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Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2015-16

Director of Bureau : Secretary for Financial Services and the Treasury

Session No. : 4

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CONTROLLING OFFICER'S REPLY

FSTB(FS)001

(Question Serial No. 0743)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch), it is mentioned in the *Matters Requiring Special Attention in 2015-16* that the Branch will prepare legislation for the establishment of a Policyholders' Protection Fund (PPF). While the drafting of the legislation is underway, the insurance industry remains concerned about some details of the PPF, including the refund to policyholders from insolvent insurers and the cap on the levy rate. Will the Government inform this Committee of whether it has considered the suggestions of the industry in preparing the legislation?

Asked by: Hon CHAN Kin-por (Member Question No. 23)

Reply:

We consulted the public on the proposals for the establishment of a Policyholders' Protection Fund (PPF), including the coverage, level of compensation, funding mechanism and governance arrangements, from March to June 2011. During the consultation period, the industry has provided their valuable views on certain operational details of the PPF, including refund of premiums in the event of insurer insolvency and the cap on levy. When drafting the relevant legislation, we will take into account comments of the industry and consider their feasibility. We will engage the industry in finalising the detailed legislative proposals before introducing the Bill into the Legislative Council.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)002

(Question Serial No. 0744)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch), it is mentioned in the *Matters Requiring Special Attention in 2015-16* that the Branch will legislate for the establishment of an independent Insurance Authority (IIA). In fact, the Legislative Council is scrutinising the bill. A few years ago, the Government estimated that the number of staff required by the IIA would be 237. Will the Government inform this Committee whether there is any change in the manpower requirement of the IIA over the years, and whether the IIA will employ more staff to fulfil its mission of promoting the development of the insurance business? It is noted that the Office of the Commissioner of Insurance will be dissolved upon the establishment of the IIA. In this connection, will the Government advise us of the number of posts and amount of expenditure expected to be deleted and saved every year?

Asked by: Hon CHAN Kin-por (Member Question No. 24)

Reply:

According to a consultancy study completed in 2010, the staff size of the independent Insurance Authority (IIA) would be about 240. The Government plans to provide a lump sum of \$500 million to IIA on its inception to help meet part of its expenses in the initial five years and as contingency reserve. We will update our estimates on the staffing requirement of IIA, taking into account changes in the regulatory workload of the Office of the Commissioner of Insurance (OCI) in the past few years, before seeking funding approval of the Finance Committee of the Legislative Council.

OCI will dissolve upon transferring of its regulatory powers to IIA. All civil service Insurance Officer Grade officers (around 50) will be retired on the Abolition of Office terms and contracts with non-civil service officers (around 80) will be mutually resolved or terminated as appropriate. The disbandment of OCI is expected to bring an annual saving of about \$100M to the Government.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)003

(Question Serial No. 0745)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch), it is mentioned in the *Matters Requiring Special Attention in 2015-16* that the Branch will legislate for the establishment of an independent Insurance Authority (IIA). The industry has reflected that insurance intermediaries are worried about the unfair prospect of an all powerful Bureau that takes up investigation, trial and sentencing work in the handling of complaint cases upon the establishment of the IIA. It is also proposed that advice should also be sought from an expert panel in the event of serious or complicated cases. Will the Government advise this Committee whether it will consider the proposal or adopt any other measures to address the worries of the intermediaries?

Asked by: Hon CHAN Kin-por (Member Question No. 25)

Reply:

We recognise that during the disciplinary process, the independent Insurance Authority (IIA) may need professional inputs from the insurance industry, given the complexity of insurance products and market practices. In this connection, we propose that IIA should establish an expert panel comprising members from the insurance industry. The panel can assist IIA in making disciplinary decisions by giving IIA's expeditious access to external expertise and advice from industry practitioners as and when necessary. Members of the panel are to give expert advice on technical facts about industry practices or specific insurance products, which IIA can rely on for making fair and reasonable disciplinary decisions. IIA remains the authority to make disciplinary decisions independently.

In exercising its disciplinary powers, IIA would be subject to a number of checks and balances as follows –

- (a) IIA should put in place arrangements to ensure that investigators will not be involved in the determination of disciplinary sanctions;
- (b) IIA must not exercise disciplinary powers without first giving the person concerned a reasonable opportunity of being heard;
- (c) the IIA must issue a fining guideline (to be published in the Gazette) before it can impose disciplinary fines; and
- (d) the IIA's disciplinary decisions will be appealable to the proposed Insurance Appeals Tribunal which will be chaired by a former judge or a person who is eligible to be appointed as a High Court judge.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)004

(Question Serial No. 0746)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch), it is mentioned in the *Matters Requiring Special Attention in 2015–16* that the Branch will continue industry engagement on the introduction of a risk-based capital framework in respect of insurers. The insurance industry has reflected that there are many small-to-medium sized insurers and is worried about the serious impact it might bring to these insurers if the Government were to introduce a regulatory framework on par with international standards. They hope that the Government could take forward the measures in a progressive manner, with due regard to the actual situation. Will the Government advise this Committee how it will reduce any negative impact on the small-to-medium sized insurers in the introduction of a risk-based capital framework; and how it will collect the views of the small-to-medium sized insurers in the industry engagement process?

Asked by: Hon CHAN Kin-por (Member Question No. 26)

Reply:

Implementation of a risk-based capital (RBC) regime is an international supervisory requirement. It will make capital requirements on insurers more sensitive to the level of risk that they are bearing, so as to enhance the protection of policyholders. The implementation of an RBC regime does not necessarily imply imposing a higher capital requirement on individual insurers. In developing the proposed RBC framework, apart from the international requirements, the Insurance Authority (IA) has also taken into account the domestic market landscape. Recognising that the Hong Kong insurance market mainly comprises small-to-medium sized insurers, IA has and will continue to communicate and discuss with the industry, in particular small-to-medium sized insurers, concepts of the proposed framework before finalising any consultation proposals.

The development of an RBC framework for the Hong Kong insurance industry would be carried out in phases. The Phase 1 consultation on the proposed RBC framework ended in December 2014. In general, there is positive support from the industry. In Phase 2, IA will develop detailed rules and conduct Quantitative Impact Study for different types of insurers, followed by another round of consultation. The impact of the RBC framework on small-to-medium sized insurers will be fully taken into account during this phase. As for the implementation of the RBC framework, it would be rolled out in phases with a sufficiently long run-in period, so that insurers will have adequate time to understand the requirements thoroughly, and be able to achieve full compliance incrementally.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)005

(Question Serial No. 0747)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in *Matters Requiring Special Attention in 2015-16* under the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch), the Branch will prepare legislation for introducing an automatic mechanism for adjusting the minimum and maximum levels of relevant income for Mandatory Provident Fund (MPF) mandatory contributions. The consultation on the adjustment mechanism will be completed on 5 March. Assuming a smooth running of the consultation and other work, would the Government advise this Committee of the expected time for introducing the bill for the Legislative Council's scrutiny and the expected time for implementing the adjustment mechanism, and whether the Government has a specific timetable for the policy implementation?

Asked by: Hon CHAN Kin-por (Member Question No. 27)

Reply:

The public consultation on "Introducing an Automatic Mechanism for Adjustment of Minimum and Maximum Levels of Relevant Income" in respect of mandatory contributions for the Mandatory Provident Fund ended on 5 March 2015. The Mandatory Provident Fund Schemes Authority is still studying the views received as the consultation has just ended. At this stage, we do not have a specific timetable for the related legislative work.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)006

(Question Serial No. 0749)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under the Programme of the Financial Services and the Treasury Bureau (Financial Services Branch), it is mentioned in the *Matters Requiring Special Attention in 2015-16* that the Branch will formulate legislative proposals to attract more corporate treasury activities to Hong Kong. A spokesman of the Hong Kong Monetary Authority (HKMA) has remarked that many multinational enterprises establish corporate treasury centres in the same place as their regional headquarters. The Bureau hopes the new measure will encourage the establishment of corporate treasury centres in Hong Kong and attract real money inflows. Will the Government advise this Committee whether it aims to promote the headquarters economy through the development of treasury centres? If so, taking into account the high operating costs in Hong Kong, will the Government follow their competitors and introduce further measures which can directly help multinational enterprises establish regional headquarters in Hong Kong?

Asked by: Hon CHAN Kin-por (Member Question No. 29)

Reply:

Corporate treasury business involves relevant commercial banking, financing, risk management, tax and legal advisory services. The development of corporate treasury business would not only benefit the financial and relevant services sectors, but would also deepen our capital markets (including the offshore Renminbi market). Many multinational corporations would consider co-locating their corporate treasury centres (CTCs) with their regional headquarters to increase operational efficiency. CTC business would therefore provide impetus into the development of a headquarters economy in Hong Kong.

The Government strives to provide a conducive environment for CTC business and promote Hong Kong as the preferred regional location for CTCs. As announced by the Financial

Secretary in the Budget, the Government will amend the Inland Revenue Ordinance to allow, under specified conditions, interest deductions under profits tax for CTCs, and reduce profits tax for specified treasury activities by 50 per cent. The proposed measures would lower the tax cost of operating a CTC in Hong Kong, with a view to attracting more multinational and Mainland enterprises to establish CTCs in Hong Kong to perform treasury services for their group companies.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)007

(Question Serial No. 0750)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the Budget Speech, the Financial Secretary pointed out that the Government had issued its first sukuk last year, which had been given the highest credit rating. Drawing a strong demand from investors, the issuance highlighted that the relevant legal framework in Hong Kong had been widely accepted by international investors, and the Government would consider actively a further sukuk issuance when market conditions were favourable in a bid to attract more issuers and investors into the local market. Would the Government inform this Committee, given that the issuance has been well received by the market, will the Government further issue sukuk at the earliest possible date? What are the favourable market conditions as mentioned by the Financial Secretary? Will the Government consider adding in new elements to the products such as Renminbi-denominated sukuk as expected by the public when the Government plans to further launch the Islamic financial products?

Asked by: Hon CHAN Kin-por (Member Question No. 30)

Reply:

The development of an Islamic bond market is mainly market-driven. The issuance of sukuk by the Government can demonstrate to other issuers the viability of using Hong Kong's platform for this fund-raising option and provide the market with an important pricing benchmark. The Government is considering actively a further sukuk issuance under the Government Bond Programme, and will, subject to market conditions and demand, determine the issuance parameters, with a view to attracting more issuers and investors to the local market.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)008

(Question Serial No. 0752)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The financial provision for financial services fell significantly by 24.7%, from the estimated \$312 million in 2014-15 to the latest estimate of \$235 million. The provision for 2015-16 amounted to \$229 million only. Please advise this Committee of the reasons for such significant reduction in the financial provision.

Asked by: Hon CHAN Kin-por (Member Question No. 32)

Reply:

The revised estimate for 2014-15 is 24.7% below the 2014-15 original estimate. This is mainly because the 2014-15 original estimate included a non-recurrent commitment approved by the Finance Committee of the Legislative Council in December 2013 originally earmarked for organising the Asia-Pacific Economic Cooperation Finance Ministers' Meeting 2014 (\$63.45 million). No expenditure has been incurred from such provision as the venue of the meeting has been changed.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)009

(Question Serial No. 1033)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

When referring to the review of the experience of the implementation of the Shanghai-Hong Kong Stock Connect, the Government said in the Budget that it will work with the industry to stage roadshows in the Mainland to promote Hong Kong's securities market to Mainland investors. Please advise on:

1. the estimated total expenditure involved in the roadshows;
2. the estimated number of roadshows and the estimated length of period for staging the roadshows, and the city/cities for the roadshows;
3. whether the participation of dealers in the roadshows will be subject to any condition; and
4. whether the dealers may apply for grant for the roadshows under the SME Export Marketing and Development Funds.

Asked by: Hon CHEUNG Wah-fung, Christopher (Member Question No. 1)

Reply:

In order to deepen Mainland investors' understanding about, among others, the varieties of stocks, the trading operation and rules and regulations of Hong Kong's securities market, we plan to join hands with the Hong Kong Exchanges and Clearing Limited (HKEx) to work with the industry to stage roadshows in the Mainland to promote Hong Kong's securities market to Mainland investors. We are now working out the arrangements with HKEx. We shall liaise with the industry when there are further details. The expenses involved in the roadshows will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)010

(Question Serial No. 1034)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the Analysis of Financial Provision of the Financial Services and the Treasury Bureau (Financial Services Branch), the revised estimate for 2014-15 was \$235.6 million, representing a significant decrease of 24.7% from the original estimate of \$312.9 million. What are the reasons?

Asked by: Hon CHEUNG Wah-fung, Christopher (Member Question No. 2)

Reply:

The revised estimate for 2014-15 is 24.7% below the 2014-15 original estimate. This is mainly because the 2014-15 original estimate included a non-recurrent commitment approved by the Finance Committee of the Legislative Council in December 2013 originally earmarked for organising the Asia-Pacific Economic Cooperation Finance Ministers' Meeting 2014 (\$63.45 million). No expenditure has been incurred from such provision as the venue of the meeting has been changed.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)011

(Question Serial No. 1035)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

To attract enterprises to establish corporate treasury centres in Hong Kong, the Budget proposed to amend the Inland Revenue Ordinance so as to allow interest deductions under profits tax for corporate treasury centres and reducing profits tax for specified treasury activities by 50 per cent. Will the Government advise this Committee of:

1. the current development of corporate treasury centres in Hong Kong, such as the number of enterprises with treasury centres established and the amount handled each year? Are relevant figures of other major financial centres in the region, such as Singapore, available?
2. the interest payments of corporate treasury centres and profits of specified treasury activities in each of the past 3 financial years, namely 2011-12, 2012-13 and 2013-14?
3. whether other financial centres such as Singapore provide similar tax concessions? If so, please provide details. If not, what are the reasons?

Asked by: Hon CHEUNG Wah-fung, Christopher (Member Question No. 3)

Reply:

As a major hub for financial services, trading and logistics, Hong Kong has the advantages of free flow of capital, developed financial markets, strong presence of multinational corporations (MNCs), extensive banking network, first class financial infrastructure, simple and low tax rates, a robust legal system, and availability of treasury talents. Hong Kong is therefore one of the popular locations for corporate treasury centres (CTCs) in the region. With their vast and global business networks, MNCs process numerous large-value payments across regions on a daily basis. Hence, many MNCs set up dedicated CTCs to

provide centralised treasury management and transaction services for their group entities. Based on some industry feedback, we estimate that about 100-200 MNCs have established CTCs in Hong Kong currently, covering varying scope of treasury functions in Hong Kong. However, we do not have information relating to the interest payments and profits of these CTCs.

