

**立法會**  
***Legislative Council***

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**Panel on Financial Affairs**

**Meeting on 4 November 2013**

**Background brief on retention of a supernumerary directorate post in the Mainland Affairs Division of the Financial Services Branch of the Financial Services and the Treasury Bureau**

**Purpose**

This paper provides background information on the staffing proposal of creating a supernumerary post of Administrative Officer Staff Grade C ("AOSGC") (D2) in the Mainland Affairs Division of the Financial Services Branch ("FSB") of the Financial Services and the Treasury Bureau ("FSTB") in 2012 to co-ordinate the implementation of Central People's Government ("CPG")'s new measures for supporting the economic and social development in Hong Kong as announced in August 2011 ("the package of new measures"). It also summarizes the major concerns and views expressed by Members during discussions on the staffing proposal and other related issues in 2011 and 2012.

**Development of financial co-operation between Hong Kong and the Mainland**

2. Hong Kong has over the years demonstrated its value as Mainland's testing ground for financial reforms. As CPG proceeds with its wide-ranging financial liberalization initiatives, Hong Kong has positioned itself as the laboratory for the use of Renminbi ("RMB") as a settlement, investment and funding currency regionally and internationally.

3. The National 12<sup>th</sup> Five-Year Plan promulgated in March 2011 emphasizes CPG's support for consolidating and enhancing Hong Kong's position as an international financial centre, in particular Hong Kong's

development into an offshore RMB business centre. At the Forum on the National 12<sup>th</sup> Five-Year Plan and Mainland-Hong Kong Economic, Trade and Financial Co-operation held on 17 August 2011, CPG announced the package of new measures to support the economic and social development in Hong Kong. Among these measures, 13 are related to financial development. Eight of the measures are beneficial to the development of offshore RMB business which will provide a strong driving force for the development of an offshore RMB market. The remaining five measures are for the banking, securities and insurance sectors. The 13 measures will facilitate the overall development of the financial markets and institutions in Hong Kong and enhance the competitiveness of Hong Kong's financial markets. In the long run, the measures will not only expedite the economic restructuring of Hong Kong and create more job opportunities, but also help the nation build a multi-layer financial market in the National 12<sup>th</sup> Five-Year Plan period and fulfill its policy objective of expanding the cross-border use of RMB.

### **Creation of a supernumerary post of AOSGC**

4. According to the Administration, financial co-operation has become increasingly close between Hong Kong and the Mainland at the central and regional levels in terms of both breadth and depth, especially after the promulgation of the National 12<sup>th</sup> Five-Year Plan in March and announcement of the package of new measures in August 2011. At the same time, there have been rapid developments in the offshore RMB business of Hong Kong, including bond issuance, listing of securities, trade settlement and direct investment. Having regard to the increasing workload arising from the advancement in financial co-operation with the Mainland at the central and regional levels, the Administration submitted a staffing proposal in late 2011 to create a supernumerary AOSGC post in FSB of FSTB for a period of two years to co-ordinate the implementation of CPG's new measures to support the economic and social development in Hong Kong.

5. The Panel on Financial Affairs ("FA Panel") was briefed on the package of new measures for supporting the financial development in Hong Kong at the meeting on 31 August 2011. The Administration consulted FA Panel on the staffing proposal to create the supernumerary AOSGC post at the meeting on 15 December 2011. The staffing proposal was endorsed at the Establishment Subcommittee ("ESC") meeting on 18 January 2012 and approved by the Finance Committee on 13 April 2012. The main responsibilities of the AOSGC post are –

