2012-13 financial year. The Government will take appropriate follow up actions when MPFA submits its recommendations on the above initiatives.

As for the offsetting arrangement, before the implementation of the MPF System in 2000, the Employment Ordinance already allows employers to offset severance payment or long service payment by their contributions in retirement schemes. This long-established arrangement was extended to MPF schemes after consultation and balancing different considerations. Reviewing offsetting arrangement is a

complicated issue that involves the affordability of employers, business environment as well as employees' interests and the overall need of Hong Kong's socio-economic development. Any change would need careful study and consensus of different stakeholders. At this stage, we will focus on the aforesaid improvement measures of the MPF System.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Post Title: Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Date: 1.3.2012

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

**FSTB(FS)036**

Question Serial No.

2501

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In paragraph 63 of the Budget Speech, the Financial Secretary stated that with the global economy facing ever-increasing downside risks, any deterioration in the European sovereign debt crisis will set off massive repatriation of funds from emerging markets. Hong Kong may suffer from an outflow of funds from the Hong Kong dollar. Does the Administration have any specific measures to enhance Hong Kong's resilience in stabilising our financial system? What are the expenditure and manpower involved?

Asked by: Hon. WONG Ting-kwong

Reply:

Notwithstanding the recent volatility in the global financial markets, the financial institutions in Hong Kong in general remain resilient. Operations in the interbank market, securities market and insurance sector continue to be orderly.

Local regulators have implemented measures to guard against systemic risks and have been closely monitoring their regulatees and conducting stress tests on a regular basis. Regulators have also been exchanging information and views regularly on various aspects on the sector, while the Financial Services Branch is monitoring market development through relevant cross-regulator co-ordination platforms.

Together with relevant regulators, the Administration has put in place specific measures to enhance Hong Kong's resilience in stabilising our financial system. These include –

- requiring major local banks to raise the level of their regulatory reserves by end 2011 to build a stronger buffer against possible material deterioration in their asset quality going forward;
- asking concerned foreign bank branches in Hong Kong to ensure that they have sufficient long-term funding to match their new lending;
- introducing four rounds of countercyclical prudential measures from October 2009 to June 2011 (including lowering the maximum loan-to-value ratio, requiring banks to assess thoroughly and stress-test borrowers' repayment ability, and rolling out Positive Mortgage Data Sharing), with a view to strengthening the risk management of mortgage lending business of banks in Hong Kong;
- implementing the Basel II Enhancements issued by the Basel Committee on Banking Supervision since January 2012, and following up the legislative work required for implementing Basel III. Following the passage of the Banking (Amendment) Bill 2011 by the Legislative Council (LegCo) on 29 February 2012, we are pressing ahead with the preparation of amendments to the relevant subsidiary legislation;

- requiring domestic synthetic exchange-traded funds to top-up the collateral level to achieve at least 100% collateralisation. The top-up requirement has been completed by end October 2011;
- adjusting margin requirements for Hang Seng Index futures and H-share index futures;
- monitoring the credit ratings and day-end closing positions of issuers of derivative warrants and Callable Bull/Bear Contracts;
- aiming at implementing statutory short position reporting requirement in the first half of 2012;
- developing a regulatory regime for the over-the-counter derivatives market, with a view to introducing relevant legislative proposals into LegCo within 2012;
- preparing for the establishment of an independent insurance authority, the next step being drafting key legislative provisions for further consulting the stakeholders in mid-2012; and
- aiming at introducing a Bill into LegCo within the 2012-13 legislative session to establish a Policyholders' Protection Fund, with a view to providing a safety net to policyholders in the event of an insurer becoming insolvent.

The relevant work will be taken up by the Financial Services Branch's existing manpower and relevant financial regulators. We do not have a separate breakdown for the expenditure involved.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Post Title: \_\_\_\_\_  
Date: 1.3.2012

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

**FSTB(FS)037**

Question Serial No.

2502

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
Financial Services and the Treasury  
Bureau (Financial Services Branch)

Programme: Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In paragraph 116 of the Budget Speech, the Financial Secretary stated that the Administration will continue to collaborate with the Hong Kong Exchanges and Clearing Limited (HKEx) to attract more overseas companies, especially those from emerging markets, to list in Hong Kong. The HKEx is also studying ways to further facilitate listing or secondary listing of overseas companies in Hong Kong, and accept companies incorporated in other jurisdictions to apply to list here. How effective were the past efforts to attract more overseas companies to list in Hong Kong? How many overseas companies applied to list here last year and how many of them came from emerging markets? 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 March 2007, HKEx published a joint policy statement with the Securities and Futures Commission (SFC) aiming at facilitating the listing of overseas companies by clarifying requirements in the Listing Rules and providing a clear roadmap on key shareholder protection matters for potential issuers and their advisers to refer to (JPS). Since then, the Listing Committee of the Stock Exchange of Hong Kong (SEHK) has considered and accepted in principle a number of new jurisdictions of incorporation for overseas companies seeking a listing on SEHK. This is in addition to the four jurisdictions recognised under the Listing Rules (i.e. Hong Kong, the Mainland, Bermuda and the Cayman Islands). As at February 2012, 19 jurisdictions (i.e., Australia, Brazil, British Virgin Islands, Canada (Alberta), Canada (British Columbia), Canada (Ontario), Cyprus, France, Germany, Guernsey, Isle of Man, Italy, Japan, Jersey, Luxembourg, Singapore, the United Kingdom and the USA (State of California and State of Delaware)) had been accepted for this purpose. HKEx will continue to consider admitting other jurisdictions as the domicile of overseas issuers. HKEx has listed 14 issuers from these jurisdictions since the publication of the JPS.

In 2011, HKEx listed 7 overseas companies from these jurisdictions, including Japan (SBI Holdings, Inc.), Singapore (CapitaMalls Asia Limited), Italy (PRADA S.p.A), USA (Coach, Inc. and Samsonite International S.A.), Switzerland (Glencore International plc) and Kazakhstan (Kazakhmys PLC).

The Administration will continue to work with the HKEx in promoting the listing of overseas companies in Hong Kong. This includes visiting overseas jurisdictions and companies to promote our listing platform. In parallel, we will continue our endeavours to enhance our listing regime, for example, to statutorily oblige listed corporations to disclose price sensitive information in a timely manner, with a view to bringing our disclosure regime more in line with overseas jurisdictions. These will help enhance our market quality.

To make the listing regime more attractive to overseas companies, HKEx is reviewing its requirements for overseas companies coming to Hong Kong for a primary or secondary listing. The intention is to further facilitate overseas companies to list in Hong Kong, without compromising investor protection. HKEx is preparing a consultation paper on this matter.

The above work will be taken up by the Financial Services Branch with existing resources 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: 1.3.2012

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

**FSTB(FS)038**

Question Serial No.

2503

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
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 Financial Services Branch will co-ordinate the implementation of new measures announced by Vice Premier Li Keqiang in August 2011 and promote financial co-operation at the central and regional levels during 2012-13.

- (a) Please advise on the details and timetable of the related work.
- (b) Is it necessary to allocate more resources to cope with it?
- (c) How much resources and manpower are expected to be involved?

Asked by : Hon. WONG Ting-Kwong

Reply :

We have made good progress in co-ordinating the implementation of new supportive measures announced by Vice Premier Li Keqiang in August 2011 (new supportive measures) and promoting financial co-operation with the Mainland at the central and regional levels. The major tasks are as follows:

- (a) Promotion and implementation of new supportive measures

Most of the new supportive measures announced by Vice Premier Li Keqiang have been implemented or secured progress.