We understand that other financial markets such as Singapore have introduced some tax incentives for qualified corporate treasury business located in their places.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)012

(Question Serial No. 1559)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary stated that he had asked the Secretary for Financial Services and the Treasury to set up a steering group to study how to develop Hong Kong into a financial technology hub together with industries, research and development institutions as well as regulatory authorities. Would the Government inform this Committee of:

- a. the topics in detail and the total estimated expenditure required in respect of the study to be conducted by the steering group in developing Hong Kong into a financial technology hub; and
- b. the manpower and estimated expenditure involved in setting up the steering group in 2015-16?

Asked by: Hon IP LAU Suk-ye, Regina (Member Question No. 25)

Reply:

The Financial Services and the Treasury Bureau will set up the Steering Group on Financial Technologies (Fintech) soon, and would map out its detailed work and scope of research with the Steering Group. Pending deliberations of the Steering Group, we will assess the financial implications of any eventual proposals. The Financial Services Branch will provide secretariat support to the Steering Group. The expenditure involved for the secretariat, comprising 1 Principal Assistant Secretary, 1 Senior Economist and 1 Economist, will be absorbed by existing resources.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)013

(Question Serial No. 1568)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Budget proposes to allocate \$100 million to launch a three-year pilot scheme for insurance and asset and wealth management services. Under the scheme, the Government will collaborate with the industry to organise activities and provide internship opportunities, and to provide financial support to encourage practitioners to enrol in continuing professional development programmes.

Will the Government inform the Committee of the following:

- a. What percentage of such allocation does the provision for the insurance and asset and wealth management sectors account for?
- b. Is there any ceiling set on the funding support for each activity, internship and programme? If so, what are the details?
- c. What is the estimated expenditure for each activity and programme?
- d. What is the estimated number of practitioners expected to receive financial support for participating in the continuing professional development programmes concerned?

Asked by: Hon IP LAU Suk-ye, Regina (Member Question No. 34)

Reply:

Taking into account the views of the industry, we propose to launch a three-year pilot programme to enhance talent training for the insurance and the asset and wealth management sectors and allocate \$100 million to implement various initiatives underpinning the following three elements: (i) to enable the community, particularly

students, to have a better understanding of the nature and career prospects of different jobs in the two sectors; (ii) to provide internship opportunities; and (iii) to enhance the contents of continuing professional development programmes and provide financial support to encourage practitioners to enrol in these programmes.

We are consulting the industry and the relevant stakeholders on the details of the initiatives of the programme to ensure that the programme devised can meet the needs of the industry and achieve its objectives. Subject to finalisation of the initiatives, our current plan is for the insurance industry and the asset and wealth industry to have equal sharing of the \$100 million allocation. We will consult the Legislative Council Financial Affairs Panel on the pilot programme before seeking funding approval from the Finance Committee.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)014

(Question Serial No. 1862)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in paragraph 109 of the Budget Speech, the Government will allocate \$100 million to launch a 3-year pilot scheme for insurance and asset and wealth management services. Under the scheme, the Government will collaborate with the industry to organise activities and provide internship opportunities to allow the community, in particular students, to have a better understanding of the nature and career prospects of different jobs in the 2 sectors. The Government and the industry will also enhance the contents of continuing professional development programmes, and provide financial support to encourage practitioners to enrol in these programmes. In this regard, what are the criteria adopted for selecting these 2 sectors to be covered by the pilot scheme? What are the details of the pilot scheme? Does it mean that the Government will consider launching similar schemes in other sectors only after the pilot scheme has ended? If not, what ideas do the Government have?

Asked by: Hon LEE Wai-king, Starry (Member Question No. 22)

Reply:

The Financial Services and the Treasury Bureau has consulted the financial services industry on the issue of talent training of the industry. There is broad consensus that manpower shortage is particularly acute in the insurance and the asset and wealth management sectors. The industry has suggested that the Government could help promote the industry, enhance the professional competence of practitioners and, in particular, train up more talent for middle and back offices.

We are consulting the industry and the relevant stakeholders on the details of the programme to ensure that the programme devised can meet the needs of the industry and achieve its objectives.

We will first implement the pilot programme and review its effectiveness. We may then consider whether to extend the programme to other sectors within the financial services industry with actual needs.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)015

(Question Serial No. 1871)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Following its proposal to the Securities and Futures Commission (SFC) to offer financial support for the curriculum development of suitable training courses in asset management by the market, the Government, as mentioned in paragraph 109 of this year's Budget Speech, will allocate \$100 million to launch a 3-year pilot scheme for insurance and asset and wealth management services. Under the scheme, the Government will collaborate with the industry to organise activities and provide internship opportunities.

1. In this connection, please advise this Committee of the background of the scheme, when it will be launched, which industry bodies the Government will collaborate with and how they will work together to launch the scheme for students and practitioners concerned.
2. In respect of the existing training courses in insurance and asset and wealth management operated by local institutions, please give a brief account of the internships provided and the resources involved.
3. Please provide information on the existing progression pathways and ladder for practitioners of local insurance and asset and wealth management services.
4. The Government also indicated that the SFC should enhance its financial support for the continued professional training for small and medium sized securities companies. In this regard, what has been done in recent years and planned for the future? Will additional resources be allocated to enhance the continued training for practitioners in small and medium sized securities companies?

Asked by: Hon LEE Wai-king, Starry (Member Question No. 31)

Reply:

1. The Financial Services and the Treasury Bureau has consulted the financial services industry on the issue of talent training of the industry. There is broad consensus that manpower shortage is particularly acute in the insurance and the asset and wealth management sectors. The industry has suggested that the Government could help promote the industry, enhance the professional competence of practitioners and, in particular, train up more talent for middle and back offices. Taking into account the views of the industry, we propose to launch a three-year pilot programme and allocate \$100 million to implement various initiatives underpinning the following three elements: (i) to enable the community, particularly students, to have a better understanding of the nature and career prospects of different jobs in the two sectors; (ii) to provide internship opportunities; and (iii) to enhance the contents of continuing professional development programmes and provide financial support to encourage practitioners to enrol in these programmes.

We are consulting the industry and the relevant stakeholders on the details of the programme to ensure that the programme devised can meet the needs of the industry and achieve its objectives.

2. We understand that currently, there are corporations offering internship opportunities related to insurance and asset and wealth management to local tertiary students. Besides, the Hong Kong Federation of Insurers has launched in March 2015 the Young Insurance Executive Development Programme in association with the Institute of Professional Education and Knowledge of the Vocational Training Council. The Programme combines practical on-the-job-training with classroom training. Trainees will work with insurance companies 4 days a week and spend 1 day on part time learning for a minimum of one year. We do not have information about the resources involved in the concerned internship arrangements.
3. There are also industry associations and training institutes which provide various professional training courses to practitioners in the insurance sector and the asset and wealth management sector, facilitating them to enhance competency and meet the relevant Continuing Professional Development requirements of the industry. For example, the Private Wealth Management Association (PWMA) launched in June 2014 an Enhanced Competency Framework (ECF), setting out an enhanced level of core competence and on-going professional development of private wealth management practitioners. New entrants and industry practitioners may meet the ECF benchmark by self-study and/or taking accredited training programmes, and passing examinations. Qualified practitioners may be certified by the PWMA as Certified Private Wealth Professional after fulfilling the relevant work experience requirements.
4. The Securities and Futures Commission (SFC) provided \$9 million in 2014-15 for funding training initiatives for intermediaries, particularly small and medium-sized firms. The training initiatives include a funding to the Hong Kong Securities and Investment Institute to assist it with the development of an e-learning platform. In the

coming year, the SFC will provide \$15 million for phase II of the e-learning platform development and support for other education programmes.

We understand that currently many small and medium-sized securities companies have extended their business to asset and wealth management. We believe that the implementation of the pilot programme will provide the industry, including the practitioners in the small and medium sized securities companies, with more support on training.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)016

(Question Serial No. 1874)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated in his Budget Speech, the Financial Secretary has asked the Secretary for Financial Services and the Treasury to set up a steering group to study how to develop Hong Kong into a financial technology hub together with industries, research and development institutions as well as regulatory authorities. Please inform this Committee of the following:

1. the objectives and timetable in respect of the steering group to be set up, as well as the major areas covered by financial technologies;
2. the strengths and challenges of Hong Kong in developing into a financial technology hub as compared to other international financial centres; and
3. regarding the development of Hong Kong into a financial technology hub, whether the existing human capital is adequate and whether related training efforts and resources have been enhanced.

Asked by: Hon LEE Wai-king, Starry (Member Question No. 34)

Reply:

Financial technologies (Fintech) may include settlement systems, big data analytics, cloud computing, information and risk management and network security, etc. The Financial Services and the Treasury Bureau will set up the Steering Group on Financial Technologies (Fintech) soon, and would map out its detailed work and scope of research with the Steering Group, covering Hong Kong's strengths and the challenges ahead. Pending deliberations of the Steering Group, we will assess the financial implications of any eventual proposals. Other international financial centres have also started looking into developing Fintech in

recent years. We will closely monitor the situation and the necessary human resources support.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)017

(Question Serial No. 1875)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated in the Budget Speech, the Government will endeavour to leverage Hong Kong's strength in financing and asset management to support the establishment and operation of the Asian Infrastructure Investment Bank (AIIB) advocated by the Mainland China, and pursue actively the possibility of our joining the AIIB. Please inform this Committee of the following:

1. the factors taken into account in considering Hong Kong's joining the AIIB, as well as the specific issues referred to by "possibility";
2. the obligations of the existing some 20 member jurisdictions of the AIIB and the benefits that may bring to these member jurisdictions; and
3. the expected financial resources to be allocated annually by the Government upon joining the AIIB, the role of Hong Kong to be played and the specific benefits that may bring to the development of the local financial services industry.

Asked by: Hon LEE Wai-king, Starry (Member Question No. 35)

Reply:

As an international financial centre, our financing and asset management professionals and various financial products can support the operation of Asia Infrastructure Investment Bank (AIIB) in areas such as project financing, investment, financial management and foreign exchange management. Our financial services industry will benefit from this development.

At present, more than 20 countries (including China) are preparing for the establishment of the AIIB and drafting the articles of agreement for establishing the AIIB with a view to completing the discussion by end June 2015 and commencing its operation by end 2015. After its establishment, we plan to discuss with the AIIB about our participation. Therefore, we need to look into the technical details with the AIIB.

All AIIB members should fulfill their obligation as a member, including paying the subscribed capital. Only after the articles of agreement and details about our participation are finalised will we be in a position to have a meaningful estimate of the expected financial resources to be allocated. The Financial Services Branch meanwhile will deploy existing resources and manpower to take forward work related to our participation in the AIIB.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)018

(Question Serial No. 1887)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated in the Budget Speech, the first sukuk issuance with a size of US\$1 billion by the Government last year has drawn a strong demand from investors. The Government will consider actively a further sukuk issuance when market conditions are favourable, in a bid to attract more issuers and investors into the local market. The Government has previously pointed out that the inaugural sukuk issuance has attracted interest from international investors in the Middle East and other Islamic countries who rarely participated in Hong Kong's financial market in the past. Therefore, it is believed that this will have a positive impact on attracting more international investors to our market.

1. This issuance of US\$1 billion sukuk has attracted orders exceeding US\$4.7 billion and recorded an oversubscription of 4.7 times. The final pricing has been fixed at 2.005%. A pricing at a spread of 23 basis points over the corresponding yield of US Treasuries represents the tightest spread ever achieved so far on a benchmark USD issuance from an Asian (ex-Japan) government. Please give an account of the major reasons or the key of success behind.
2. What are the specific plans to encourage further sukuk issuance by the public and private sectors through Hong Kong's financial platform?
3. Is there any plan under the Government's existing programme to develop RMB Islamic bond market? What are the factors to be considered? Will co-operation with the Mainland financial institutions, such as the People's Bank of China, be considered?
4. The Hong Kong Monetary Authority and Bank Negara Malaysia set up a private sector-led Joint Forum on Islamic Finance (the Joint Forum) to promote closer collaboration between the private sectors in Hong Kong and Malaysia (including banks, funds management firms and exchanges) in the development and promotion of Islamic

financial market, with a view to expanding the investor base. What is the new work plan of the Joint Forum this year? What are the specific items and timetable?

Asked by: Hon LEE Wai-king, Starry (Member Question No. 49)

Reply:

1. Hong Kong is among the few economies in the world with the highest credit rating. Given the shortage of high credit rating sukuk in the global market, the sukuk issued by the Hong Kong Government was highly sought after by investors. Prior to the launch of the sukuk, the Government conducted a global roadshow to introduce the sukuk to investors. It has helped boost the subscription amounts.
2. The development of an Islamic bond market is mainly market-driven. The issuance of sukuk by the Government can demonstrate to other issuers the viability of using Hong Kong's platform for this fund-raising option and provide the market with an important pricing benchmark. The Government and regulators will continue to engage the industry to enhance the awareness and knowledge of issuers and investors in Islamic finance, and encourage public and private sector entities to issue sukuk using Hong Kong's platform.
3. The Government is considering actively a further sukuk issuance under the Government Bond Programme, and will, subject to market conditions and demand, determine the issuance parameters, with a view to attracting more issuers and investors to the local market.
4. Regulators have been maintaining a close partnership with key Islamic financial markets like Malaysia. For example, the Hong Kong Monetary Authority has regular discussions with Bank Negara Malaysia to exchange experiences on different areas of Islamic finance, including market infrastructure, human capital training, regulation, etc. We will, in due course, announce the relevant work and timeline as appropriate.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)019

(Question Serial No. 3218)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Mandatory Provident Fund Schemes Authority has earlier conducted a public consultation on introducing the “core fund”.

1. Please advise on the total number of submissions received for the consultation. What were the views in general? Did the respondents put forward any specific views or show any inclinations with regard to such details as the design and operation of the prospective “core fund”?
2. What are the respective timetables for announcing the consultation results, introducing an amendment bill into the Legislative Council, passing the bill and bringing it into implementation as planned by the Government?

Asked by: Hon LEE Wai-king, Starry (Member Question No. 52)

Reply:

1. During the period from 24 June to 30 September 2014, the Government and the Mandatory Provident Fund Schemes Authority (MPFA) conducted a public consultation on the proposal of strengthening the regulation of default investment arrangements under Mandatory Provident Fund (MPF) schemes by introducing the “Core Fund”, and received a total of 266 submissions. According to the consultation results, more than 80% of the responses supported the direction of establishing the “Core Fund”; more than 70% of the responses considered that a standardised investment strategy should be adopted by the “Core Fund” and the investment risks should be adjusted according to a scheme member’s age; and more than 60% of the responses agreed with the proposed level of fee control.