- (a) to formulate policy input and co-ordinate policy initiatives on financial co-operation with the Mainland at the national level, including –
  - (i) new support measures announced by CPG in August 2011;
  - (ii) policy initiatives in reinforcing and enhancing Hong Kong's status as an international financial centre, asset management centre as well as offshore RMB business centre as detailed in the 12<sup>th</sup> Five-Year Plan; and
  - (iii) Mainland and Hong Kong Closer Economic Partnership Arrangement deliberations as well as implementation of liberalization measures relating to the financial sector.
- (b) To oversee and co-ordinate matters relating to financial co-operation with Mainland provinces (including Taiwan) and cities –
  - (i) actively pursuing initiatives to enhance financial co-operation with the Mainland at provincial and city levels including Guangdong, Shenzhen (including Qianhai), Shanghai and Beijing, etc.; and
  - (ii) handling Hong Kong-Taiwan financial co-operation related issues
- (c) To reinforce and enhance Hong Kong's offshore RMB business platform through promoting the use and circulation of RMB funds as backed up by CPG's support measures.

### **Deliberation at meetings of the Panel on Financial Affairs and the Establishment Subcommittee**

6. The major views and concerns expressed by Members on the staffing proposal to create the supernumerary AOSGC post and related issues at meetings of FA Panel and ESC held in 2011 and 2012 are summarized in the ensuing paragraphs.

## Benefits of the package of new measures on Hong Kong

7. Members enquired about the benefits of the 13 new measures would bring to Hong Kong, such as the number of jobs to be created and the advantages for different sectors of the community; as well as the types and magnitude of the ancillary services, such as manpower training, required for the implementation of the measures.

8. The Administration pointed out that the local financial sector contributed to about 16% of the overall GDP of Hong Kong and employed more than 200 000 persons (or 6% of the total employment). Growth in employment in the financial services industry had not only provided a large number of high-paying and professional jobs, but had also provided employment opportunities for many other supporting staff. The package of new measures would provide a catalyst for the development of Hong Kong on the financial front, in particular the development of RMB business in Hong Kong. On the need to strengthen manpower resources to facilitate implementation of the package of new measures, the Administration explained that there was an established platform where the relevant sectors and education institutions would discuss measures to provide the types and level of manpower required for different sectors. The Government would continue to closely liaise with the parties concerned regarding the supply of qualified personnel for the implementation of the new measures.

9. As the economic ties between Hong Kong and the Mainland became closer, more and more Mainland companies would be listed in Hong Kong. Some Members were concerned whether an effective mechanism was in place to regulate the operation of Mainland companies listed in Hong Kong, including how the regulatory regimes for the financial sectors in the Mainland and Hong Kong could be "harmonized", and how to ensure effective enforcement of the regulatory requirements outside Hong Kong.

10. The Administration advised that the relevant regulatory bodies of Hong Kong and the Mainland co-operated in their regulatory actions mainly through a Memorandum of Understanding ("MOU"). The Securities and Futures Commission ("SFC") and its Mainland counterpart had signed an MOU for cross-border co-operation in the investigation and enforcement of the regulatory requirements for Mainland companies listed in Hong Kong, and the two bodies had maintained close liaison and co-operation in enforcement matters. At members' request, the Administration provided supplementary information on the regulatory cooperation between SFC and the Mainland regulators<sup>1</sup>.

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<sup>1</sup> The supplementary information was circulated to Members vide LC Paper No. CB(1)3024/10-11 on 22 September 2011.

11. In response to Members' enquiry about the steps taken by the Government to follow up the package of new measures, the Administration responded that before and after the announcement of the new measures, FSTB and the three financial regulators, namely the Hong Kong Monetary Authority ("HKMA"), SFC and the Office of the Commissioner of Insurance ("OCI") had been discussing with the relevant Mainland authorities regarding the implementation of the related measures. As regards how the new measures could facilitate Hong Kong insurance companies to access the Mainland market, the Administration responded that OCI had been discussing with the relevant Mainland authorities regarding the implementation of the related measures and would brief FA Panel the outcome of the discussions in due course.

### Investor protection

12. Some members enquired about whether the office bearer of the proposed AOSGC post would take up responsibilities, directly and/or indirectly, related to investor protection.