On financial development, a number of measures have been implemented. The Pilot Scheme for Cross-Border Trade Settlement in Renminbi (RMB) has been extended to cover the whole country since August 2011. The “Notice on Cross-border Renminbi Foreign Direct Investment” and the relevant administrative arrangements on settlement in RMB were announced in October 2011. Baosteel, as the first Mainland enterprise issuing RMB-denominated bonds in Hong Kong, issued RMB3.6 billion bonds in Hong Kong in December 2011. Mainland financial institutions also continue to issue RMB bonds, including the issuance of RMB3 billion and RMB2.5 billion bonds by the Agricultural Development Bank of China and China Development Bank respectively in January 2012. Furthermore, the “Rules on Pilot Scheme on Investment in Mainland Securities by Renminbi Qualified Foreign Institutional Investors of Fund Management and Securities Companies” (Rules on RQFII) were announced in December 2011. The Securities and Futures Commission authorised the first batch of RQFII products in the same month. For exchange-traded fund constituted by Hong Kong listed stocks on the Mainland, we understand the formulation of relevant rules and regulations

on trading and administrative arrangements has reached its final stage and they are expected to be promulgated shortly.

There is also good progress in other areas, including: Hong Kong and the Mainland signed the “Supplement VIII to Closer Economic Partnership Arrangement (CEPA)” in Hong Kong in December 2011, fulfilling the objective of signing the Agreement in the year as announced by Vice Premier Li Keqiang during his visit to Hong Kong in August 2011; the Department of Justice signed the “Arrangement for Hong Kong/Shenzhen Co-operation on Legal Services” with the Shenzhen Municipal Government in November 2011; Hong Kong and Guangdong held the 17<sup>th</sup> Working Meeting of the Hong Kong/Guangdong Co-operation Joint Conference in January 2012 and signed the 2012 Work Plan of the Framework Agreement after the meeting; the Development Bureau signed an agreement with the Department of Water Resources of the Guangdong Province in December 2011 on the supply of Dongjiang water to Hong Kong for a period of 3 years, etc.

The Hong Kong Special Administrative Region Government will continue to maintain close contact with relevant Mainland authorities. We will pay duty visits to the Mainland and hold meetings/seminars in Hong Kong as and when necessary. We will also step up our exchanges with the Central Government and market participants for early implementation of other measures.

(b) Promotion of financial co-operation with the Mainland at the central and regional levels

Leveraging our advantage of being “part of China but outside the Mainland” under “One Country, Two Systems”, and with the implementation of the National 12<sup>th</sup> Five-Year Plan, we will continue to promote financial co-operation between Hong Kong and the Mainland. Through CEPA and other regional co-operation platforms (including the Hong Kong/Guangdong and Hong Kong/Shanghai co-operation platforms), we will promote exchange and co-operation in respect of financial institutions, financial instruments, capital and talents between Hong Kong and the Mainland.

The above work will be pursued by the Financial Services Branch and relevant financial regulators. The expenses incurred will be absorbed from within our existing resources and we do not have a separate breakdown. In order to better co-ordinate the work in this aspect, strengthen the financial co-operation between Hong Kong and the Mainland, and foster the development of offshore RMB business, we have sought the support of the Establishment Subcommittee of the Legislative Council for the proposal to create a supernumerary Administrative Officer Staff Grade C (AOSGC) post in the Mainland Affairs Division in 2012-13 for 2 years. The proposed supernumerary AOSGC post will be supported by a team of 4 non-directorate officers, comprising 1 Senior Administrative Officer, 1 Executive Officer I, 1 Personal Secretary I and 1 Assistant Clerical Officer. We will submit the proposal to the Finance Committee for approval in April 2012.

Signature:	_____
Name in block letters:	Miss AU King-chi
Post Title:	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Date:	2.3.2012

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

**FSTB(FS)039**

Question Serial No.

2504

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 Financial Services Branch will continue to reinforce our offshore Renminbi business platform during 2012-13. How effective were last year's efforts on promoting the development of Renminbi business? What measures will be pursued and will there be more resources deployed to foster the development of Renminbi business this year?

Asked by: Hon. WONG Ting-kwong

Reply:

The Government has been promoting the development of offshore Renminbi (RMB) business since 2004. Along with the introduction of more measures and the deepening of existing measures to expand the use of RMB in cross-border trade, the offshore RMB business in Hong Kong had grown rapidly in the past year with support from the Central Government and related Mainland authorities. RMB trade settlement conducted through banks in Hong Kong in 2011 amounted to RMB1,915 billion, which was 5 times the value of the whole year of 2010.

Driven by RMB trade settlement, RMB deposits in Hong Kong increased significantly and RMB financing activities became more active. As at the end of January 2012, RMB deposits in Hong Kong amounted to RMB576.0 billion, representing an increase of 83% as compared to the amount as at end of 2010.

Concurrently, Hong Kong has become the largest offshore RMB financing market. From 2007 to the end of January 2012, there were 127 RMB bond issuances with a total value amounting to RMB189.0 billion. The total amount of RMB bond issuance reached RMB107.9 billion in 2011, which was 3 times the value of 2010. The issuers included multinational corporations like McDonald's and Caterpillar in US, Unilever and Volkswagen in Europe, and also international financial institutions like the World Bank and Asian Development Bank.

Various RMB products were also launched in the market, including Renminbi Qualified Foreign Institutional Investor (RQFII) Funds and RMB Gold Exchange-traded Funds (ETF). As at the end of 2011, there were a total of 187 banks participating in Hong Kong's RMB clearing platform. Among these participating banks, 165 were branches and subsidiaries of foreign banks and overseas arms of Chinese banks. They represented a global payment network capable of handling RMB transactions for different parts of the world, providing RMB clearing services between the Mainland and different parts of the world as well as among the various offshore markets.

In the financial year of 2012-13, Hong Kong will strive to provide related services for banks and financial institutions in the Mainland and various parts of the world to attract more offshore RMB funds to congregate

and circulate in Hong Kong. This will consolidate our existing edge. We will continue to enhance the existing RMB financial platform and facilitate RMB financial product innovation to meet the needs of corporations, financial institutions and investors. Our direction of work includes: as the financial institutions in Hong Kong that are allowed access to the Mainland interbank bond market at present are mainly banks, we are exploring ways to allow more financial institutions such as insurance companies to have access to the Mainland's interbank bond market for making long-term investment; on RQFII pilot scheme, following the approval of the initial pilot investment quota of RMB20 billion, we will explore ways to enhance the scheme, including expansion of the investment quota of the pilot scheme, increase in the number and types of institutions which are allowed to participate in the pilot scheme, enlargement of the investment coverage; and we will endeavor to improve the RMB settlement infrastructure. For example, the Hong Kong Monetary Authority will extend the operating hours of the RMB Real Time Gross Settlement system in Hong Kong to 15 hours from 8:30am to 11:30pm (Hong Kong time) by end of June 2012, giving financial institutions in the European time zone an extended window to settle offshore RMB payments through the Hong Kong infrastructure.

Concurrently, we will step up our promotional efforts to advance Hong Kong's role and status as an offshore RMB business centre serving global needs and introduce our RMB trade settlement services to major overseas markets. In March this year, the Secretary for Financial Services and the Treasury will organise roadshows and seminars in the US.