2. With reference to the consultation conclusions on the “Core Fund” released on 12 March 2015, we are drafting an amendment bill, with a view to introducing it into the Legislative Council this year and launching the “Core Fund” in 2016.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)020

(Question Serial No. 2892)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget Speech that the Government will “allocate \$100 million to launch a three-year pilot scheme for insurance and asset and wealth management services. Under the scheme, Government will collaborate with the industry to organise activities and provide internship opportunities”. Will the Government advise this Committee of the scheme details with respect to:

the total number of promotional activities to be organised under the scheme; and the estimated total number of target participants?

the estimated number of internship opportunities to be provided under the scheme; the share of internship opportunities of the insurance sector and the asset and wealth management sector; and the justifications for such share?

the estimated allocation of provision for the three-year pilot scheme in the coming 3 financial years; and the justifications for the allocation?

whether the Government will consider launching similar schemes for other sectors? If so, which sectors will be under consideration? If not, what are the reasons?

Asked by: Hon LEUNG Kenneth (Member Question No. 2.03)

Reply:

Taking into account the views of the industry, we propose to launch a three-year pilot programme to enhance talent training for the insurance and the asset and wealth management sectors and allocate \$100 million to implement various initiatives underpinning the following three elements: (i) to enable the community, particularly

students, to have a better understanding of the nature and career prospects of different jobs in the two sectors; (ii) to provide internship opportunities; and (iii) to enhance the contents of continuing professional development programmes and provide financial support to encourage practitioners to enrol in these programmes.

We are consulting the industry and the relevant stakeholders on the details of the initiatives of the programme to ensure that the programme devised can meet the needs of the industry and achieve its objectives. We will consult the Legislative Council Financial Affairs Panel on the pilot programme before seeking funding approval from the Finance Committee.

We will first implement the pilot programme and review its effectiveness. We may then consider whether to extend the programme to other sectors within the financial services industry with actual needs.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)021

(Question Serial No. 2157)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

On page 403, it is mentioned that there will be 17 directorate posts in the Financial Services Branch this year. Regarding those who hold these 17 posts, please list, in table form:

1. their ranks;
2. their emoluments, including salaries, allowances, job-related allowances and personnel related expenses (if any); and
3. the percentage of the total expenditure on relevant items in the Branch such emoluments expenditure for these 17 posts accounts for.

Asked by: Hon. LEUNG Kwok-hung (Member Question No. 103)

Reply:

(1) and (2): We have 17 directorate posts in 2014-15. The relevant information is as follows –

Rank	Number	Emoluments (including salaries, allowances, job-related allowances and personnel related expenses, if any) (\$ million)
Administrative Officer Staff Grade A1	1	2.94
Administrative Officer Staff Grade B1	1	2.36

Rank	Number	Emoluments (including salaries, allowances, job-related allowances and personnel related expenses, if any) (\$ million)
Administrative Officer Staff Grade B	2	4.28
Administrative Officer Staff Grade C	8	14.75
Commissioner of Insurance	1	2.36
Assistant Commissioner of Insurance	4	7.37
Total	17	34.06

- (3) The total emoluments of the above 17 directorate posts account for approximately 25% of the Branch's total expenditure on the relevant items in 2014-15.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)022

(Question Serial No. 2158)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What are the operating expenses of the Office of the Commissioner of Insurance (OCI) for the year? Please provide the following information in table format:

1. the establishment of the OCI, as well as the amounts of salaries and fringe benefits for all its staff (both civil servants and non-civil service contract staff) and the percentages of the total expenditure of the respective items under the Financial Services Branch such amounts account for;
2. the number of directorate staff in the OCI and their ranks, as well as the amounts of their salaries and fringe benefits and the percentages of the total expenditure of the respective items under the OCI such amounts account for;
3. the estimated departmental expenses of the OCI, and the percentages of the total expenditure of the respective items under the Financial Services Branch such expenses account for; and
4. the percentage changes of the above 3 expenditure areas, as compared with the respective areas of last year.

Asked by: Hon LEUNG Kwok-hung (Member Question No. 105)

Reply:

1.

Establishment of the Office of the Commissioner of Insurance (OCI) (No.)	Provision for salaries (Civil servants and non-civil service contract (NCSC) Staff) # (\$ million)	Percentage of the total provision of the respective items under FSB
162 [^]	97.60	72%

2.

No. of directorate staff in OCI	Ranks	Provision for salaries of directorate staff # (\$ million)	Percentage of the total provision of the respective items under OCI
5	Administrative Officer Staff Grade B1 (1 officer) Assistant Commissioner of Insurance (4 officers)	9.73	10%

3. The estimated departmental expenses of OCI is \$49.09 million, accounting for 62% of the total expenditure of the respective items under the Financial Services Branch.

4.

Expenditure items of OCI	Compared with last year's expenditure
Total salaries of staff #	Increased by 11%
Total salaries of directorate staff #	Increased by 6%
Departmental expenses	Increased by 11%

[^] Includes civil service posts and NCSC positions. The present strength (excluding part-time NCSC staff) is 152.

[#] The provision of fringe benefits for civil servants which is not an expenditure item under Head 148 is excluded. Salaries and all related costs (including Mandatory Provident Fund contribution and contract gratuity) of NCSC staff are included.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)023

(Question Serial No. 2159)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

On page 403 of the Estimates, it is mentioned that there will be 18 directorate posts in the Financial Services Branch for 2015-16. Regarding those who hold these 18 posts, please list, in table form:

1. their points on the Directorate Pay Scale;
2. their emoluments, including salaries, allowances, job-related allowances and personnel related expenses; and
3. the expenditure on the emoluments for these 18 posts and the percentages of the total expenditure on relevant items in the Branch such emoluments expenditure accounts for.

Asked by: Hon LEUNG Kwok-hung (Member Question No. 106)

Reply:

(1) and (2): We will have 18 directorate posts in 2015-16. The relevant information is as follows –

Rank	Number	Emoluments (including salaries, allowances, job-related allowances and personnel related expenses, if any) (\$ million)
Administrative Officer Staff Grade A1	1	2.94
Administrative Officer Staff Grade B1	1	2.36

Rank	Number	Emoluments (including salaries, allowances, job-related allowances and personnel related expenses, if any) (\$ million)
Administrative Officer Staff Grade B	2	4.28
Administrative Officer Staff Grade C	8	14.75
Commissioner of Insurance	1	2.36
Assistant Commissioner of Insurance	4	7.37
Principal Executive Officer	1	1.55
Total	18	35.61

- (3) The total emoluments of the above 18 directorate posts account for approximately 25% of the Branch's total expenditure on the relevant items in 2015-16.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)024

(Question Serial No. 2190)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise this Committee, in tabular form, on the estimated expenditure in respect of the following units in 2015-16, with information on the establishment, ranks, salaries and relevant allowances for politically appointed officials and directorate civil servants, as well as the amount of personnel related expenses:

1. Financial Services Branch and Financial Services Division
2. 1) International and Mainland Affairs Division, 2) Financial Services Development Council Secretariat and 3) Research Office under the Financial Services Division
3. Office of the Commissioner of Insurance and its sub-divisions (General Business Division, Long Term Business Division, Enforcement Division, Policy and Development Division, Special Duties Team and Administration Unit)

Asked by: Hon LEUNG Kwok-hung (Member Question No. 513)

Reply:

(1), (2) and (3):

	Rank	Establishment	Emoluments (including salaries, allowances, job-related allowances and personnel related expenses, if any) (\$ million)
(1) Financial Services Branch (including Financial Services Division and Office of the Commissioner of Insurance)	Directorate	18	142.7
	Non-directorate	159	
(2.1) Financial Services Division - International and Mainland Affairs Division	Directorate	1	4.6
	Non-directorate	4	
(2.2) Financial Services Division - Financial Services Development Council Secretariat	Non-directorate	4	3.2
(2.3) Financial Services Division - Research Office	Non-directorate	2	2.4
(3) Office of the Commissioner of Insurance ^			
	Commissioner of Insurance	1	2.4
(3.1) General Business Division	Directorate	1	13.6
	Non-directorate	12	
(3.2) Long Term Business Division	Directorate	1	12.4
	Non-directorate	13	
(3.3) Enforcement Division	Directorate	1	7.7
	Non-directorate	7	
(3.4) Policy and Development Division	Directorate	1	11.2
	Non-directorate	12	

	Rank	Establishment	Emoluments (including salaries, allowances, job-related allowances and personnel related expenses, if any) (\$ million)
(3.5) Special Duties Team	Non-directorate	2	1.9
(3.6) Administration Unit	Non-directorate	20	6.5

^ Excluding nine vacant posts of Assistant Insurance Officer rank.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)025

(Question Serial No. 0339)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in paragraph 47 of the Budget Speech, being an international financial centre with years of experience in technology, Hong Kong is an ideal place for developing financial technologies, and the Financial Secretary has asked the Secretary for Financial Services and the Treasury to set up a steering group to study how to develop Hong Kong into a financial technology hub together with industries, research and development institutions as well as regulatory authorities. In this regard, has the Government earmarked financial provisions for developing financial technologies? If yes, what is the amount involved? If not, what are the reasons? Please also advise the Committee of the estimated manpower and resources involved for the steering group.

Asked by: Hon LIAO Cheung-kong, Martin (Member Question No. 22)

Reply:

The Financial Services and the Treasury Bureau will set up the Steering Group on Financial Technologies (Fintech) soon, and would map out its detailed work and scope of research with the Steering Group. Pending deliberations of the Steering Group, we will assess the financial implications of any eventual proposals. The Financial Services Branch will provide secretariat support to the Steering Group. The expenditure involved for the secretariat, comprising 1 Principal Assistant Secretary, 1 Senior Economist and 1 Economist, will be absorbed by existing resources.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)026

(Question Serial No. 0340)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in paragraphs 108 and 109 of the Budget Speech, the Government will allocate \$100 million to launch a three-year pilot scheme. Under the scheme, the Government will collaborate with the industry to organise activities and provide internship opportunities for insurance and asset and wealth management services with a view to allowing the community, in particular students, to have a better understanding of the nature and career prospects of different jobs in the two sectors. The Government and the industry will also enhance the contents of continuing professional development programmes, and provide financial support to encourage practitioners to enrol in these programmes. In this regard, please specify:

- (a) how the \$100 million will be allocated in the coming 3 years;
- (b) how many students are expected to benefit from the scheme; and
- (c) to what extent the scheme will alleviate the talent shortage problem of the insurance and asset and wealth management sectors for achieving its objectives.

Asked by: Hon LIAO Cheung-kong, Martin (Member Question No. 23)

Reply:

The Financial Services and the Treasury Bureau has consulted the financial services industry on the issue of talent training of the industry. There is broad consensus that manpower shortage is particularly acute in the insurance and the asset and wealth management sectors. The industry has suggested that the Government could help promote the industry, enhance the professional competence of practitioners and, in particular, train up more talent for middle and back offices. Taking into account the views of the industry, we propose to launch a three-year pilot programme and allocate \$100 million to implement various initiatives underpinning the following three elements: (i) to enable the community,

particularly students, to have a better understanding of the nature and career prospects of different jobs in the two sectors; (ii) to provide internship opportunities; and (iii) to enhance the contents of continuing professional development programmes and provide financial support to encourage practitioners to enrol in these programmes.

We are consulting the industry and the relevant stakeholders on the details of the programme to ensure that the programme devised can meet the needs of the industry and achieve its objectives.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)027

(Question Serial No. 0342)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The financial provision for 2015-16 is about 27% lower than the original estimate for 2014-15, representing a significant decline compared with the growth of about 35% between 2013-14 and 2014-15. What are the reasons for that? Please advise this Committee of the item which accounts for the largest part of the provision as well as its percentage in the total amount of provision. Please also advise to what extent the estimated financial provision will be affected by the implementation of the Shanghai-Hong Kong Stock Connect and the proposed Shenzhen-Hong Kong Stock Connect respectively.

Asked by: Hon LIAO Cheung-kong, Martin (Member Question No. 25)

Reply:

The draft estimate for 2015-16 is about 27% below the 2014-15 original estimate. This is mainly because the 2014-15 original estimate included a non-recurrent commitment approved by the Finance Committee of the Legislative Council in December 2013 originally earmarked for organising the Asia-Pacific Economic Cooperation Finance Ministers' Meeting 2014 (\$63.45 million). Salaries account for the largest part of our provision for 2015-16, which represent approximately 58% of the total provision. The expenses involved in Shanghai-Hong Kong Stock Connect and the proposed Shenzhen-Hong Kong Stock Connect will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)028

(Question Serial No. 0343)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in Matters Requiring Special Attention in 2015-16 under the programme of the Financial Services and the Treasury Bureau (Financial Services Branch), the Branch will legislate for the establishment of an independent Insurance Authority (IIA). In this regard, please advise this Committee of, according to the Government's preliminary plan, the number of staff required by the IIA and the estimated annual operating expenditure.

Asked by: Hon LIAO Cheung-kong, Martin (Member Question No.: 26)

Reply:

According to a consultancy study completed in 2010, the staff size of the independent Insurance Authority (IIA) would be about 240 and the initial operating cost would be around \$240 million per annum. The Government plans to provide a lump sum of \$500 million to IIA on its inception to help meet part of its expenses in the initial five years and as contingency reserve. We will update our estimates on staffing and operating cost requirements of IIA, taking into account changes in the regulatory workload in the past few years, before seeking funding approval of the Finance Committee of the Legislative Council.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)029

(Question Serial No. 0344)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is noted that the Bureau will handle more tasks in 2015-16, but it is estimated that only 4 posts will be created. What are the reasons? What are the ranks of these posts and the salaries involved? What are their respective provisions involved?

Asked by: Hon LIAO Cheung-kong, Martin (Member Question No. 27)

Reply:

We will mainly use existing staff resources to undertake our tasks in 2015-16. Regarding the four posts proposed for creation, relevant information is provided as follows:

	<u>Rank</u>	<u>Number</u>	<u>Reasons for creation</u>	<u>Salaries involved</u> <u>(\$ million)</u>	<u>Provisions involved</u> <u>(\$ million)</u>
1.	Principal Executive Officer	1	To set up a preparatory team to provide administrative support to the Provisional Insurance Authority in its initial operation, including recruiting key personnel, office rental and the setting up of information technology system, etc..	1.55	1.55
2.	Senior Executive Officer	1		0.90	0.90
3.	Treasury Accountant	1		0.86	0.86
4.	Clerical Assistant	1		0.18	0.18

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)030

(Question Serial No. 0345)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 96 of the Budget Speech that the Government will work to further increase the investment quota for the Renminbi Qualified Foreign Institutional Investors (RQFII) Scheme and strive for the implementation of the arrangement for mutual recognition of funds between the Mainland and Hong Kong. Will the Government consider introducing any changes to the issue or pattern of sale in the coming year with a view to increasing the number of participating organisations?

Asked by: Hon LIAO Cheung-kong, Martin (Member Question No. 28)

Reply:

The Renminbi Qualified Foreign Institutional Investors (RQFII) Scheme was further expanded in March 2013, bringing the total investment quota to RMB 270 billion. According to the statistics published by the State Administration of Foreign Exchange (SAFE), as at end February 2015, 79 Hong Kong financial institutions were granted RQFII investment quota, and the total investment quota of RMB270 billion has been fully utilised.