13. The Administration stressed that investor protection was one of the main responsibilities of FSTB. As far as the package of new measures were concerned, FSTB and the relevant financial regulators would ensure that the interests of investors would be protected in implementing the measures, which included the development of RMB business in Hong Kong and introduction of any new financial products. An AOSGC officer in FSB had also been designated to specifically handle matters relating to the establishment of an Investor Education Council which formed part of the Securities and Futures (Amendment) Bill 2011 under the scrutiny of the Legislative Council ("LegCo")<sup>2</sup>.

### **Council Questions**

14. Members raised three written questions at the LegCo meetings of 26 October 2011, 23 January 2013 and 26 June 2013 on offshore RMB business and CPG's new measures announced in 17 August 2011 for supporting the economic and social development in Hong Kong. Major issues covered in these questions are: details in the implementation of the Renminbi Qualified Foreign Institutional Investor ("RQFII") scheme including the implementation timetable, criteria for vetting RQFII institutions and products; Government's measures to support the entry of Hong Kong's insurance companies into the Mainland

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<sup>2</sup> The Securities and Futures (Amendment) Bill 2011 was introduced into LegCo on 29 June 2011. The Bill was passed by LegCo on 25 April 2012.

market; and the development of offshore RMB business in Hong Kong including Hong Kong's competitiveness in this respect and its cooperation with other places in developing offshore RMB business, the progress in implementing the development direction of making Hong Kong a "testing ground" for RMB capital account convertibility, and the efforts of the Government and the local finance industry in complementing the liberalization of the Mainland's capital accounts. Details of the questions and the Administration's replies are given in the **Appendix I**.

### **Latest development**

15. The supernumerary AOSGC post created in FSB of FSTB will lapse in April 2013. The Administration will brief FA Panel at the coming meeting on 4 November 2013 on the proposal to retain the supernumerary post to deal with the work related to the promotion of Hong Kong's offshore RMB business, financial cooperation with the Mainland as well as policies and legislation concerning Hong Kong's commitment in meeting international financial regulatory standards.

### **Relevant papers**

16. A list of relevant papers is given in the **Appendix I**.

## List of relevant papers

Date	Event	Paper/Minutes of meeting
31 August 2011	The Panel on Financial Affairs ("FA Panel") was briefed by the Administration on Measures announced by the then Vice Premier LI Keqiang on 17 August 2011 relating to Hong Kong's financial services	<u>Administration's paper</u> (LC Paper No. CB(1)2949/10-11(01))  <u>Minutes</u> (LC Paper No. CB(1)757/11-12)  <u>Follow-up paper</u> (LC Paper No. CB(1)3024/10-11(02))
15 December 2011	FA Panel was briefed on the staffing proposal to create the supernumerary post Administrative Officer Staff Grade C in the Mainland Affairs Division of the Financial Services Branch of the Financial Services and the Treasury Bureau	<u>Administration's paper</u> (LC Paper No. CB(1)588/11-12(04))  <u>Minutes</u> (LC Paper No. CB(1)1227/11-12)
18 January 2012	Meeting of the Establishment Subcommittee	<u>Administration's paper</u> (EC(2011-12)17)  <u>Minutes</u> (LC Paper No. ESC34/11-12)
26 October 2011	Hon Chan Kin-por raised a written question on Central Government's measures to implement the RQFII scheme and support Hong Kong's insurance companies to enter the Mainland market	<u>Hansard</u>

<b>Date</b>	<b>Event</b>	<b>Paper/Minutes of meeting</b>
13 April 2012	Meeting of the Finance Committee	<a href="#">Minutes</a> (LC Paper No. FC175/11-12)
23 January 2013	Hon Ng Leung-sing raised a written question on Offshore Renminbi ("RMB") businesses	<a href="#">Hansard</a>
26 June 2013	Hon Ng Leung-sing raised a written question on Market reforms of interest rates and exchange rates of RMB	<a href="#">Hansard</a>