An important function of the Hong Kong offshore RMB business centre is to provide an efficient market infrastructure and financial platform for the effective circulation of RMB funds. This includes "outer circulation", i.e. the circulation of RMB funds between Hong Kong and overseas markets. As an offshore RMB business centre, we endeavor to develop Hong Kong into a financial platform for RMB "outer circulation" to promote the use of RMB in international markets through trade and non-trade accounts.

The above work will be pursued by the Financial Services Branch and relevant financial regulators. The expenses incurred will be absorbed from within our existing resources and we do not have a separate breakdown. In order to better co-ordinate the work in this aspect, strengthen the financial co-operation between Hong Kong and the Mainland, and foster the development of offshore RMB business, we have sought the support of the Establishment Subcommittee of the Legislative Council for the proposal to create a supernumerary Administrative Officer Staff Grade C (AOSGC) post in the Mainland Affairs Division in 2012-13 for 2 years. The proposed supernumerary AOSGC post will be supported by a team of 4 non-directorate officers, comprising 1 Senior Administrative Officer, 1 Executive Officer I, 1 Personal Secretary I and 1 Assistant Clerical Officer. We will submit the proposal to the Financial Committee for approval in April 2012.

Signature: \_\_\_\_\_  
Name in block letters: Miss AU King-chi  
Permanent Secretary for Financial Services  
and the Treasury (Financial Services)  
Post Title: \_\_\_\_\_  
Date: 2.3.2012

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

**FSTB(FS)040**

Question Serial No.

2505

Head: 148 – Government Secretariat : Subhead (No. & title): 000 Operational expenses  
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 Financial Services Branch will prepare legislative proposals to establish a regulatory regime for the over-the-counter derivatives market during 2012-13. Please advise on the timetable for the work concerned and the estimated amount of expenditure involved.

Asked by: Hon. WONG Ting-kwong

Reply:

In order to implement G20 commitments, we are working with the Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA) in developing a regulatory regime for the over-the-counter (OTC) derivatives market. The proposed regulatory regime aims to improve transparency of the OTC derivatives market, prevent market abuse, reduce interconnectedness of participants, and allow regulators to monitor and minimise systemic risk in the financial system effectively.

The SFC and the HKMA consulted the market on the proposed regulatory framework from October to November 2011, and plan to issue a separate consultation paper on the proposed subsidiary legislation in 2012. We are working with the SFC and the HKMA on the necessary legislative amendments, with a view to introducing relevant proposals to the Legislative Council within this year.

The above 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: 1.3.2012

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

**FSTB(FS)041**

Question Serial No.

3298

Head: G01 Bond Fund

Subhead (No. & title): 200 Proceeds from issuance of 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:

The Financial Secretary mentioned in paragraph 119 of the Budget Speech that not more than \$10 billion worth inflation-linked retail bond (iBond) would be issued. The estimated amount of proceeds from issuance of bonds in 2012-13 is \$30 billion. Given that \$10 billion is derived from the iBond, please give details on the remaining \$20 billion:

- (a) What is the amount of bonds available for retail investors' subscription? What are the interest rate and tenor?
- (b) What is the amount of bonds available for institutional investors' subscription? What are the interest rate and tenor?

Asked by: Hon. HO Chun-yan, Albert

Reply:

In line with past practice, the estimate for the Bond Fund for each fiscal year is projected on the basis of the bond issuance size in the previous fiscal year. In other words, the estimated amount of proceeds from bond issuance for 2012-13 is projected based on the bond issuance size in 2011-12. On the basis that about \$30 billion of Government Bonds would have been issued by the end of 2011-12 (including issuance of \$10 billion of iBond to retail investors and \$20 billion of bonds to institutional investors), the estimated amount of proceeds from bond issuance for 2012-13 is projected to be similar to that in 2011-12. Details are as follows –

- (a) estimated issuance of \$10 billion of iBond, with a tenor of 3 years and estimated interest rate of 6.08%, to retail investors. The estimated interest rate is the same as that for the first interest payment for the iBond issued in July 2011; and
- (b) estimated issuance of a total of \$20 billion to institutional investors, with tenors ranging from 2 to 10 years and estimated interest rates ranging from 0.32% to 2.46% respectively. The tenor range and estimated interest rates are similar to those of the relevant bonds issued to institutional investors in 2011-12.

Signature: \_\_\_\_\_

Name in block letters: \_\_\_\_\_

Miss AU King-chi

Post Title: \_\_\_\_\_

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

Date: \_\_\_\_\_

29.2.2012

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

**FSTB(FS)042**

Question Serial No.

1193

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

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The provision of this programme for 2012-13 is \$248.6 million (71.6%) lower than the revised estimate for 2011-12. In this regard, please advise if the Census and Statistics Department will conduct topical survey and study on the Hong Kong population policy in the coming year. If yes, please list in table format the contents, expenditure and manpower resources involved respectively.

Asked by: Hon. CHAN Kin-por

Reply:

Under the Social Statistics Programme, the Census and Statistics Department (C&SD) has been conducting a series of regular statistical surveys relating to population, including the population census/by-census, the General Household Survey (GHS), and the Thematic Household Survey (THS) series for meeting the statistical data demand of other bureaux/departments on different social issues. These surveys provide detailed statistical data on the structure and characteristics of Hong Kong population for use by policy bureaux and departments in planning and formulation of policies, including conducting studies relating to population policy.

In 2012-13, C&SD will continue the follow-up in compilation of the results of the 2011 Population Census (11C) to be published in phases in 2012. In addition, C&SD will continue to conduct GHS and roll out the regular THS covering various policy issues<sup>(1)</sup>, in consultation with the user bureaux/departments. The estimated expenditure and manpower resources involved in the conduct of these regular surveys are tabulated below:

Survey/ Statistical system	Estimated expenditure in 2012-13	Manpower resources (as at 1 April 2012)
11C	\$11.74 million	48 staff
GHS	\$30.00 million	107 staff
THS <sup>(2)</sup>	\$3.10 million	15 staff



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

Reply Serial No.

**FSTB(FS)043**

Question Serial No.

3173

Head: 26 Census and Statistics Department

Subhead (No. & title): 000 Operational Expenses

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Given the society's due concern on the needs of the "N Have-not persons", in order to promptly formulate appropriate policies for meeting their needs, please advise if the Census and Statistics Department will consider conducting topical survey on the demographic structure and needs of these persons in 2012-13 so as to collect and publish the relevant statistics. If yes, please provide the details. If not, please give the reasons.

Asked by: Hon. CHAN Tanya

Reply:

The Census and Statistics Department (C&SD) collects information on the structure and characteristics of Hong Kong population through the General Household Survey (GHS) which is conducted on a continuous basis. C&SD is publishing the results of GHS on a monthly basis. Data users can make use of the GHS data to conduct topical studies on specific population sub-groups.

Signature: \_\_\_\_\_

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.2.2012

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

**FSTB(FS)044**

Question Serial No.

3174

Head: 26 Census and Statistics Department

Subhead (No. & title): 000 Operational expenses

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The need for policies concerning persons of ethnic minorities has often been neglected in recent years. In order to have a better understanding of the living condition of non-ethnic Chinese in Hong Kong, please advise if the Census and Statistics Department will consider conducting topical survey on the demographic structure and needs of the non-ethnic Chinese Hong Kong residents. If yes, please provide the details and work plan(s). If not, please give the reasons.