In the financial year 2015-16, we will continue to maintain close liaison with relevant Mainland authorities to increase the RQFII investment quota in order to meet market demands. As regards the issuance or sale of products, it will be a matter for market participants to decide in accordance with relevant regulations and prevailing market circumstances.

The Securities and Futures Commission and relevant Mainland authorities have already reached consensus on the framework of the arrangement for mutual recognition of funds between the Mainland and Hong Kong. We look forward to an early implementation of the arrangement to make a wider choice of products available to the investors in both

markets. For Hong Kong in particular, our investment fund platform will be enriched with more diversified products and activities, which will in turn promote the further development of our asset management industry.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)031

(Question Serial No. 0346)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government has been promoting the retail bond market by issuing inflation-linked retail bonds (iBond) since 2011. Please list the types of Government and public bonds which the Government might consider developing apart from iBond and the reasons for according them priority.

Asked by: Hon LIAO Cheung-kong, Martin (Member Question No. 29)

Reply:

In 2015-16, we will continue to implement the Government Bond Programme (GBP). When considering the types of bonds to be issued under the GBP, we shall take into account relevant factors, including the prevailing market conditions (such as interest rate, inflation and potential impact on prospective bond issuers in Hong Kong), as well as the sustainability of the Bond Fund. To this end, apart from the planned iBond issuance in 2015, we will adjust the issuance amount of Government bonds (GB) under the institutional part of the GBP accordingly to meet investors' demand for longer-term Hong Kong dollar-denominated bonds. We also plan to issue institutional GBs with longer tenors including the proposed issuance of the first 15-year institutional GBs in July this year to establish a more comprehensive benchmark yield curve. Moreover, we will consider actively a further sukuk issuance under the GBP when market conditions are favourable, in a bid to attract more issuers and investors into the local market.

Apart from implementing the GBP, the Government will encourage statutory and other relevant bodies to consider raising funds through debt securities issuance in Hong Kong according to their business development and funding needs. In the past 5 years, debt securities issued by these statutory and other relevant bodies (such as the Hong Kong Mortgage Corporation (HKMC), Airport Authority Hong Kong, the Hong Kong Science

and Technology Parks Corporation, etc.) amounted to about HK\$63.7 billion. Having issued corporate bonds in the amount of HK\$44.7 billion during this period, the HKMC is one of the active Hong Kong dollar-denominated corporate bond issuers and has helped promote the development of the local bond market.

In addition, the Hong Kong SAR Government welcomes the issuance of Renminbi (RMB) sovereign bonds in Hong Kong by the Ministry of Finance every year since 2009. The total amount of RMB sovereign bonds issued in Hong Kong in the past 6 years reached RMB 108 billion. The RMB sovereign bonds provide a benchmark for the RMB bond market in Hong Kong and help develop Hong Kong as an offshore RMB business centre.

The Government and the regulators will continue to promote our bond market to Mainland and overseas issuers and investors to deepen our bond market development.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)032

(Question Serial No. 0347)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Dispute Resolution Centre has been in operation for nearly 3 years since 19 June 2012. Please provide in detail the numbers of resolution cases taken up and cases successfully resolved each year, as well as the number of existing mediators and arbitrators. In addition, how much financial resources will be deployed by the Government in the coming year to conduct training courses and continuing professional training workshops for mediators and arbitrators?

Asked by: Hon LIAO Cheung-kong, Martin (Member Question No. 30)

Reply:

During the period from the commencement of operation in June 2012 to the end of 2014, the number of applications for mediation accepted by the Financial Dispute Resolution Centre (FDRC) and the number of cases successfully mediated are set out as follows –

Year	Number of applications for mediation accepted	Number of cases handled	Number of cases successfully mediated
2012	14	9	7
2013	29	25	19
2014	33	32	30
Cumulative figure	76	66	56

Of the 66 cases handled, 56 were settled, representing a success rate of over 80%.

At present, there are 64 mediators and 13 arbitrators under the Lists of Mediators and Arbitrators of the Financial Dispute Resolution Scheme.

The FDRC has reserved a sum of \$313,000 for 2015 for organising workshops on continuing professional development for FDRC mediators, arbitrators and case officers (case officers are required to fulfil certain training requirements to qualify as FDRC Lists of Mediators or Arbitrators).

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)033

(Question Serial No. 0348)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Services Branch will continue to advance financial co-operation with the Mainland. Apart from deepening the mutual access between financial markets in Hong Kong and the Mainland, and reinforcing the offshore Renminbi business platform, are there any other measures to tie in with the implementation of various initiatives under CEPA and related co-operation frameworks? If so, what is the estimated expenditure involved? If not, what are the reasons?

Asked by: Hon LIAO Cheung-kong, Martin (Member Question No. 31)

Reply:

In the financial year 2015-16, apart from deepening the mutual access between financial markets in Hong Kong and the Mainland, and reinforcing the offshore Renminbi (RMB) business platform, the Financial Services Branch will continue to advance financial cooperation between Hong Kong and the Mainland under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and other regional cooperation platforms covering Hong Kong/Guangdong, Hong Kong/Shanghai, Hong Kong/Shenzhen (including Qianhai) and Hong Kong/Fujian. Measures include lowering the threshold for market entry by Hong Kong financial institutions, expanding the scope of services provided, and allowing Hong Kong financial institutions to set up wholly-owned business, etc. With the deepening of economic and financial reforms and establishment of free trade zones in the Mainland, there will be more cooperation opportunities between Hong Kong and the Mainland. We will continue to maintain close communication with relevant Mainland authorities to seize and capitalise on the opportunities arising from Mainland's economic and financial development.

The above work will be pursued jointly by the Government and relevant financial regulators. The related expenses will be absorbed from within existing resources in the Financial Services Branch. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)034

(Question Serial No. 0349)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

During 2015-16, the Financial Services Branch will continue to promote the development of Hong Kong's asset management industry by, among other things, introducing a new open-ended fund company structure and granting profits tax exemption to offshore private equity funds. In this regard, please advise this Committee of the concrete proposals for the next 3 years and the estimated expenditure involved.

Asked by: Hon LIAO Cheung-kong, Martin (Member Question No. 32)

Reply:

A clear and competitive tax environment can attract more funds of various types to base in Hong Kong to broaden the variety and scope of our fund business. To attract more private equity funds to set up or expand their business in Hong Kong, we will introduce the relevant Bill into the Legislative Council shortly to extend the profits tax exemption for offshore funds to private equity funds. Meanwhile, to diversify our fund management platform, we are formulating a detailed legislative proposal to introduce a new open-ended fund company structure to expand Hong Kong's legal structure for investment fund vehicles. The proposal will attract more funds to domicile in Hong Kong, which will help build up Hong Kong's fund design and manufacturing capabilities to complement the existing fund distribution network and develop Hong Kong into a full fund service centre from product design to marketing and distribution.

The Securities and Futures Commission and relevant Mainland authorities have reached general consensus on the framework of the mutual recognition of fund arrangement. We look forward to the early implementation of the arrangement, which will contribute to a wider choice of products to investors of both markets. For Hong Kong in particular, our

fund platform will be further enriched with more diversified products and activities, which will in turn promote the further development of our asset management industry.

The expenses involved in implementing the above initiatives will be absorbed from within our existing resources. We do not have a separate breakdown.

In addition, to assist the asset and wealth management sector and the insurance sector to enhance talent training, which will in turn promote further development of the sectors, we propose to launch a three-year pilot programme and allocate \$100 million to implement various initiatives underpinning the following three elements: (i) to enable the community, particularly students, to have a better understanding of the nature and career prospects of different jobs in the two sectors; (ii) to provide internship opportunities; and (iii) to enhance the contents of continuing professional development programmes and provide financial support to encourage practitioners to enroll in these programmes. We are consulting the industry and the relevant stakeholders on the details of the programme to ensure that the programme devised can meet the needs of the industry and achieve its objectives. The manpower for the preparatory work of the programme is currently absorbed by this Bureau's existing resources. We will consider the need to deploy additional manpower resources for implementing the programme in the light of the actual situation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)035

(Question Serial No. 1100)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary said he had asked the Secretary for Financial Services and the Treasury to set up a steering group to study how to develop Hong Kong into a financial technology hub together with industries, research and development institutions as well as regulatory authorities. New technologies such as payment, clearing and settlement systems, big data analytics, cloud computing, information and risk management and network security are covered. In this regard, please advise whether specific objectives and strategies have been formulated; and whether resources have been invested accordingly to take forward the study. If so, what are the details? If not, what are the reasons?

Asked by: Hon LO Wai-kwok (Member Question No. 38)

Reply:

The Financial Services and the Treasury Bureau will set up the Steering Group on Financial Technologies (Fintech) soon to study how to develop Hong Kong into a financial technology hub together with industries, research and development institutions as well as regulatory authorities. Pending deliberations of the Steering Group, we will assess the financial implications of any eventual proposals. The Financial Services Branch will provide secretariat support to the Steering Group. The expenditure involved for the secretariat, comprising 1 Principal Assistant Secretary, 1 Senior Economist and 1 Economist, will be absorbed by existing resources.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)036

(Question Serial No. 0982)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated in paragraph 47 under “Start-ups” of the Budget Speech, the Secretary for Financial Services and the Treasury has been asked to set up a steering group to study how to develop Hong Kong into a financial technology hub together with industries, research and development institutions as well as regulatory authorities, with a view to enhancing operational efficiency and help open new modes of development for the financial sector. It is also stated in paragraph 76 that the Government will explore with the industries the feasibility of promoting the use of electronic letters of credit to reduce cost. These measures are however not mentioned in *Matters Requiring Special Attention in 2015-16* under both Head 148 (Financial Services Branch) and Head 155 (Innovation and Technology Commission). What are the reasons? What role will the Financial Services Development Council or other related authorities play in face of the many issues before them? How does the Government make use of the limited resources to expedite the implementation of these measures so as to enhance the competitiveness of the sector?

Asked by: Hon NG Leung-sing (Member Question No. 19)

Reply:

On exploring the feasibility of promoting the use of electronic letters of credit, since that is subject to discussion with the industries, there is not yet any specific work to be reported in the relevant Controlling Officers' Reports. The Government and the relevant regulator will first discuss with the industries on the feasibility of encouraging them to adopt electronic letters of credit. It is premature to comment on relevant measures and resource involved.

We will set up the Steering Group on Financial Technologies supported by the Financial Services and the Treasury Bureau soon to study how to develop Hong Kong into a financial technology hub together with industries, research and development institutions as well as regulatory authorities. Pending deliberations of the Steering Group, we will assess the financial implications of any eventual proposals. We will also pay heed to the views of other stakeholders and organisations.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)037

(Question Serial No. 0983)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to an analysis, the increasingly stringent regulatory regime of the financial services sector has led to a marked increase in the compliance costs of banks and a cut in their profits. Following the “Electronic Bill Presentment and Payment platform” and the “e-cheque service” jointly developed by the Hong Kong Monetary Authority and the banking sector in recent years, the recent emergence of new retail payment products and services (such as stored value payment cards, online stored value payment facilities, and internet and mobile payment services etc.) has led to the introduction of the Clearing and Settlement Systems (Amendment) Bill 2015. In view of financial innovation involving the use of new technologies, how much resources has the Government provided over the past 3 years on the application of information technology to monitor these products and services, thereby reducing the sector’s overall monitoring costs? If no such resources have been provided so far, have they been earmarked in the budget of the new financial year? If no, what are the reasons?

Asked by: Hon NG Leung-sing (Member Question No. 20)

Reply:

The Financial Services Branch is responsible for the policy and relevant legislative work relating to the regulation of retail payment products and services and the overall financial infrastructure, while the Hong Kong Monetary Authority is responsible for supervising the relevant products and services offered by banks. In 2015-16, we will assist the Legislative Council in scrutinising the Clearing and Settlement Systems (Amendment) Bill 2015, in relation to a proposed regulatory regime for stored value facilities and retail payment systems in Hong Kong, with a view to enhancing the safety and soundness of these products and systems, thereby strengthening the public’s confidence, fostering the innovation of the industry and maintaining Hong Kong's status as an international financial centre.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved in this exercise. The expenses involved will be absorbed from within the existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)038

(Question Serial No. 2711)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

To evaluate the grounds on which the Government allocates financial resources and manpower to promote the development of financial technologies, please provide details on the application in Hong Kong of such financial technologies as payment, clearing and settlement systems, big data analytics, cloud computing, information and risk management and network security. At present, what measures are taken by the Government to promote the development of these technologies? What are the financial resources and manpower involved?

Asked by: Hon QUAT Elizabeth (Member Question No. 40)

Reply:

The Financial Services and the Treasury Bureau will set up the Steering Group on Financial Technologies (Fintech) soon to study how to develop Hong Kong into a financial technology hub (including the application of Fintech in Hong Kong) together with industries, research and development institutions as well as regulatory authorities. Pending deliberations of the Steering Group, we will assess the financial implications of any eventual proposals. The Financial Services Branch will provide secretariat support to the Steering Group. The expenditure involved for the secretariat, comprising 1 Principal Assistant Secretary, 1 Senior Economist and 1 Economist, will be absorbed by existing resources.

At present, the Innovation and Technology Fund finances projects that help promote and upgrade the innovation and technology of industries. The Government also encourages universities, R&D centres, professional bodies, trade and industry associations as well as private organisations to submit funding applications for conducting R&D projects and promotional activities that are related to the theme of Fintech.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)039

(Question Serial No. 2842)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

I received complaints from some people who have taken out an investment-linked assurance schemes (ILAS) product. They suspected that during the selling process, they had been misled or even cheated by the insurance brokers or intermediaries into believing that the product was an investment product. It was not until years later when they wanted to withdraw the contributions that they found the lock-in period of the product was rather long and the investment period was not 3 to 5 years as claimed during the selling process but a long contribution period of 25 or 30 years. As the policy holders was unable to make long-term contributions payment, they were forced to surrender the policies or cease payment and were charged a high surrender cost by the insurers. For policy holders who choose to cease payment, they are still liable to an annual management fee with investment returns being deducted, resulting in heavy investment losses.

During the selling process, policy holders tend to make wrongful investment decisions and buy inappropriate investment products due to inadequate disclosure of information. Will the Government inform this Committee of the following:

- (a) What is the annual premium of new ILAS over the past 5 years from 2010 to 2014? What is its share in the annual overall premium income of new insurance policies?
- (b) What is the annual average premium income related to ILAS over the past 5 years from 2010 to 2014? What is its share in the annual overall premium income?
- (c) What are the numbers of surrender cases and cessation of payment cases involving ILAS over the past 5 years from 2010 to 2014? What are the shares of these two types of cases in the total number of surrender cases and cessation of payment cases per year?