Asked by: Hon. CHAN Tanya

Reply:

The Census and Statistics Department (C&SD) has been collecting information on persons of ethnic minorities through the population census/by-census since 2001 and published thematic reports on ethnic minorities in 2002 and 2007 respectively, which presented the statistics of the 2001 Population Census and 2006 Population By-census on ethnic minorities in Hong Kong as well as their socio-economic characteristics. Based on the results of the 2011 Population Census, C&SD will compile the latest thematic report on ethnic minorities, which is scheduled for release by end 2012.

Signature: \_\_\_\_\_

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.2.2012

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

**FSTB(FS)045**

Question Serial No.

1362

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:

In the brief description of this programme, the Census and Statistics Department stated that its work involves conducting a continuous General Household Survey with a core part to collect data on the labour force, employment, unemployment and underemployment and a supplementary part to collect data on a variety of social topics. For the above survey, please advise if the Census and Statistics Department will consider publishing Hong Kong's Gini Coefficient on a regular basis so as to let the general public have better knowledge on the income disparity in Hong Kong. If yes, please give the details. If not, please give the reasons.

Asked by: Hon. CHAN Wai-yip, Albert

Reply:

Gini Coefficient (GC) is a widely used summary measure of the degree of dispersion in income distribution. It is quite sensitive to the two tails (i.e. the lowest and the highest income groups) of the income distribution. It is thus necessary to compile the GC from data collected from surveys with a sufficiently large sample size. The sample size of the General Household Survey is insufficient to produce GC at an acceptable level of precision. As such, the Census and Statistics Department will continue to compile and publish the GC once every 5 years based on data collected from the population census/by-census.

Signature: \_\_\_\_\_

Name in block letters:                      Mrs Lily OU-YANG

Post Title:                      Commissioner for Census and Statistics

Date:                      28.2.2012

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION****FSTB(FS)046**

Question Serial No.

3227

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

Please provide the number of tenant households and persons residing in rooms, cubicles, bedspaces and cocklofts in private housing. Please also provide the breakdown of the number of tenant households and the average monthly rent by household size.

Asked by: Hon. CHEUNG Kwok-cheReply:

Based on the results of the 2011 Population Census, relevant statistics are given below:

Household size	Domestic households renting rooms/cubicles, cocklofts and bedspaces in private permanent housing								
	Rooms/cubicles			Cocklofts			Bedspaces		
	Number of households	Number of persons	Median monthly rent (HK\$)	Number of households	Number of persons	Median monthly rent (HK\$)	Number of households	Number of persons	Median monthly rent (HK\$)
1	4 749	4 749	1,800	46	46	1,000	585	585	1,300
2	1 890	3 780	2,500	-	-	-	93	186	1,800
3 and over	2 009	7 314	2,500	-	-	-	-	-	-
<b>Overall</b>	<b>8 648</b>	<b>15 843</b>	<b>2,100</b>	<b>46</b>	<b>46</b>	<b>1,000</b>	<b>678</b>	<b>771</b>	<b>1,300</b>

Signature: \_\_\_\_\_

Name in block letters: Mrs Lily OU-YANGPost Title: Commissioner for Census and StatisticsDate: 28.2.2012

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

**FSTB(FS)047**

Question Serial No.

0530

Head: 26 Census and Statistics Department

Subhead (No. & title): 000 Operational expenses

Programme: (6) Labour Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise the required expenditures and manpower provision for the Annual Earnings and Hours Survey and Annual Survey of Economic Activities in the past 3 years (i.e. from 2009 to 2011). Please also advise if there were increase in manpower resources and provision due to the minimum wage legislation. Please list in table format the surveys (including those of regular and ad hoc nature) which have been made reference to during the formulation of the minimum wage policies in each of the past 3 years.

Asked by: Hon. CHEUNG Yu-yan, Tommy

Reply:

The Census and Statistics Department (C&SD) incurred an expenditure of about \$30.4 million, \$29.0 million and \$30.3 million in 2009-10, 2010-11 and 2011-12 respectively for conducting the Annual Earnings and Hours Survey (AEHS) and the Annual Survey of Economic Activities (ASEA). The manpower resources required for these surveys were 107 non-directorate staff, whom were supervised by directorate staff.

The above expenditure and manpower provision have already included the additional resources allocated for supporting the data collection and statistical analysis related to the minimum wage legislation. In 2009-10, a total of 15 new non-directorate posts were created in C&SD to assist in conducting the newly launched AEHS and the ASEA with the expanded sample size, involving an annual expenditure of about \$4.1 million. C&SD has also redeployed 28 non-directorate posts from other programmes to assist in undertaking these two statistical surveys as from 2009-10. A Statistician post has been upgraded to a Senior Statistician post as from 2011-12 to provide enhanced professional support related to the Statutory Minimum Wage, involving an additional annual expenditure of about \$0.33 million.

Surveys conducted by C&SD in the past 3 years which have provided reference to the formulation of the minimum wage policies are -

1. Annual Earnings and Hours Survey
2. Annual Survey of Economic Activities (previously known as Programme of Annual Economic Surveys)
3. General Household Survey
4. Labour Earnings Survey
5. Quarterly Survey of Employment and Vacancies
6. Monthly Retail Price Survey
7. Monthly Survey of Retail Sales



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

**FSTB(FS)048**

Question Serial No.

0263

Head: 26 Census and Statistics Department

Subhead (No. & title): 000 Operational expenses

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to the document, the Census and Statistics Department conducted the Thematic Household Survey (THS) series in 2011-12 through contracting out. Please provide details on the name(s) of the institution(s) collaborated with, the project title(s) and breakdown on the expenditure.

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

Reply:

In 2011-12, the Census and Statistics Department conducted 2 rounds of THS. Details of these surveys are as follows:

	THS on Use of New Media, Provision of International School Places and Digital Terrestrial Television Take-up	THS on Health-related Issues
Name of contractor	MOV Data Collection Center Ltd	The Nielsen Company (Hong Kong) Ltd
Contract sum	\$2.20 million	\$2.21 million

As the tender documents did not require contractors to provide breakdown on the project expenditure, such information cannot be provided.

Signature: \_\_\_\_\_

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.2.2012

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

**FSTB(FS)049**

Question Serial No.

0264

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

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Census and Statistics Department has conducted the population census/by-census at five-yearly interval in 2011-12 and will soon kick off the preparation work for the 2016 Population By-census. In order to be on par with standard international practices and better reflect the latest social trend, please advise whether the department will consider updating the design and classification of the census questionnaire (e.g., in respect of the classification of sex, marital status and ethnic minorities).

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

Reply:

In line with the established arrangement for census exercises, the Census and Statistics Department, in the course of planning for the 2016 Population By-census, will consider updating the design of and classification of individual/household characteristics in the census questionnaire, taking into account the latest socio-economic developments, the relevant international standards and practices and views collected through consultation with stakeholders.

Signature: \_\_\_\_\_

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.2.2012

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

**FSTB(FS)050**

Question Serial No.

0014

Head: 26 Census and Statistics Department

Subhead (No. & title): 000 Operational expenses

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under this programme, the estimate for 2012-13 is \$98.7 million. Please advise the amount of provision to be allocated for the Thematic Household Survey (THS) series contracted out to private survey research firms and the survey conducted on parents of babies born in Hong Kong to Mainland women. Please also provide details of the surveys, including objectives, duration required, mode of conducting the surveys and release time of the survey results, etc.

Asked by: Hon. LEUNG Kwan-yuen, Andrew

Reply:

The Census and Statistics Department (C&SD), through contracting-out to private research firms, will conduct 3 rounds of THS in 2012-13 on 5 different subjects, i.e. the Utilisation of Health Services, Pattern of Smoking, Information Technology Usage and Penetration, Retirement Planning as well as Use of Language. These surveys adopt the "user pays" principle where the user bureaux/departments concerned will pay for the required contracting-out cost. Such cost is thus not included in C&SD's estimate. Under these surveys, data is collected from households through face-to-face interviews. Each round lasts for 2 to 3 months. Survey results will normally be released in the form of a THS report around 6 to 9 months after completion of data collection.

C&SD coordinates the conduct of these surveys and is responsible for monitoring the work of the contractors to ensure that their work quality meets the professional standards. The estimated provision (mainly staff cost) for C&SD's work in this area is about \$3.1 million in 2012-13.

Tallying with the updates of population projection, C&SD will conduct statistical survey on parents of babies born in Hong Kong to Mainland women in selected Birth Registries in the first quarter of 2013. The survey aims to collect basic information of the parents and their intention about the future living arrangement for their babies. The survey is conducted by C&SD staff through face-to-face interviews and usually lasts for about 2 months. The survey results provide parameters to update the population projections and will be published in a feature article around 6 months after the completion of the survey. The estimated provision for this survey is about \$0.2 million in 2012-13.

Signature: \_\_\_\_\_

Name in block letters: \_\_\_\_\_

Mrs Lily OU-YANG

Post Title: \_\_\_\_\_

Commissioner for Census and Statistics

Date: \_\_\_\_\_

28.2.2012

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

**FSTB(FS)051**

Question Serial No.

1864

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 number of statistical data items included in the "Survey on Babies Born in Hong Kong to Mainland Women". Please list in table format the details of the respective statistical data items in the past 5 years.

Asked by: Hon. NG Margaret

Reply:

The Census and Statistics Department (C&SD) conducted five rounds of the "Survey on Babies Born in Hong Kong to Mainland Women" in the period between 2007 and 2011 to collect the data items tabulated below:

1. Parents' intentions about their babies' future living arrangement in Hong Kong
2. Resident status of the father
3. Socio-economic characteristics of the parents (e.g. occupation, educational attainment)
4. Parents' intentions about arranging their babies to have education in Hong Kong
5. Parents' intentions about arranging their babies to have health care services in Hong Kong
6. Usual place of residence of the parents
7. Any relatives of the babies living in Hong Kong
8. Any elder siblings of the babies and their living arrangement
9. Factors affecting the parents' intentions about their babies' living in Hong Kong in future
10. Parents' possession of residential properties in Hong Kong and their current usage

C&SD has published the details of the survey results in a feature article of the Hong Kong Monthly Digest of Statistics (September 2011 Issue) and uploaded such publication under the Products and Services column of its website <<http://www.censtatd.gov.hk>>.

Signature: \_\_\_\_\_

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.2.2012

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

**FSTB(FS)052**

Question Serial No.

0460

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:

	2012-13	2011-12	2010-11
Number of NCSC staff	( )	( )	( )
Distribution 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	( )	( )	( )

	2012-13	2011-12	2010-11
• less than 1 year	( )	( )	( )
Number of NCSC staff that can be converted to civil servants	( )	( )	( )
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

Reply:

The information on the Census and Statistics Department's employment of NCSC staff is set out below:

	2012-13	2011-12 (as at 31.12.2011)	2010-11 (as at 31.3.2011)
Number of NCSC staff		229 (-46.0%)	424 (N.A.)
Distribution of NCSC staff posts	Figures for 2012-13 are not available as the number of NCSC staff varies over time in accordance with the changing service needs.	Research Manager: 22 Research Executive: 2 Information Technology Officer: 1 Assistant Information Technology Officer: 2 Knowledge Management Assistant: 1 Executive Assistant: 1 Statistical Assistant: 103 Survey Interviewer: 64 General Clerk: 27 Casual Worker: 5 Senior Statistical Assistant: 1	Research Manager: 20 Research Executive: 4 Information Technology Officer: 5 Assistant Information Technology Officer: 11 Knowledge Management Officer: 1 Executive Assistant: 2 Statistical Assistant: 119 Survey Interviewer: 192 General Clerk: 49 Casual Worker: 19 Logistics Officer: 1 Senior Statistical Assistant: 1
Expenditure on the salaries of NCSC staff			\$64,898,000 (+11.1%)

	2012-13	2011-12 (as at 31.12.2011)	2010-11 (as at 31.3.2011)
Distribution of monthly salary level of NCSC staff			
• \$30,001 or above		23 (-8%)	25 (N.A.)
• \$16,001 - \$30,000		6 (-70%)	20 (N.A.)
• \$8,001 - \$16,000		200 (-47.2%)	379 (N.A.)
• \$6,501 - \$8,000		0 (- - -)	0 (N.A.)
• \$5,001 - \$6,500		0 (- - -)	0 (N.A.)
• \$5,000 or below		0 (- - -)	0 (N.A.)
• Number of staff with monthly salary lower than \$5,824		0 (- - -)	0 (N.A.)
• Number of staff with monthly salary between \$5,824 and \$6,500		0 (- - -)	0 (N.A.)
Length of employment of NCSC staff			
• 5 years or longer		5 (+400%)	1 (N.A.)
• 3 - 5 years		22 (+57.1%)	14 (N.A.)
• 1 - 3 years		107 (-44.3%)	192 (N.A.)
• less than 1 year		95 (-56.2%)	217 (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		17.6% (-45.8%)	32.5% (N.A.)
Percentage of the expenditure on NCSC staff in the total staff costs in the department		9.5% (-20.8%)	12.0% (N.A.)
Number of NCSC staff with paid meal break		223 (-44.7%)	403 (N.A.)
Number of NCSC staff without paid meal break		6 (-71.4%)	21 (N.A.)
Number of NCSC staff on five-day week		229 (-46.0%)	424 (N.A.)
Number of NCSC staff on six-day week		0 (- - -)	0 (N.A.)

Figures for 2012-13 are not available as the number of NCSC staff varies over time in accordance with the changing service needs.

Figures in ( ) denote year-on-year changes

Signature: \_\_\_\_\_

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.2.2012

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

**FSTB(FS)053**

Question Serial No.

0485

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 :

	2012-13	2011-12	2010-11
Number of contracts of engaging employment agency (EA)	( )	( )	( )
Contract sum paid to each EA	( )	( )	( )
Total amount of commission paid to each EA	( )	( )	( )
Length of contract for each EA	( )	( )	( )
Number of agency workers	( )	( )	( )
Distribution 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	( )	( )	( )
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 on the use of agency workers by the Census and Statistics Department (C&SD) is set out below :

	2012-13	2011-12 (as at 30.9.2011)	2010-11 (as at 30.9.2010)
Total number of contracts of engaging employment agency (EA)	<p>Figures for 2012-13 are not available as the number of agency workers varies over time in accordance with the changing service needs.</p>	T-contract : 3 (+50%)  Others : 0 (-100%)	T-contract : 2  Others : 1
Contract sum paid to each EA		T-contract: Ranges from \$166,000 to \$199,000 (+50% to +5%)  Others : N/A	T-contract: Ranges from \$111,000 to \$190,000  Others : \$200,000
Total amount of commission paid to each EA		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, C&SD does not have information on this matter.	
Length of contract for each EA		T-contract: Ranges from 5 to 12 months (-9% to no change)  Others : N/A	T-contract: Ranges from 5.5 to 12 months  Others : 4 months
Number of agency workers and distribution of the positions held by agency workers		T-contract : 3 workers for IT support (+50%)  Others : N/A	T-contract : 2 workers for IT support  Others : 5 workers for general office support.
Distribution of monthly salary level of agency workers		The contracts C&SD entered into with EAs specify the service fee charged by the latter in providing T-contract staff. C&SD does not specify the wages of the T-contract staff. Hence, C&SD is not able to provide the information requested.  Concerning the other contract, C&SD knows that the salary level of the 5 workers for general office support falls within the category of '\$8,001 - \$16,000'.	