- (d) How many ILAS-related complaints were received by the Government over the past 5 years? What is the amount of premium involved?
- (e) How does the Government handle these complaints? How many government officials are responsible for the handling of complaints? What are their ranks and the amount of expenditure involved?
- (f) How does the Government regulate the sale of ILAS products? Which department is responsible for the job? What are the manpower and expenditure involved?
- (g) How does the proposed independent Insurance Authority handle the approval and complaints against insurance products with an embedded element of investment? What are the estimated manpower and expenditure involved?

Asked by: Hon SIN Chung-kai (Member Question No. 41)

Reply:

- (a) Premium of new Investment-linked Assurance Scheme (ILAS) business from 2010 to 2014 –

	2010	2011	2012	2013	2014
Premium of new ILAS business (\$billion)	20.01	20.79	17.12	19.13	16.05
Percentage in the overall premium of new business	33.9%	29.5%	22.0%	20.7%	14.1%

- (b) Premium of inforce ILAS business from 2010 to 2014 –

	2010	2011	2012	2013	2014
Premium of inforce ILAS business (\$billion)	44.53	48.60	49.95	54.68	48.82
Percentage in the overall premium of inforce business	25.3%	25.4%	23.1%	22.0%	17.1%

- (c) Number of surrendered¹ ILAS policies

	2010	2011	2012	2013	2014
Surrendered ILAS policies	113 082	107 488	128 882	136 440	113 228

¹ Includes policies lapsed due to the cessation of contributions.

Percentage in the total number of surrendered policies	23.6%	25.0%	29.1%	30.9%	27.3%
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- (d) Number of ILAS-related complaints received by the Office of the Commissioner of Insurance (OCI) and three Self-regulatory Organisations² (SROs) in the past five years –

	2010	2011	2012	2013	2014
Handled by OCI	64	33	51	50	75
Handled by SROs	264	267	270	319	277
Total	328	300	321	369	352

We do not have statistics on the amount of claims involved in these complaints.

- (e) If a policyholder lodges a complaint against an insurer regarding ILAS, OCI would review the content of the complaint and require the insurer to investigate. OCI would also require the insurer to report the progress and results of the investigation. For complaints related to the sale process, OCI would require the insurer to submit relevant sales documents to determine whether regulatory requirements have been complied with. If the investigation results show that the insurer has breached the requirements of the Insurance Companies Ordinance (ICO) (Cap. 41) or other regulatory requirements, OCI would require the insurer to handle the relevant complaint appropriately and enhance its internal controls. All complaints would first be handled by staff at the rank of Senior Insurance Officer or Senior Manager and be reported to the management at directorate level, if necessary.

If a complaint involves the conduct of insurance intermediaries, in accordance with the current self-regulatory system for insurance intermediaries, OCI would refer it to the SRO with which the insurance intermediary is registered to handle. OCI would follow up and ensure that the relevant SRO handles the complaint appropriately. Should there be any violation of the professional codes or regulations by a member intermediary, the SRO concerned could take disciplinary action. SROs would submit regular reports to OCI.

The expenses incurred by OCI in handling such complaints are absorbed from existing resources. We do not have a separate breakdown for these expenses.

² i.e. the Insurance Agents Registration Board, Confederation of Insurance Brokers and Professional Insurance Brokers Association.

- (f) According to ICO, in order to sell ILAS products, insurers are required to obtain authorisation from OCI for conducting Long Term Business Class C – Linked Long Term. To enhance protection for policyholders of ILAS products, OCI has issued a Guidance Note on Underwriting Class C Business (GN). Taking effect since 1 January 2015, the GN provides guidance on various areas such as product design, fees and charges, disclosure of information, commission system and selling process etc. It stipulates that product design and fees and charges should be fair, and commensurate with the insurance protection offered by the particular ILAS product. It states that advance payment of commission to insurance intermediaries is strictly prohibited, and requires insurers to follow the stipulated requirements in calculating and disclosing insurance intermediaries' remuneration. On the sale of insurance products, the GN prescribes that insurers should set out in the Important Facts Statements (IFS) product features, including the long-term nature, fees and charges, and surrender penalties of ILAS products, that may easily go unnoticed by policyholders. Policyholders are required to sign the IFS to confirm that they are fully aware of all such features. The GN also stipulates that every application for ILAS policy must include a duly completed Financial Needs Analysis and Risk Profile Questionnaire. If the result of the analysis shows that a potential policyholder has no insurance and investment needs, an insurance intermediary should not recommend any ILAS products and the insurer should not entertain any such application. To ensure policyholders are fully aware of the particulars and features of ILAS products, insurers are required to make post-sale confirmation calls to all ILAS clients.

Other than the requirements set out in the GN, OCI has imposed other regulatory requirements, including restriction on using gifts for sale promotion and according policyholders the right to cancel policies within a 21-day cooling-off period.

In addition, only insurance intermediaries who have passed qualifying examinations and have been registered with an SRO are allowed to sell insurance products. To ensure that intermediaries selling ILAS products are capable of giving appropriate advice to their clients, they are also required to pass the Investment-Linked Long Term Insurance Examination. Under the existing self-regulatory regime for insurance intermediaries, the three SROs are responsible for overseeing whether the sale conduct of insurance intermediaries is in conformity with the requirements of relevant codes of practice.

Furthermore, the Securities and Futures Commission (SFC) is responsible for examining ILAS products intended for public sale, their offering documents (including the Products Key Facts Statements) and promotional materials in accordance with the Securities and Futures Ordinance (SFO) (Cap. 571), unless exemption is granted under the SFO. Authorisation of ILAS products and their offering documents under sections 104 and 105 of the SFO is subject to compliance of both the applicable clauses of the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (the Handbook) and other relevant regulatory requirements promulgated by the SFC. A list of Overarching Principles and other specific requirements, including those on information disclosure, are set out in the Handbook.

The expenses incurred by OCI in the regulation of ILAS products are absorbed from existing resources. We do not have a separate breakdown for these expenses.

- (g) The Legislative Council is scrutinising the Insurance Companies (Amendment) Bill 2014 for the establishment of an independent Insurance Authority (IIA) and introduction of a statutory licensing regime for insurance intermediaries to replace the current self-regulatory regime. IIA would take up the existing duties of OCI, including the regulation of ILAS business. IIA would be vested with sufficient powers to regulate insurance intermediaries, including drawing up codes of conduct and guidelines on the sale of insurance products to make insurance intermediaries strive to comply with regulatory requirements. If a licensed insurance intermediary is found to have committed misconduct, IIA may impose disciplinary sanctions. This would enhance regulation of the insurance sector and strengthen consumer protection. The expenses incurred would be absorbed from IIA's resource. We do not have the relevant information at this stage.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)040

(Question Serial No. 2876)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in the Programme under this Head, the Government will prepare legislation for introducing a core fund which will be subject to fee control and based on a long-term investment strategy, as the default fund of each Mandatory Provident Fund (MPF) scheme. In this regard, will the Government advise this Committee:

- (a) whether it has studied the introduction of a public trustee in a default fund arrangement;
- (b) of the details of the proposed fee control and the long-term investment strategy; and
- (c) of the timetable for legislation, the number of officials responsible for preparing the legislation and their ranks, as well as the estimated expenditure involved?

Asked by: Hon SIN Chung-kai (Member Question No. 44)

Reply:

- (a) The Government considers that the “Core Fund”, similar to other constituent funds under Mandatory Provident Fund (MPF) schemes, should be operated by the market, and will not consider the operational model of establishing a public trustee. Setting up a public trustee to operate the “Core Fund” requires building a new operating system and replicating the administrative tasks handled by private trustees, and a long period of preparation and development. On the other hand, having the market to operate the “Core Fund” will provide scheme members a low-fee fund that complied with retirement saving objectives in the most timely and effective manner. We and the Mandatory Provident Fund Schemes Authority (MPFA) will closely monitor the market upon the implementation of the “Core Fund”, with a view to achieving the policy objectives of driving down costs and fees.

- (b) We propose that the management fees of the “Core Fund” should not exceed 0.75% of assets under management per annum. This covers the management fees charged for administration services provided by trustees, and for investment management and distribution of the relevant constituent funds and underlying investment funds, etc. In order to meet the objective of retirement savings, we propose that the “Core Fund” should be designed according to a standardised investment approach. The investment risks of the “Core Fund” should be adjusted with reference to the age of the scheme member. For instance, when the scheme member reaches the age of 50, the target exposure of his or her investments to higher risk assets should be gradually reduced from 60% to 20%, by the time when the scheme member reaches the age of 65.
- (c) With reference to the consultation conclusions on “Core Fund” released on 12 March 2015, we are drafting an amendment bill, with a view to introducing it into the Legislative Council this year and launching the “Core Fund” in 2016. Within the Financial Services Branch, 1 Administrative Officer Grade B, 1 Administrative Officer Staff Grade C and 1 Senior Administrative Officer assist in handling the relevant initiative. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)041

(Question Serial No. 2877)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stipulated in the Mandatory Provident Fund Schemes Ordinance, withdrawal of accrued benefits is only allowed when scheme members reach the retirement age of 65. Only under certain circumstances may scheme members be exempted from the requirement. In this regard, will the Government advise this Committee of the following:

- (a) the amounts of contributions to the Mandatory Provident Fund (MPF) and claims for payment of accrued benefits in each of the past 5 years;
- (b) a breakdown of the claims for payment of accrued benefits over the past 5 years on the grounds including: (i) reaching the retirement age of 65; (ii) early retirement at the age 60; (iii) permanent departure from Hong Kong; (iv) total incapacity; (v) small balance accounts; (vi) death of scheme members; (vii) offsetting severance payment or long service payment; and
- (c) the estimated implementation date of the new arrangements for terminal patients' early withdrawal and retired persons' withdrawal of accrued benefits by instalments, as well as the staffing and financial implications of such implementation.

Asked by: Hon SIN Chung-kai (Member Question No. 45)

Reply:

- (a) According to information from the Mandatory Provident Fund Schemes Authority (MPFA), the amounts of contributions received and benefits paid in the past 5 years are set out below :

(\$million)

Year	Contributions Received	Benefits Paid
2010	37,792	8,191
2011	41,745	8,871
2012	47,694	11,516
2013	53,641	14,937
2014	59,676	18,527

- (b) According to information from MPFA, the amounts of accrued benefits withdrawn on the following grounds in the past 5 years are set out below:

(\$million)

Year	Retirement / early retirement (Note 1)	Permanent departure from Hong Kong	Total incapacity	Small balance account	Death	Offsetting severance payments (SP) or long service payments (LSP) (Note 2)	Total (Note 3)
2010	1,762	1,955	122	2	234	2,103	6,178
2011	1,922	1,856	106	1	247	2,332	6,463
2012	2,926	1,971	134	1	338	2,270	7,640
2013	3,976	2,646	155	1	377	2,678	9,834
2014	4,782	3,102	202	1	410	3,006	11,503

- (c) The Legislative Council passed the Mandatory Provident Fund Schemes (Amendment) Ordinance 2015 on 21 January 2015. Taking into account the time required by MPFA to update the guidelines in respect of withdrawal of accrued benefits and by trustees to update their procedural guidelines, systems and forms, MPFA targets to introduce the arrangement of early withdrawal of accrued benefits on the ground of terminal illness in the third quarter of 2015 and the arrangement of withdrawal of accrued benefits by phases in early 2016. For the Financial Services Branch, the relevant initiative does not involve additional staffing and resources.

Note 1: MPFA does not have the breakdown of the accrued benefits paid in respect of retirement and early retirement.

Note 2: MPFA only keeps the breakdown of the accrued benefits paid in respect of offsetting SP and LSP in 2014, which are \$1,656 million and \$1,341 million respectively.

Note 3: The figures may not add up to the total due to rounding. The figures do not include accrued benefits withdrawn on other grounds not set out in the table. Thus, the figure varies with the total accrued benefits paid in the same year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)042

(Question Serial No. 2564)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Services and the Treasury Bureau is formulating a three-year pilot scheme with an allocation of \$100 million to assist in offering training for the insurance and asset and wealth management sectors.

Please provide information on the following:

1. What are the details of the scheme?
2. How many practitioners are engaged in the insurance and asset and wealth management sectors respectively in Hong Kong? How many of them are at the junior, middle and managerial levels respectively?
3. What are the qualifications for holding posts in the insurance and asset and wealth management services?
4. The "first-hire-then-train" approach is widely adopted in manpower training by the sectors nowadays. They also, in general, have the capability to cope with the training needs. Then why should the Government provide funding support to these sectors?

Asked by: Hon TONG Ka-wah, Ronny (Member Question No. 11)

Reply:

1. We are consulting the industry and the relevant stakeholders on the details of the programme to ensure that the programme devised can meet the needs of the industry and achieve its objectives. We will consult the Legislative Council Financial Affairs Panel on the pilot programme before seeking funding approval from the Finance Committee.

2. According to the composite employment estimates of the Census and Statistics Department, there were 49 200 employed persons with main employment in the insurance sector in 2013. We do not have statistics on the distribution of the practitioners in the insurance sector by rank. Based on the results of the General Household Survey for the fourth quarter of 2014, the distribution of the occupation of the employed persons in the insurance sector was:

	Managers and administrators	Professionals	Associate professionals	Others	All occupations
Insurance sector	17%	7%	60%	16%	100%

As for the asset and wealth management sector, according to the “Fund Management Activities Survey 2013” conducted by the Securities and Futures Commission (SFC), the total number of staff engaged in the fund management business was 31 834 in 2013, with the following distribution of job function:

Sales and marketing	Fund administration	Asset management	Research/ Analysis	Dealing and/or trading	Corporate planning and business management	Others	Total
22 632	2 603	1 879	1 233	935	606	1 946	31 834

We do not have statistics on the distribution of the practitioners in the asset and wealth management sector by rank.

3. For the insurance sector, all insurance intermediaries (i.e. insurance agents and brokers, their chief executives/responsible officers and technical representatives) other than those exempted are required to pass the qualifying examination of the Insurance Intermediaries Quality Assurance Scheme and to comply with the continuing professional development requirements of the Scheme.

For the asset and wealth management sector, practitioners who carry out the relevant regulated activities as defined in the Securities and Futures Ordinance for licensed corporations have to be licensed by the SFC. As for those who carry out regulated activities for registered institutions (i.e. authorised financial institutions carrying out regulated activities, including licensed banks, restricted licence banks and deposit-taking companies), their names have to be entered in the register maintained by the Hong Kong Monetary Authority. Both types of practitioners have to fulfil the fit and proper, competence (including academic or industry qualifications and regulatory knowledge) and the continuous professional training requirements set out by the SFC.