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

**FSTB(FS)054**

Question Serial No.

0510

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":

	2012-13	2011-12	2010-11
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	( )	( )	( )
Distribution 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	( )	( )	( )
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 on the use of outsourced workers by the Census and Statistics Department (C&SD) is set out below :

	2012-13	2011-12	2010-11
Number of outsourced service contracts	<p>Outsourced service contracts are for meeting ad hoc service needs. C&amp;SD will review the demand for outsourced services in 2012-13 and only use outsourced services when such needs arise. Hence, the figures for 2012-13 are not available.</p>	20 (+100%)	10
Total amount paid to outsourced service providers		\$7,242,000 (+14.5%)	\$6,327,000
Length of contract for each outsourced service provider		Ranges from 6 to 24 months (no change to +33%)	Ranges from 6 to 18 months
Number of workers engaged through outsourced service providers*		238 (+176.7%)	86
Distribution of the positions held by outsourced workers		For provision of statistical, information technology, cleansing and labouring services.	
Distribution of monthly salary level of outsourced workers		<p>C&amp;SD does not keep information on the salary level of outsourced workers. The contracts which C&amp;SD entered into with outsourced service providers specify the service fee. The fee includes both staff cost and other operating costs, charged by the latter in providing various services to C&amp;SD.</p> <p>The service providers are required to meet the Statutory Minimum Wage requirement which has been implemented since 1 May 2011 in determining the wage level of outsourced workers.</p>	
Length of employment of outsourced workers		<p>C&amp;SD does not keep information on the length of service of outsourced workers. Outsourcing is an arrangement where C&amp;SD contracts with outsourced service provider to deliver services (instead of providing manpower) at the specific time in accordance with the required standard and quantity.</p> <p>The outsourced service providers, in accordance with the terms of the contract with C&amp;SD, may arrange any suitable employees to deliver the service.</p>	

	2012-13	2011-12	2010-11
Percentage of outsourced workers to the total number of staff in the department*	<p>Outsourced service contracts are for meeting ad hoc service needs. C&amp;SD will review the demand for outsourced services in 2012-13 and only use outsourced services when such needs arise. Hence, the figures for 2012-13 are not available.</p>	15.5%	5.1%
Percentage of amount paid to outsourced service providers to the total departmental staff cost		1.1%	1.3%
Number of outsourced workers with or without paid meal break		<p>Outsourced workers are deployed by outsourced service providers to deliver services, either on-site or off-site, to C&amp;SD under the relevant outsourcing contract and so there is no employer-employee relationship between the outsourced workers and C&amp;SD. 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 their employment contracts. C&amp;SD does not have such information.</p>	
Number of outsourced workers on five-day or six-day week			

*Figures in ( ) 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. C&SD does not employ any staff through an outsourced service provider. The number of workers provided in this reply is the number of workers employed by the outsourced service providers for providing services as specified in the relevant contracts.

Signature: \_\_\_\_\_

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.2.2012

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

**FSTB(FS)055**

Question Serial No.

1613

Head: 26 Census and Statistics Department      Subhead (No. & title): 700 General non-recurrent

Programme: (4) General Statistical Services

Controlling Officer: Commissioner for Census and Statistics

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Census and Statistics Department will host an international statistical congress in 2013. Please advise the details of the preparation work and the required resources.

Asked by: Hon. WONG Ting-kwong

Reply:

The Census and Statistics Department (C&SD) will host the 59th World Statistics Congress (WSC) of the International Statistics Institute (ISI) at the Hong Kong Convention and Exhibition Centre during 25 to 30 August 2013. The WSC is expected to be attended by over 2 000 statistical professionals from around the world.

Various preparatory work is being carried out. For example, C&SD has established the Local Organising Committee and the Local Programme Committee since 2010 to draw up the detailed programmes and logistical arrangements for the WSC. C&SD has also launched a dedicated website for the WSC to publish information including introduction to ISI and Hong Kong and the scientific programmes of the WSC. The website will also serve as the platform for online registration starting from May 2012. Besides, C&SD has rolled out publicity plans to promote the event, which include promoting the WSC at various local and overseas meetings through feature video, speech, as well as publicity posters and pamphlets. In addition, C&SD has also enlisted the support from its Mainland counterparts to publicise the event and to encourage participation from the government and academic sectors in the Mainland.

The Finance Committee of the Legislative Council approved in April 2010 the creation of a new commitment of HK\$15.2 million under Head 26 Census and Statistics Department with funding requirement to be absorbed from within the Secretary for Financial Services and the Treasury's operating expenditure envelope for hosting the event. The estimated expenditure of HK\$25.7 million will be partly offset by income from registration fee and rental of exhibition booths, estimated to be amounted to HK\$10.5 million.

Signature: \_\_\_\_\_

Name in block letters: Mrs Lily OU-YANG

Post Title: Commissioner for Census and Statistics

Date: 28.2.2012



**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION****FSTB(FS)057**

Question Serial No.

0862

Head: 116 Official Receiver's Office Subhead (No. & title):  
Programme: Official Receiver's Office  
Controlling Officer: Official Receiver  
Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the following work, what are the respective estimated numbers of cases to be outsourced by the Official Receiver's Office (ORO) to practitioners in the private sector (PIPs) in 2012-13? What are the respective percentage increase or decrease as compared with that of last year?

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

Asked by: Hon. CHAN Kam-lam

Reply:

Under ORO's existing policy, the vast majority of company liquidation cases and about 25% of debtor-petition summary bankruptcy cases are outsourced to PIPs. For bankruptcy cases which are not outsourced, PIPs are engaged to conduct preliminary examination of bankrupts. With reference to the number of insolvency cases in previous years, the estimated number of cases to be outsourced to PIPs in 2012-13, and the comparative figures for 2011-12 are as follows:

Type of work	No. of cases in 2011-12 (Estimated)	No. of cases in 2012-13 (Estimated)	Percentage change (%)
(a) Non-remunerative and summary liquidation cases	281	266	-5.3
(b) Non-summary liquidation cases	9	9	no change
(c) Preliminary examination of bankrupts	4 214	5 000	+18.7
(d) Debtor-petition summary bankruptcy cases	2 812	2 000	-28.9

Signature: \_\_\_\_\_

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 29.2.2012

**CONTROLLING OFFICER'S REPLY TO  
INITIAL WRITTEN QUESTION****FSTB(FS)058**

Question Serial No.

0863

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:

How many complaints against practitioners in the private sector (PIPs) did the Official Receiver's Office receive during the period from 2010 to 2011? Please provide a breakdown by type of complainants (i.e. creditor or bankrupt) and reasons of complaints.

Asked by: Hon. CHAN Kam-lam

Reply:

The Official Receiver received 19 and 21 complaints against PIPs in 2010 and 2011 respectively. A breakdown by the type of complainants is as follows:

Nature of cases	Type of Complainants	Nature of Complaints	2010	2011
Liquidation	Creditors	<ul style="list-style-type: none"> <li>• Conflict of interest</li> <li>• Delay in proceedings</li> <li>• Disputes with PIPs</li> <li>• Excessive fees</li> <li>• Failure to comply with statutory requirements</li> <li>• Failure to respond to inquiries</li> </ul>	8	3
	Others	<ul style="list-style-type: none"> <li>• Conflict of interest</li> <li>• Delay in proceedings</li> <li>• Disputes with PIPs</li> <li>• Failure to comply with statutory requirements</li> <li>• Failure to comply with tender requirements</li> <li>• Failure to respond to inquiries</li> <li>• Misconduct</li> </ul>	5	6
Bankruptcy	Creditors	<ul style="list-style-type: none"> <li>• Disputes with PIPs</li> </ul>	0	2
	Bankrupts	<ul style="list-style-type: none"> <li>• Delay in proceedings</li> <li>• Disputes with PIPs</li> <li>• Failure to respond to inquiries</li> </ul>	5	9
	Others	<ul style="list-style-type: none"> <li>• Disputes with PIPs</li> <li>• Failure to respond to inquiries</li> </ul>	1	1
<b>Total</b>			<b>19</b>	<b>21</b>

Signature: \_\_\_\_\_

Name in block letters: Ms. Teresa S W WongPost Title: Official ReceiverDate: 29.2.2012

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

**FSTB(FS)059**

Question Serial No.

0865

Head: 116 Official Receiver's Office

Subhead (No. & title): 000 Operational Expenses

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please state the reasons for the respective increases of 1.22 times and 7.4% in "Hire of services and professional fees" and "General departmental expenses" under "Departmental Expenses" in the 2012-13 estimates as compared with the previous year.

Asked by: Hon. CHAN Kam-lam

Reply:

The increase in the Official Receiver's Office (ORO)'s expenditure estimates for "Hire of services and professional fees" is mainly due to the expected increase in litigation costs and additional expenditure to engage outside counsel to provide advice and to appear in bankruptcy and winding up proceedings. Further, counsel will be engaged to advise on issues arising from the modernization of corporate insolvency law. ORO will also hire legal, accounting and supporting services to strengthen the monitoring of private insolvency practitioners and to step up investigation and prosecution of insolvency-related offences.

The increase in the ORO's expenditure estimates for "General departmental expenses" is mainly due to the increased requirement for maintenance of computer systems and other office equipment, etc.

Signature: \_\_\_\_\_

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 29.2.2012

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

**FSTB(FS)060**

Question Serial No.

1317

Head: 116 Official Receiver's Office                      Subhead (No. & title): 700 General non-recurrent  
(Item 003)  
Programme:                      Official Receiver's Office  
Controlling Officer:                      Official Receiver  
Director of Bureau:                      Secretary for Financial Services and the Treasury

Question:

It is noticed from the balance of commitments that, by the year end of 2011-12, almost 90% of the approved commitment has been expended. Has the Administration decided to continue or extend the pilot scheme to contract out cases of winding-up of companies and considered whether there should be any increase in the existing threshold (not more than HK\$200,000) of the estimated realisable assets to contract out summary liquidation?

Asked by: Hon. CHAN Mo-po, Paul

Reply:

The pilot scheme for contracting out summary winding-up cases to practitioners in the private sector (PIPs) was launched in September 1997. Following enactment of the Companies (Amendment) Ordinance 2000, the scheme was replaced by a statutory outsourcing scheme (see following paragraph). The remaining commitment of \$1.032 million is intended to cover outstanding payment to PIPs engaged under the scheme.

Under the statutory outsourcing scheme, the Official Receiver (OR), when acting as provisional liquidator, is empowered to directly appoint PIPs as provisional liquidators in place of the OR in summary winding-up cases. Since 2000, the Official Receiver's Office has been contracting out the vast majority of summary winding-up cases to PIPs under the scheme. The required funds are allocated under "Hire of services and professional fees".

ORO will consider reviewing the threshold of HK\$200,000 for summary winding-up cases.

Signature: \_\_\_\_\_

Name in block letters:                      Ms. Teresa S W Wong

Post Title:                      Official Receiver

Date:                      29.2.2012

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

**FSTB(FS)061**

Question Serial No.

3388

Head: 116 Official Receiver's Office

Subhead (No. & title): 000 Operational Expenses

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In view that quite a number of members of the public may not understand the specific procedures on applying for bankruptcy or debt restructuring and features of various approaches to settle debts, will the department consider enhancing public enquiry service for their better understanding of the bankruptcy and debt restructuring system? If yes, what are the manpower and expenditures involved in providing the service concerned? If not, what are the reasons?

Asked by: Hon. CHAN Tanya

Reply:

To enhance the understanding of the public about bankruptcy and individual voluntary arrangement (IVA), the Official Receiver's Office (ORO) has published 13 guides, including "Simple Guide on Bankruptcy", "Bankruptcy – The Main Processing Stages", "Simple Guide on Individual Voluntary Arrangement", "Individual Voluntary Arrangement – The Main Processing Stages" for free distribution to the public through the Internet, ORO counters and ORO's Interactive Voice Response System. The ORO has also published the "Debtor's Bankruptcy Petition Procedural Guide" for sale to the public at the ORO and through the Information Services Department, or for free download from the ORO's web site. Members of the public can also enquire about the procedures on filing bankruptcy petitions and applying for IVA at the ORO counters or through the ORO hotline.

Furthermore, ORO staff participate as speakers in seminars and talks on bankruptcy, IVA and other insolvency related topics for professionals, university students, social workers and members of the public from time to time. The ORO also responds to written enquiries concerning bankruptcy and IVA.

Since ORO's work in providing public enquiry service is part and parcel of its duties, it is difficult to substantiate the manpower and expenditure involved. The ORO regularly keeps the effectiveness of its public enquiry service under review. For example, to encourage the greater use of IVAs and to enhance public understanding of the rights and obligations under IVAs, ORO is reviewing publications on IVAs and will add a "Frequently-Asked-Question" section.

Signature: \_\_\_\_\_

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 29.2.2012

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

**FSTB(FS)062**

Question Serial No.

3389

Head: 116 Official Receiver's Office

Subhead (No. & title): 000 Operational Expenses

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In view that quite a number of members of the public cannot afford the cost of applying for bankruptcy and thus are unable to have a chance to re-integrate into the society by applying for bankruptcy, will the department consider launching new measures to reduce the cost of administering bankruptcy cases for the benefit of the general public? If yes, what are the details? If not, what are the reasons?

Asked by: Hon. CHAN Tanya

Reply:

Rule 52 of the Bankruptcy Rules stipulates that a debtor applying for bankruptcy shall, before filing the bankruptcy petition with the High Court, deposit with the Official Receiver (OR) an amount of \$8,650 to partly cover the costs and expenses in processing the bankruptcy case.

As trustee in bankruptcy cases, the OR has to carry out statutory duties as stipulated in the Bankruptcy Ordinance such as realization of the bankrupts' assets, investigation into the conduct and affairs of the bankrupts, distribution of dividend to creditors and review of the bankrupts' discharge. OR has to administer bankruptcy cases for at least four years. Therefore, the costs and expenses in processing a bankruptcy case far exceed the present amount of the deposit. Based on statistics for the past three years, 98% of cases handled by OR are non-remunerative, which means that Government has to subsidise the costs of administering these cases.

The Official Receiver's Office will regularly review its work procedures with a view to identifying room for streamlining and enhancing efficiency. Besides, it also keeps its fees and charges under review from time to time.