4. We have consulted the financial services industry on the issue of talent training of the industry. There is broad consensus that manpower shortage is particularly acute in the insurance and the asset and wealth management sectors. The industry has suggested that the Government could help promote the industry, enhance the professional competence of practitioners and, in particular, train up more talent for middle and back offices.

While implementing various policy initiatives to facilitate market development, the Government should also promote the development of manpower resources. Considering that there is immense potential for development of the insurance and the asset and wealth management sectors, taking into account the views of the industry, we propose to launch a three-year pilot programme to enhance talent training for the insurance and the asset and wealth management sectors and allocate \$100 million to implement various initiatives underpinning the following three elements: (i) to enable the community, particularly students, to have a better understanding of the nature and career prospects of different jobs in the two sectors; (ii) to provide internship opportunities; and (iii) to enhance the contents of continuing professional development programmes and provide financial support to encourage practitioners to enrol in these programmes.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)043

(Question Serial No. 2565)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The manpower shortage in the insurance and the asset and wealth management sectors has much to do with the job nature which involves substantial sales duties, thus discouraging people from entering the professions. How will the pilot scheme address this fundamental problem?

Asked by: Hon TONG Ka-wah, Ronny (Member Question No. 12)

Reply:

The Financial Services and the Treasury Bureau has consulted the financial services industry on the issue of talent training of the industry. There is broad consensus that manpower shortage is particularly acute in the insurance and the asset and wealth management sectors, in particular for talent for middle and back offices. The industry has also suggested raising the awareness of the young generation about these two sectors and facilitating young people to gain early exposure to the industry. Taking into account the views of the industry, two of the elements of the pilot programme are to enable the community, particularly students, to have a better understanding of the nature and career prospects of different jobs in the two sectors and to provide internship opportunities. We hope that these initiatives would help attract more young people to join the industry.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)044

(Question Serial No. 2566)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The 3-year pilot scheme for insurance and asset and wealth management services will focus on training up more talent for middle and back offices. However, the insurance and the asset and wealth management sectors are in fact suffering from shortage of manpower for front offices.

Would the Government please advise this Committee of:

1. the reason why the scheme will focus on training up talent for middle and back offices instead of attracting new entrants to the front offices; and
2. the uniqueness of the insurance and the asset and wealth management sectors or the unique difficulties they are facing to justify particular funding support from the Government for manpower training?

Asked by: Hon TONG Ka-wah, Ronny (Member Question No. 13)

Reply:

We have consulted the financial services industry on the issue of talent training of the industry. There is broad consensus that manpower shortage is particularly acute in the insurance and the asset and wealth management sectors, in particular for talent in the middle and back offices, such as those engaged in underwriting and claims handling in the insurance sector and those in compliance and risk management in the asset and wealth management sector. These jobs in the middle and back offices are integral parts of the service chain for the industry, but fewer young people would enter the industry due to their lack of understanding of the nature and career prospects about these jobs.

While implementing various policy initiatives to facilitate market development, the Government should also promote the development of manpower resources. Considering that there is immense potential for development of the insurance and the asset and wealth management sectors, the pilot programme will first focus on these two sectors. We will first implement the pilot programme and review its effectiveness. We may then consider whether to extend the programme to other sectors within the financial services industry with actual needs.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)045

(Question Serial No. 2567)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Shanghai-Hong Kong Stock Connect was launched in November last year.

1. Please advise on the operation of the Shanghai-Hong Kong Stock Connect since its launch, and provide the monthly trading volume figures of the Northbound Trading Link and the Southbound Trading Link in the table below:

Trading volumes	November 2014	December 2014	January 2015	February 2015	March 2015
Northbound Trading Link					
Unused quotas as a percentage of the total investment quotas					
Southbound Trading Link					
Unused quotas as a percentage of the total investment quotas					

2. What has been done by the relevant departments so far to promote the Shanghai-Hong Kong Stock Connect in Hong Kong and the Mainland? Please list all the promotional activities organised and the expenditure involved.
3. What is the progress of the proposed launching of the Shenzhen-Hong Kong Stock Connect and the enhancement of the Shanghai-Hong Kong Stock Connect?

Asked by: Hon TONG Ka-wah, Ronny (Member Question No. 14)

Reply:

Statistics on Shanghai-Hong Kong Stock Connect are set out in the table below. Regarding quota utilisation, it should be noted that the quota is designed to control cross-boundary fund flows which only reflect market activities on a net buy basis and thus is not an appropriate indicator for assessing usage of the programme.

	November 2014	December 2014	January 2015	February 2015	March 2015
Northbound Trading					
Total buy and sell trade value (RMB, 100 million)	465.9	1,209.2	998.9	674.9	Statistics not yet available
Aggregate quota balance as % of aggregate quota ^(Note)	86.5%	75.1%	69.7%	64.2%	
Southbound Trading					
Total buy and sell trade value (HKD, 100 million)	76.0	184.1	307.2	102.2	Statistics not yet available
Aggregate quota balance as % of aggregate quota ^(Note)	98.5%	95.8%	90.7%	90.0%	

Source of information: The Hong Kong Exchanges and Clearing Limited (HKEx)

Note: Quota balance is calculated on a net buy basis.

Since the announcement of the programme in April 2014, HKEx has been cooperating with market participants and industry associations to organise marketing events for promoting the programme in the Mainland and Hong Kong. The major events and media-related initiatives are summarised as follows:

Event Date	Organizing Party / Co-organizing Parties	Event Theme	Location	No.of Attendees
22 September 2014 8 October 2014 25 October 2014 8 December 2014	Investor Education Centre	Seminar for Hong Kong retail investors	Hong Kong	1163
July to November in 2014	Brokers Associations : 1. Hong Kong Securities Professionals Association Limited 2. The Hong Kong Institute of Financial Analysts and Professional Commentators Limited 3. The Institute of Securities Dealers Limited	Seminar for Category B and C local Hong Kong brokers	Hong Kong	Over 1500

Event Date	Organizing Party / Co-organizing Parties	Event Theme	Location	No.of Attendees
	4. Hong Kong Securities & Futures Professionals Association 5. Hong Kong Securities Association Limited			
17 November 2014	HKEx	Launch ceremony	Hong Kong	Over 200
11 November 2014	China Securities Depository and Clearing Corporation Limited / Shanghai Stock Exchange (SSE)	Training for the trading and clearing aspects of Shanghai – Hong Kong Stock Connect	Ha'erbin, Heilongjiang Province	1200
10 November 2014	HKEx	Press conference to explain rollout details after regulators announced the launch date	Hong Kong	80
23 September 2014	SSE	Seminar on the practical information on southbound trading	Shenzhen	170
18 September 2014	Asset Management Association of China (AMAC)	Training workshop of AMAC	Beijing	230
16 September 2014	SSE	Seminar on the practical information on southbound trading	Shanghai	153
24 July 2014	SSE	Training seminar of SSE on southbound trading	Guangzhou	350
21 July 2014	SSE	Training seminar of SSE on southbound trading	Beijing	350
9 July 2014	Alternative Investment Management Association Hong Kong	Seminar for investment funds	Hong Kong	202
20 May 2014	HKEx	Media workshop for Hong Kong Journalists Association (HKJA)	Hong Kong	20
10 May 2014	HKEx	Media workshop for HKJA	Hong Kong	35
8 May 2014	HKEx	Media workshop to explain the trading, clearing and settlement mechanism to the media	Hong Kong	70
29 April 2014	HKEx	Media workshop to introduce key features of the programme to the media	Hong Kong	75

The Administration also promotes the programme on various occasions, including industry conferences, seminars and media events. The expenses involved were absorbed from within existing resources. We do not have a separate breakdown.

Relevant authorities and organisations in Hong Kong are discussing with the relevant authorities of the Central Government the launch of Shenzhen-Hong Kong Stock Connect and the enhancement of Shanghai-Hong Kong Stock Connect. Details including operational arrangements and implementation timetable will be available at a later stage when the discussion progresses further. We shall make an announcement at an appropriate time.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)046

(Question Serial No. 2597)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Dispute Resolution Centre (FDRC) has been in operation for 4 years since its establishment in 2011. Please inform this Committee of the following:

1. How many cases have been handled by the FDRC since its establishment? What is the nature of the cases handled and the average time spent per mediated case?
2. How many cases involved the conduct of arbitration? Among the cases, how many involved "documents-only" arbitration and how many involved an in-person hearing?
3. How many mediators and arbitrators are on the FDRC lists of mediators and arbitrators?

Asked by: Hon TONG Ka-wah, Ronny (Member Question No. 52)

Reply:

1. From its establishment up to the end of 2014, the FDRC has handled 5 250 enquiries and received 82 applications for mediation services. The breakdown by the nature of the 76 accepted applications is as follows -

Nature of cases	Number of applications for mediation accepted
Misrepresentation — Investment performance, product nature and administrative matters	45
Operational issues — Omission, negligence and maladministration	15
Mis-selling – Omission	12
Forced liquidation	3
System malfunction	1

The FDRC mediation process is time-limited. Unless the parties to mediation agree to opt for extended mediation, each mediation normally lasts four hours.

2. The arbitration process in the FDRC is primarily a “documents-only” arbitration. Only under exceptional circumstances will the arbitrator call for an in-person hearing. From its establishment up to the end of 2014, the FDRC received 7 applications for arbitration, none of which involved an in-person hearing.
3. At present, there are 64 mediators and 13 arbitrators on the FDRC Lists of Mediators and Arbitrators.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)047

(Question Serial No. 2603)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In October 2014, over 20 countries signed a memorandum of understanding in Beijing and formally announced a plan to establish the Asian Infrastructure Investment Bank (AIIB). The Government said that it would endeavour to leverage our strength in financing and asset management to support the establishment and operation of the AIIB, and pursue actively the possibility of our joining the AIIB. In this regard,

1. Has there been any plan so far? If yes, what are the details? If no, does the Government have any timetable?
2. Are there any legal issues to be resolved for our joining the AIIB? If yes, please explain.

Asked by: Hon TONG Ka-wah, Ronny (Member Question No. 58)

Reply:

At present, more than 20 countries (including China) are preparing for the establishment of the Asia Infrastructure Investment Bank (AIIB) and drafting the articles of agreement for establishing the AIIB with a view to completing the discussion by end June 2015 and commencing its operation by end 2015.

As the establishment of the AIIB will follow the principles of openness and inclusiveness, other countries and territories can also join. After its establishment, we plan to discuss with the AIIB about our participation. We do not envisage any special legal issue in doing so.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)048

(Question Serial No. 1729)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary stated in paragraph 66 that the SAR Government would endeavour to leverage Hong Kong's strength in financing and asset management to support the establishment and operation of the Asian Infrastructure Investment Bank (AIIB). What are the specific policy measures to support the establishment of AIIB?

Asked by: Hon TSE Wai-chun, Paul (Member Question No. 29)

Reply:

The objective of setting up the Asia Infrastructure Investment Bank (AIIB) is to support the development of infrastructure in the region. As an international financial centre, our financing and asset management professionals and various financial products can support the operation of AIIB in areas such as project financing, investment, financial management and foreign exchange management. During the preparatory phase, the AIIB may also ride on our experiences in formulating its investment and financing policies.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)049

(Question Serial No. 1731)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As regards the Renminbi (RMB) deposit pool in Hong Kong, there are idle funds amounting to RMB120 billion at present. Has the Financial Secretary explored or studied with the Central Government on the development of financial products and formulation of investment policies with a view to attracting/transferring part of the funds for the development of Asian Infrastructure Investment Bank (AIIB)? If so, what are the details? If not, what are the reasons?

Asked by: Hon TSE Wai-chun, Paul (Member Question No. 31)

Reply:

The offshore Renminbi (RMB) business in Hong Kong has been growing rapidly in recent years. As at the end of January 2015, RMB customer deposits and outstanding RMB certificates of deposit totalled RMB1,131 billion. This liquidity pool is supporting an expanding variety of RMB business and financial transactions, from trade settlement, financing, to investment and asset management businesses. At present, a wide range of RMB products (including investment funds (both listed and unlisted), insurance products, currency futures, real estate investment trusts, shares and derivative products) are available in the market. In the financial year 2015-16, we will continue to engage relevant Mainland authorities on the policy front, with a view to facilitating the cross-border use and circulation of RMB funds in a risk controlled manner; and facilitate and promote offshore RMB business and product innovation and diversification to cater for the needs of different investors and corporates.

The objective of setting up the Asia Infrastructure Investment Bank (AIIB) is to support the development of infrastructure in the region. The AIIB will need to raise capital from the market to support its development projects in the region. We expect that the AIIB will

decide whether there are suitable RMB financial products in accordance with its operational needs.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)050

(Question Serial No. 1247)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

What is the performance of the Shanghai-Hong Kong Stock Connect since its launch in November last year? What are the areas for improvement? What are the measures to be adopted and resources allocated to promote Hong Kong's securities market to Mainland investors?

Asked by: Hon WONG Ting-kwong (Member Question No. 19)

Reply:

Shanghai-Hong Kong Stock Connect has been in operation for a few months, and its operation (including order routing and matching, trade confirmation and reconciliation, clearing and settlement as well as risk management) has been smooth. Shanghai-Hong Kong Stock Connect represents a historic milestone in the establishment of mutual access between the two capital markets. It has opened up a new channel for cross-border use and circulation of RMB funds, and will help further develop Hong Kong's offshore RMB business. Moreover, the unique connectivity with the Mainland stock market offered by the scheme is beneficial to the financial intermediary businesses in Hong Kong as it provides services ranging from investment management, market research to custodian and brokerage services to Hong Kong and international investors going into the A-share market. All in all, Shanghai-Hong Kong Stock Connect and other cross-border investment schemes will help reinforce and enhance Hong Kong's position as the premier international financial centre and offshore RMB business centre.

Relevant authorities and organisations in Hong Kong are discussing with the relevant authorities of the Central Government the launch of Shenzhen-Hong Kong Stock Connect and the enhancement of Shanghai-Hong Kong Stock Connect. Details including operational arrangements and implementation timetable will be available at a later stage

when the discussion progresses further. We shall make an announcement at an appropriate time.

In order to deepen Mainland investors' understanding about, among others, the varieties of stocks, the trading operation and rules and regulations of Hong Kong's securities market, we plan to join hands with the Hong Kong Exchanges and Clearing Limited (HKEx) to work with the industry to stage roadshows in the Mainland to promote Hong Kong's securities market to Mainland investors. We are now working out the arrangements with HKEx. We shall liaise with the industry when there are further details. The expenses involved in the roadshows will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)051

(Question Serial No. 1249)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the face of a fierce global race for offshore Renminbi (RMB) business centres, what measures will be taken to enhance Hong Kong's competitiveness for developing offshore RMB business? What are the estimated manpower and expenditure involved? It is mentioned in the Budget Speech that the Government will work with the Mainland authorities to further increase our investment quota for the RMB Qualified Foreign Institutional Investors (RQFII) Scheme and strive for early implementation of the arrangement for mutual recognition of funds. Is there any timetable in this regard?