Signature: \_\_\_\_\_

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 29.2.2012

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

**FSTB(FS)063**

Question Serial No.

1168

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:

Under Matters Requiring Special Attention of the above Programme, it is mentioned that the government department has outsourced quite a number of cases (e.g. summary liquidation cases and a certain number of debtor-petition summary bankruptcy cases) to practitioners in the private sector (PIPs). Will the Administration inform this Committee:

- what were the respective numbers of bankruptcy and liquidation cases outsourced to the PIPs in each of the past three years and what were the amounts of fees paid regarding the work concerned?
- how many firms and practitioners in the private sector are now involved in the administration of the bankruptcy and liquidation cases? At present, how does the Administration monitor their service quality?
- what are the reasons that despite the increasing number of outsourced cases, it is shown under the Indicators that the case load per Insolvency Officer will be increased in the coming year?
- does the department have any backlog of bankruptcy and liquidation cases waiting to be processed at present? If yes, what is the average waiting time?
- with the planned introduction of a statutory corporate rescue procedure, how many liquidation cases are expected to be reduced?

Asked by: Hon. IP Wai-ming

Reply:

- In the past 3 years, the Official Receiver's Office (ORO) has outsourced the following number of cases to practitioners in the private sector (PIPs) under four schemes:

Scheme	2009	2010	2011
Debtor-petition summary bankruptcy cases	1 581	3 801	3 090
Preliminary examination of bankrupts	13 338	4 547	4 368
Non-summary liquidation cases	9	14	8
Summary liquidation cases	511	404	297

The PIPs are remunerated according to the provisions of the Bankruptcy Ordinance (Cap. 6) and the Companies Ordinance (Cap. 32) and the terms of the tenders.

For summary liquidation cases, the PIPs charge their remuneration on a time-cost basis and the remuneration is paid from the assets of the wound-up companies. 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. The maximum government subsidy per case for contracts covering the past three years range from \$450 to \$3,100. For debtor-petition summary bankruptcy cases, preliminary examination of bankrupts and non-summary liquidation cases outsourced to PIPs, the remuneration of PIPs is paid from the estates of the bankrupts or wound-up companies and no government subsidy is involved.

- (b) Five and ten firms are selected respectively for administering debtor-petition summary bankruptcy cases and for conducting preliminary examination of the bankrupts under the current contract from January 2012 to December 2013. For non-summary liquidation cases, there are 14 firms on the panel list administered by the ORO; while for summary liquidation cases, ten firms are selected under the current contracts from April 2010 to March 2012.

The ORO monitors the performance of PIPs through the following measures –

1. monitoring the milestones of the cases such as application for summary procedure orders and release orders, etc.;
2. checking and auditing trustees' or liquidators' accounts of receipts and payments;
3. investigating and taking action (where appropriate) on complaints received against PIPs;
4. conducting periodic quality audit of the preliminary examination work of PIPs;
5. conducting quality audit of 10% of the outsourced debtor-petition summary bankruptcy cases;
6. checking the annual statements of proceedings for bankruptcy cases; and
7. monitoring funds paid into the Companies Liquidation Account for liquidation cases.

- (c) The indicator of the average active case load per Insolvency Officer includes both cases administered by the ORO and cases outsourced to PIPs. The latter is included in the indicator as the ORO is required to assume a monitoring and regulatory role in regard to PIPs' performance after the cases are outsourced. The increase in case load per Insolvency Officer reflects the estimated increase in the number of insolvency cases in the coming year.
- (d) The ORO administers insolvency cases in accordance with the relevant requirements stipulated in the Companies Ordinance (Cap. 32) and the Bankruptcy Ordinance (Cap. 6). The time required to finalize the administration of insolvency cases can vary considerably, depending on the complexity of the work involved in individual cases. Measures such as redeployment of staff have been carried out for fulfilling the relevant statutory requirements.
- (e) The corporate rescue proposal is intended to be an option for consideration by companies in financial difficulties. It is not possible to estimate the number of companies which will use the procedures and hence the reduction in liquidation cases.

Signature: \_\_\_\_\_

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 29.2.2012

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

**FSTB(FS)064**

Question Serial No.

1169

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:

Under the Indicators of the above Programme, the Administration stated that the current proportion of non-remuneration cases to new cases was 98%. Will the Administration inform this Committee: (a) at present, what is the operating cost of handling for each case? (b) what is the average amount of deficit per case? (c) what is the total amount of deficit involved over the past three years?

Asked by: Hon. IP Wai-ming

Reply:

- (a) The operating costs of handling cases in the Official Receiver's Office differ considerably from case to case depending on the complexity of individual cases. Relevant factors include the amount of work involved in the realization of assets and the distribution of dividends to creditors, whether additional legal input or investigation is required, etc. We do not keep separate statistics on the actual operating costs of individual cases.
- (b) As we do not keep separate statistics on the operating cost of non-remunerative cases, we do not have information on the average amount of deficit per case.
- (c) As explained in (b) above, we do not have information on the total amount of deficit involved of such non-remunerative cases.

Signature: \_\_\_\_\_

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 29.2.2012

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

**FSTB(FS)065**

Question Serial No.

2263

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 was the average actual operating cost per 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 expenditures 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 for which the OR was appointed as trustee or liquidator from 2009 to 2011 (based on the date of appointment) are as follows:-

	Appointed as Trustee	Appointed as Liquidator
2009	10 073	-
2010	9 355	2
2011	4 431	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 cross-subsidisation under both the Companies Ordinance (Cap. 32) and the Bankruptcy Ordinance (Cap. 6). That means 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 2011, 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: Ms. Teresa S W Wong  
 Post Title: Official Receiver  
 Date: 29.2.2012

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

**FSTB(FS)066**

Question Serial No.

2506

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

Programme: Official Receiver's Office

Controlling Officer: Official Receiver

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The estimate for 2012-13 is \$18.5 million (14.3%) higher than the revised estimate for 2011-12. The reasons include the increased provision for hire of services and professional fees, and creation of eight posts. What are the specific uses and expenditures concerning the relevant hire of services and professional fees? What are the duties of the eight posts to be created and their respective expenditures?

Asked by: Hon. WONG Ting-kwong

Reply:

The increase in the Official Receiver's Office (ORO)'s expenditure estimates for "Hire of services and professional fees" is mainly due to the expected increase in litigation costs and additional expenditure to engage outside counsel to provide advice and to appear in bankruptcy and winding up proceedings. Further, counsel will be engaged to advise on issues arising from the modernization of corporate insolvency law. ORO will also hire legal, accounting and supporting services to strengthen the monitoring of private insolvency practitioners and to step up investigation and prosecution of insolvency-related offences.

The main duties and salary provisions of the posts to be created in 2012-13 are as follows:

Rank	Number of officers	Main duties	Total salary provision (\$)
Solicitor	3	Handling summonses, appearing in court, making various court applications, giving legal advice in relation to bankruptcy and winding-up matters, and undertaking investigation and prosecution of insolvency-related offences	2,350,800
Insolvency Officer II	4	Handling bankruptcy cases, monitoring the performance of private insolvency practitioners and supporting prosecution of insolvency-related offences and director disqualification proceedings	1,430,160
Workman II	1	Handling correspondences, delivering documents, and general filing work	125,400
		Total	3,906,360

Signature: \_\_\_\_\_

Name in block letters: Ms. Teresa S W Wong

Post Title: Official Receiver

Date: 29.2.2012