Asked by: Hon WONG Ting-kwong (Member Question No. 21)

Reply:

Together with relevant financial regulators and the markets, the Government has been promoting the development of offshore Renminbi (RMB) business in Hong Kong since 2004. With the expanding use of RMB in cross-border transactions, the offshore RMB business in Hong Kong has been growing rapidly in recent years. Hong Kong is now the world's largest offshore RMB business hub, and financing and asset management centre.

In the financial year 2015-16, we will continue to engage relevant Mainland authorities on the policy front to tap first mover advantage, with a view to facilitating the cross-border use and circulation of RMB funds in a risk controlled manner; strengthen our market infrastructure and financial platforms to enhance their market friendliness to users; facilitate and promote offshore RMB business and product innovation and diversification to cater for the needs of different investors and corporates; strengthen our RMB business links with overseas markets in order to provide RMB services to international financial institutions and overseas corporates especially at the wholesale level; and promote our offshore RMB platform through seminars and roadshows overseas.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The related expenses will be absorbed from within existing resources. We do not have a separate breakdown.

As regards increasing the investment quota for the Renminbi Qualified Foreign Institutional Investors (RQFII) Scheme, we will continue to maintain close liaison with relevant Mainland authorities with a view to seeking an increase as soon as possible in order to meet market demands.

The Securities and Futures Commission and relevant Mainland authorities have already reached consensus on the framework of the arrangement for mutual recognition of funds between the Mainland and Hong Kong. We look forward to the early implementation of the arrangement.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)052

(Question Serial No. 1256)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

How many corporate treasury centres are there in Hong Kong? What are their size of business? Apart from tax concession, what other measures will be taken to promote the development of corporate treasury activities? How much resources are expected to be allocated in this regard?

Asked by: Hon WONG Ting-kwong (Member Question No. 41)

Reply:

As a major hub for financial services, trading and logistics, Hong Kong has the advantages of free flow of capital, developed financial markets, strong presence of multinational corporations (MNCs), extensive banking network, first class financial infrastructure, simple and low tax rates, a robust legal system, and availability of treasury talents. Hong Kong is therefore one of the popular locations for corporate treasury centres (CTCs) in the region. With their vast and global business networks, MNCs process numerous large-value payments across regions on a daily basis. Hence, many MNCs set up dedicated CTCs to provide centralised treasury management and transaction services for their group entities. Based on some industry feedback, we estimate that about 100-200 MNCs have established CTCs in Hong Kong currently, covering varying scope of treasury functions in Hong Kong.

To attract more multinational and Mainland enterprises to establish CTCs in Hong Kong to perform treasury services for their group companies, the Government propose to amend the Inland Revenue Ordinance to allow, under specified conditions, interest deductions under profits tax for CTCs and reduce profits tax for specified treasury activities by 50 per cent. The relevant bill will be introduced in the 2015-16 legislative session. Moreover, we will continue to broaden Hong Kong's network of comprehensive double taxation

agreements with other economies, to help reduce the cost of withholding tax applied to cross-border interest payments made to relevant enterprises.

The expenses involved in carrying out the above work will be absorbed from within the existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)053

(Question Serial No. 1257)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As mentioned in the Budget Speech, the financial services industry has a keen demand for quality personnel and, therefore, the Government will allocate \$100 million to launch a 3-year pilot scheme for insurance and asset and wealth management services. In this regard, is there a shortage of manpower in these sectors? If yes, what are the figures? What is the estimated number of quality personnel to be developed with the above funding support? What are the manpower resources to be involved for launching the pilot scheme?

Asked by: Hon WONG Ting-kwong (Member Question No. 42)

Reply:

The Financial Services and the Treasury Bureau has consulted the financial services industry on the issue of talent training of the industry. There is broad consensus that manpower shortage is particularly acute in the insurance and the asset and wealth management sectors. The industry has suggested that the Government could help promote the industry, enhance the professional competence of practitioners and, in particular, train up more talent for middle and back offices. We are consulting the industry and the relevant stakeholders on the details of the programme to ensure that the programme devised can meet the needs of the industry and achieve its objectives. The manpower for the preparatory work of the programme is currently absorbed by this Bureau's existing resources. We will consider the need to deploy additional manpower resources for implementing the programme in the light of the actual situation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)054

(Question Serial No. 1262)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

During 2015-16, the Financial Services Branch will continue to advance financial co-operation with the Mainland by deepening the mutual access between financial markets in Hong Kong and the Mainland and pursuing initiatives under the Mainland and Hong Kong Closer Economic Partnership Arrangement and other co-operation frameworks. How is the Branch's work in this regard? What are the tasks to be pursued in the coming year? Are there any difficulties?

Asked by: Hon WONG Ting-kwong (Member Question No. 48)

Reply:

In the financial year 2015-16, the Financial Services Branch will continue to advance financial cooperation between Hong Kong and the Mainland under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and other cooperation platforms, and further promote the development of offshore Renminbi (RMB) in Hong Kong.

On enhancing the financial cooperation with the Mainland, we will continue to seek to facilitate further access of our financial services sectors to the Mainland market through CEPA and other regional cooperation platforms covering Hong Kong/Guangdong, Hong Kong/Shanghai, Hong Kong/Shenzhen (including Qianhai) and Hong Kong/Fujian. Measures include lowering the threshold for market entry by Hong Kong financial institutions, expanding the scope of services provided, and allowing Hong Kong financial institutions to set up wholly-owned business, etc. With the deepening of economic and financial reforms and establishment of free trade zones in the Mainland, there will be more cooperation opportunities between Hong Kong and the Mainland. We will continue to maintain close communication with relevant Mainland authorities to seize and capitalise on the opportunities arising from Mainland's economic and financial development.

On promoting our offshore RMB business, we will continue to engage the Mainland authorities on the policy front to tap first mover advantage, with a view to facilitating the cross-border use and circulation of RMB funds in a risk controlled manner; strengthen our market infrastructure and financial platforms to enhance their market friendliness to users; facilitate and promote offshore RMB business and product innovation and diversification to cater for the needs of different investors and corporates; strengthen our RMB business links with overseas markets in order to provide RMB services to international financial institutions and overseas corporates especially at the wholesale level; and promote our offshore RMB platform through seminars and roadshows overseas.

Moreover, we will deepen the mutual access between financial markets in Hong Kong and the Mainland. The Shanghai-Hong Kong Stock Connect has been operating smoothly since its launch in November last year. For the capital markets of the two places to move towards full mutual access, we will review the experience of the implementation of this project, and discuss with the relevant authorities of the Central Government regarding the launch of the Shenzhen-Hong Kong Stock Connect and enhancement of the Shanghai-Hong Kong Stock Connect. We will also work with the industry to stage roadshows in the Mainland to promote Hong Kong's securities market to Mainland investors.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)055

(Question Serial No. 1263)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In the past year, how many money laundering cases were found in the financial services industry? Is there any upward trend? If yes, what are the reasons? Is there any measure to tackle the problem and any additional resources for enhancing the work against money laundering?

Asked by: Hon. WONG Ting-kwong (Member Question No. 50)

Reply:

In 2014, the number of cases categorised as money laundering by relevant law enforcement agencies responsible for investigating money laundering offences (including the Hong Kong Police Force, Customs and Excise Department and Independent Commission Against Corruption) was 984, and these cases involved different sectors (including the financial services industry) in the alleged illicit activities. The caseload last year was at a similar level to that in the year before. Under the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, financial institutions (including banks, securities companies, insurance companies and money service operators) are required to comply with the statutory requirements of customer due diligence and record keeping. In addition, the Organized and Serious Crimes Ordinance and the Drug Trafficking (Recovery of Proceeds) Ordinance require any person (including financial institutions) who knows or suspects that any property represents proceeds of drug trafficking or other crimes to make a suspicious transaction report to the Joint Financial Intelligence Unit, which is jointly set up by the Hong Kong Police Force and Customs and Excise Department. We, together with law enforcement agencies, will closely monitor the trend of money laundering activities. We shall review the effectiveness of the existing measures from time to time and deploy appropriate resources in order to sustain our efforts in combating money laundering.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)056

(Question Serial No. 3102)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

During 2015–16, the Financial Services Branch will continue industry engagement on the introduction of a risk-based capital framework for the prudential regulation of insurers. What is the initial feedback from the industry after consulting them? With respect to a number of legislations for regulation of the insurance sector this year, has the Government enhanced communications with the sector and attended to their views?

Asked by: Hon WONG Ting-kwong (Member Question No. 49)

Reply:

The implementation of a risk-based capital (RBC) framework is an international supervisory requirement. It aims to make capital requirements on insurers more sensitive to the level of risk that they are bearing, so as to enhance the protection of policyholders. The development of an RBC framework for the Hong Kong insurance industry would be carried out in phases. The Phase 1 consultation on the proposed RBC framework ended in December 2014. The Insurance Authority (IA) is analysing a total of 51 submissions received. In general, there is positive support from the industry for the proposed concept of having a capital and solvency framework which reflects the risks of individual insurers and incentivises stronger risk governance. There are however mixed views on some technical aspects. In Phase 2, IA will develop the detailed rules and conduct a Quantitative Impact Study, followed by another round of consultation. IA will continue to engage the industry closely during the process.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)057

(Question Serial No. 2350)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Under this programme, the Census and Statistics Department (C&SD) will conduct through contracting-out the Thematic Household Survey (THS) series to meet the statistical data requirements of bureaux and departments. Please advise the following:

1. Tabulate the details relating to THS conducted in the past 5 years, including the themes and the costs involved.
2. Has the Department included persons with different sexual orientations, gender identities and mental health in the relevant surveys? If so, what are the details? If not, what are the reasons?

Asked by: Hon CHAN Chi-chuen (Member Question No. 6)

Reply:

1. The details of the THS series conducted by C&SD in the past 5 years are at Annex.
2. The themes of THS conducted through contracting-out by C&SD were proposed by relevant bureaux/departments. So far, no bureaux/departments have proposed themes related to sexual orientation and gender identity for THS. On the other hand, the health-related surveys conducted under THS in 2011-12 and 2013-14 covered a data item in respect of reported chronic diseases, including mental disorders.

Thematic Household Surveys Conducted from 2010-11 to 2014-15

Survey title/theme	Contract cost (HK\$million)
2010-11	
THS on Employment Concerns and Training Needs, Education Reform and Provision of Sports Facilities	2.00
THS on Smoking Pattern, Keeping of Dogs and Cats, Utilisation of Non-franchised Bus Services and Personal Computer and Internet Penetration	2.10
2011-12	
THS on Use of New Media, Provision of International School Places and Digital Terrestrial Television Take-up	2.20
THS on Health-related Issues	2.21
2012-13	
THS on Retirement Planning and Financial Situation in Old Age, Utilisation of Child Health and Family Planning Services Provided by Maternal and Child Health Centres, Use of Language in Hong Kong, and Personal Computer and Internet Penetration	2.33
THS on Information Technology Usage and Penetration	2.24
THS on Smoking Pattern and Chiropractor Consultation	2.24
2013-14	
THS on Crime and Its Victims in Hong Kong, and Personal Computer and Internet Penetration	4.98
THS on Time Use Pattern and Hong Kong Residents Travelling Frequently and Regularly to the Mainland of China	2.58
THS on Health-related Issues	2.25
2014-15	
THS on Information Technology Usage and Penetration	2.77
THS on Housing Conditions	1.40

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)058

(Question Serial No. 2090)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise for the past 5 years by flat type (public rental housing, Home Ownership Scheme flat, private domestic flat, small house, village house, etc.), the number of residential units without water consumption (or not required for payment of water charges) in Hong Kong.

Asked by: Hon CHEUNG Chiu-hung, Fernando (Member Question No. 502)

Reply:

The Census and Statistics Department does not have the statistical information.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)059

(Question Serial No. 2091)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise for the past 5 years by flat type (public rental housing, Home Ownership Scheme flat, private domestic flat, small house, village house, etc.), the number of residential units without electricity consumption (or not required for payment of electricity charges) in Hong Kong.

Asked by: Hon CHEUNG Chiu-hung, Fernando (Member Question No. 503)

Reply:

The Census and Statistics Department does not have the statistical information.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)060****(Question Serial No. 2092)**Head: (26) Census and Statistics DepartmentSubhead (No. & title): ()Programme: (2) Social StatisticsControlling Officer: Commissioner for Census and Statistics (Leslie TANG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please list the respective numbers of households and residential units each year for the past 5 years by types of quarters (public rental housing, Home Ownership Scheme flat, private domestic flat, small house, village house, etc.).

Asked by: Hon CHEUNG Chiu-hung, Fernando (Member Question No. 504)Reply:

According to the results of the 2011 Population Census, the statistics on domestic households and occupied quarters by type of quarters are listed below. The Census and Statistics Department has not compiled the relevant statistics for other years.

Type of quarters	Number of occupied quarters	Number of domestic households ⁽³⁾
Permanent housing		
Public rental housing units	722 161	720 892
Subsidised sale flats	379 002	377 615
Private residential flats	1 077 123	1 073 788
Villas / bungalows / modern village houses	125 669	124 975
Simple stone structures / traditional village houses	22 472	22 681
Staff quarters	21 693	21 538
Non-domestic quarters ⁽¹⁾	14 425	8 396
Temporary quarters ⁽²⁾	18 580	18 911
Total	2 381 125	2 368 796

Notes : (1) Including quarters in non-residential buildings and collective living quarters (such as elderly homes, hotels and student dormitories).

(2) Including occupied board vessels.

(3) Excluding households living in collective living quarters.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)061****(Question Serial No. 1515)**Head: (26) Census and Statistics DepartmentSubhead (No. & title): ()Programme: (6) Labour StatisticsControlling Officer: Commissioner for Census and Statistics (Leslie TANG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please advise the following:

- (1) The respective number, themes, nature and costs of the surveys conducted under this programme for the past 3 years.
- (2) Has the Department conducted any independent surveys in respect of labour shortage in specific sectors, particularly construction, nursing, etc. If so, what are the details and estimated expenditure? If not, what are the reasons?

Asked by: Hon LAM Kin-fung, Jeffrey (Member Question No. 1)Reply:

- (1) Over the past 3 years (from 2012-13 to 2014-15), the Census and Statistics Department (C&SD) has conducted 5 regular statistical surveys on establishments under Programme (6) – Labour Statistics. The titles and nature of the surveys are as follows:

Title of statistical survey	Nature
(i) Quarterly Survey of Employment and Vacancies	Conducted quarterly to provide statistics on the number of persons engaged and vacancies in major industries.
(ii) Quarterly Employment Survey of Construction Sites	Conducted quarterly to provide statistics on the number of manual workers and vacancies at both public and private construction sites.
(iii) Labour Earnings Survey	Conducted quarterly to provide Wage Indices and Indices of Payroll Per Person Engaged to reflect changes in labour price and labour earnings.

Title of statistical survey	Nature
(iv) Survey of Salaries and Employee Benefits – Managerial and Professional Employees (Excluding Top Management)	Conducted annually to provide Salary Indices to reflect changes in salary rates of middle-level managerial and professional employees.
(v) Annual Earnings and Hours Survey	Conducted annually to provide comprehensive data on employees in Hong Kong regarding their level and distribution of wages, employment details and demographic profiles.

In addition, C&SD conducted ad hoc statistical surveys entitled “Survey on Employment Benefits” in 2012 and 2014 to collect information relating to the provision of various employment benefits to employees by employers.

As the aforesaid surveys constituted part of the work of Programme (6), we do not have separate breakdown for the costs of the surveys.

- (2) C&SD has been collecting information on job vacancies in establishments, including construction sites, nursing homes and residential care services for the elderly, on a quarterly basis through its regular statistical surveys to gauge labour shortage in various industries. The estimated cost for conducting the related surveys has already been included in the estimated expenditure for 2015-16 for Programme (6) – Labour Statistics, which amounts to \$86.1 million.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 1520)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Census and Statistics Department (C&SD) will launch the Population Census/By-census, which is conducted once every five years, in 2015-16. Please advise the following:

1. When will the compilation of relevant statistics be completed and the results be released to the public?
2. For the much-concerned issue of subdivided units, does the Department have plan to collect the relevant data and compile the statistics on subdivided units in Hong Kong when conducting the Population Census? If yes, what are the details? If no, what are the reasons?
3. Will the Department conduct an in-depth survey regarding the number of subdivided units in Hong Kong?

Asked by: Hon LAM Kin-fung, Jeffrey (Member Question No. 10)

Reply:

1. C&SD expects to complete the fieldwork for the 2016 Population By-census (16BC) in early August 2016 and release the results in stages from early 2017.
- 2,3. C&SD plans to collect information on subdivided units (SDUs) in the 16BC, including the number of SDUs, the number of households and the total population residing therein, and their socio-economic characteristics.

Apart from the above, the Transport and Housing Bureau (THB) commissioned C&SD in 2014-15 to conduct through an outside contractor a Thematic Household Survey (THS) on the housing conditions in Hong Kong. The objective of the survey was to estimate the total number of SDUs in private domestic / composite buildings aged 25 or above in Hong Kong and the total population residing therein; and to collect information on the socio-economic characteristics and housing conditions of households

residing in these SDUs. THB has commissioned C&SD to contract out a similar THS in 2015-16 again to update the statistics and related information on these SDUs.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)063

(Question Serial No. 0965)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The 2015-16 estimate under the Social Statistics programme projects a substantial increase of 43.6% compared with the previous year, which is probably due to the preparation work for the 2016 Population By-census. What is the increase after netting off the budget for this specific project?

Asked by: Hon NG Leung-sing (Member Question No. 1)

Reply:

The Census and Statistics Department's estimate under the Social Statistics programme for 2015-16 is \$143.5 million, representing an increase of 43.6% compared with the previous year. The increase is mainly due to the provision for preparing the 2016 Population By-census. Discounting the provision for this project, the estimate for 2015-16 for the Social Statistics programme is around 10.5% higher than the revised estimate for 2014-15.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)064****(Question Serial No. 0115)**Head: (26) Census and Statistics DepartmentSubhead (No. & title): ()Programme: (2) Social StatisticsControlling Officer: Commissioner for Census and Statistics (Leslie TANG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Regarding the outsourcing of household surveys, the Department please:

- list out the respective theme and costs of the contracted-out household surveys in the past 2 years;
- advise for the past 2 years, whether institutions outside Hong Kong had been engaged to conduct related statistical surveys in their home territory, e.g. in Guangdong Province. If yes, please provide the details. If no, please give the reasons.

Asked by: Hon SHEK Lai-him, Abraham (Member Question No. 47)Reply:

- The theme and costs of the household surveys contracted out by the Census and Statistics Department (C&SD) under Programme (2) – Social Statistics over the past 2 years (i.e. 2013-14 and 2014-15) are as follows:

	Statistical survey	Topic	Costs (HK\$million)
2013-14	Thematic Household Survey (THS)	<ul style="list-style-type: none"> ● Crime and Its Victims in Hong Kong ● Personal Computer and Internet Penetration 	4.98
		<ul style="list-style-type: none"> ● Time Use Pattern ● Hong Kong Residents Travelling Frequently and Regularly to the Mainland of China 	2.58
		Health-related Issues	2.25

	Statistical survey	Topic	Costs (HK\$million)
2014-15	THS	Information Technology Usage and Penetration	2.77
		Housing Conditions	1.40
	Survey on Households with School Children of South Asian Ethnicities	Social and Economic Conditions of Households with Children of South Asian Ethnicities	0.90

2. The themes of the household surveys outsourced by C&SD are proposed by relevant bureaux / departments. Over the past 2 years, C&SD did not receive any requests for conducting household surveys outside Hong Kong and therefore had not engaged any institutions outside Hong Kong to conduct statistical surveys in the places where those institutions were located.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)065

(Question Serial No. 1888)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Census and Statistics Department (C&SD) indicated that the Department will continue with the planning for the 2016 Population By-census (16BC) and a pilot survey will be conducted in mid-2015 to test various aspects of the operation and evaluate the design of the 16BC. In respect of the above, please advise the following:

- (1) The progress of the relevant planning work and expenditure involved in 2014-15.
- (2) The work plan and breakdown of the estimated expenditure involved in 2015-16.

Asked by: Hon TIEN Pei-chun, James (Member Question No. 28)

Reply:

In 2014-15, C&SD has started planning work for 16BC, including developing data topics, sample design, multi-modal data collection approach and computer system. As at 6 March 2015, the expenditure incurred was about \$27.9 million.

The major tasks in 2015-16 include conducting a pilot survey from June to August 2015 to test various aspects of the operation and evaluate the design of 16BC; and formulating a publicity programme for promoting 16BC. The breakdown of the estimated expenditure involved is as follows –

(a) Creation of time-limited posts	\$27.6 million
(b) Employment of non-civil service contract staff and temporary field workers	\$10.6 million
(c) Office rental	\$11.9 million
(d) Administrative and miscellaneous expenses	\$7.9 million
Total	\$58.0 million

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)066

(Question Serial No. 1889)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: (5) Price/Industry/Service Statistics

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Census and Statistics Department (C&SD) indicated that the Department will continue to support more detailed analysis on small and medium enterprises and also the selected industries where Hong Kong enjoys clear advantages, based on data collected from the Annual Survey of Economic Activities. Please advise the specific work involved and estimated expenditure.

Asked by: Hon TIEN Pei-chun, James (Member Question No. 29)

Reply:

To support more detailed analysis on small and medium enterprises (SMEs), C&SD increased the sample size of the Annual Survey of Economic Activities from 17 000 to 21 000 establishments since the reference year of 2009. This enables the compilation of more detailed operating statistics on SMEs, and supports the analysis of the impact of statutory minimum wage on the operation of SMEs.

At the same time, C&SD also expanded the sample size of establishments engaged in those selected industries where Hong Kong enjoys clear advantages, so that more precise statistics on such industries can be compiled annually to reflect their latest development and contribution to the Hong Kong economy.

Apart from redeploying internal resources, C&SD created 5 non-directorate posts in 2009-10 to handle the work mentioned above. The annual provision of these posts is about \$1.5 million in 2015-16. No further increase in provision for such work is required in 2015-16.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)067

(Question Serial No. 3263)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: ()

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide for each month in the past 3 years:

1. The main economic indexes (including Gross Domestic Product (GDP), per capita GDP, GDP growth in real terms, unemployment rate, retail sales growth, growth in the number of inbound travellers), statistics on merchandise trade and service trade performance.
2. Statistics on the Four Key Industries including trading and logistics, tourism, financial services and professional and producer services.

Asked by: Hon TONG Ka-wah, Ronny (Member Question No. 17)

Reply:

1. The monthly statistics on unemployment rate, retail sales, visitor arrivals and merchandise trade for the last 3 years are listed in Table 1 to Table 4 respectively. While C&SD has not compiled monthly statistics on gross domestic product (GDP), GDP growth in real terms, service trade and per capita GDP, the corresponding quarterly / annual statistics for the past 3 years are given in Table 5 to Table 7 respectively.
2. Annual statistics on the Four Key Industries including trading and logistics, tourism, financial services and professional and producer services for 2012 and 2013 are given in Table 8. The relevant statistics for 2014 are not yet available.

Table 1 : Unemployment rate

Period	Seasonally adjusted (%)
11/2011 - 1/2012	3.2
12/2011 - 2/2012	3.4
1/2012 - 3/2012	3.4
2/2012 - 4/2012	3.3
3/2012 - 5/2012	3.2
4/2012 - 6/2012	3.2
5/2012 - 7/2012	3.2
6/2012 - 8/2012	3.3
7/2012 - 9/2012	3.3
8/2012 - 10/2012	3.4
9/2012 - 11/2012	3.4
10/2012 - 12/2012	3.2
11/2012 - 1/2013	3.4
12/2012 - 2/2013	3.5
1/2013 - 3/2013	3.5
2/2013 - 4/2013	3.5
3/2013 - 5/2013	3.4
4/2013 - 6/2013	3.3
5/2013 - 7/2013	3.4
6/2013 - 8/2013	3.4
7/2013 - 9/2013	3.4
8/2013 - 10/2013	3.3
9/2013 - 11/2013	3.4
10/2013 - 12/2013	3.2
11/2013 - 1/2014	3.2
12/2013 - 2/2014	3.1
1/2014 - 3/2014	3.1
2/2014 - 4/2014	3.1
3/2014 - 5/2014	3.1
4/2014 - 6/2014	3.2
5/2014 - 7/2014	3.3
6/2014 - 8/2014	3.3
7/2014 - 9/2014	3.3
8/2014 - 10/2014	3.3
9/2014 - 11/2014	3.3
10/2014 - 12/2014	3.3
11/2014 - 1/2015	3.3 [#]

provisional figure

Table 2 : Retail sales (at current market prices)

Year	Month	HK\$million	Year-on year % change
2012	1	43,152	14.9
	2	33,777	15.6
	3	36,571	17.1
	4	35,694	11.4
	5	35,991	8.7
	6	34,781	11.0
	7	36,544	3.9
	8	35,827	4.6
	9	34,110	9.4
	10	35,534	3.9
	11	36,518	9.4
	12	46,999	9.1
2013	1	47,667	10.5
	2	41,443	22.7
	3	40,160	9.8
	4	43,075	20.7
	5	40,626	12.9
	6	39,887	14.7
	7	39,951	9.3
	8	38,711	8.1
	9	35,831	5.0
	10	37,783	6.3
	11	39,629	8.5
	12	49,686	5.7
2014	1	54,530	14.4
	2	40,551	-2.2
	3	39,568	-1.5
	4	38,815	-9.9
	5	39,035	-3.9
	6	37,130	-6.9
	7	38,666	-3.2
	8	40,057	3.5
	9	37,556	4.8
	10	38,323	1.4
	11	41,294	4.2
	12	47,713	-4.0
2015	1	46,560 [#]	-14.6 [#]

provisional figure

Table 3 : Visitor arrivals

Year	Month	Million trips	Year-on-year % change
2012	1	4.1	15.1
	2	3.4	15.3
	3	3.7	16.4
	4	3.8	14.4
	5	3.6	12.7
	6	3.6	19.3
	7	4.4	13.8
	8	4.9	20.5
	9	3.8	18.8
	10	4.2	11.9
	11	4.2	18.7
	12	4.8	15.1
2013	1	4.6	11.9
	2	4.0	19.3
	3	4.1	10.2
	4	4.3	11.5
	5	4.1	13.8
	6	4.2	16.0
	7	4.8	10.6
	8	5.4	9.4
	9	4.3	13.9
	10	4.6	9.1
	11	4.6	8.6
	12	5.2	9.3
2014	1	5.5	17.8
	2	4.4	9.8
	3	4.8	18.1
	4	4.7	10.9
	5	4.6	10.8
	6	4.5	6.9
	7	5.4	11.2
	8	6.0	12.2
	9	4.7	10.2
	10	5.2	12.6
	11	5.3	15.7
	12	5.7	8.5
2015	1	5.6	2.8

Table 4 : Merchandise trade (at current market prices)

Year	Month	Total exports		Imports	
		HK\$million	Year-on-year % change	HK\$million	Year-on-year % change
2012	1	259,300	-8.6	268,156	-10.5
	2	259,750	14.0	305,536	20.8
	3	262,425	-6.8	306,301	-4.7
	4	266,253	5.6	309,126	5.0
	5	294,506	5.2	330,072	4.6
	6	278,228	-4.8	322,932	-2.9
	7	276,208	-3.5	316,338	-1.8
	8	311,657	0.6	347,689	0.9
	9	313,161	15.2	358,312	14.9
	10	297,027	-2.8	339,699	3.3
	11	307,767	10.5	351,838	9.0
	12	310,964	14.4	358,914	11.9
2013	1	304,818	17.6	332,281	23.9
	2	215,742	-16.9	249,729	-18.3
	3	291,711	11.2	340,857	11.3
	4	290,267	9.0	332,963	7.7
	5	291,542	-1.0	335,809	1.7
	6	277,637	-0.2	327,309	1.4
	7	305,413	10.6	342,565	8.3
	8	307,490	-1.3	347,059	-0.2
	9	317,830	1.5	359,841	0.4
	10	323,144	8.8	361,196	6.3
	11	325,522	5.8	370,104	5.2
	12	310,877	**	365,228	1.8
2014	1	303,456	-0.4	323,436	-2.7
	2	212,914	-1.3	266,587	6.8
	3	301,523	3.4	351,889	3.2
	4	285,682	-1.6	340,972	2.4
	5	305,973	4.9	348,323	3.7
	6	309,211	11.4	352,316	7.6
	7	326,160	6.8	368,293	7.5
	8	327,225	6.4	358,750	3.4
	9	331,986	4.5	382,355	6.3
	10	331,727	2.7	381,569	5.6
	11	326,783	0.4	378,946	2.4
	12	312,755	0.6	372,007	1.9
2015	1	311,871	2.8	348,886	7.9

** change within $\pm 0.05\%$

Table 5 : Gross Domestic Product*

Year	Quarter	At current market prices		In real terms
		HK\$million	Year-on-year % change	Year-on-year % change
2012	1	483,654	4.4	0.8
	2	473,958	3.8	1.0
	3	523,740	5.7	1.8
	4	555,707	7.1	3.1
2013	1	507,518	4.9	3.2
	2	490,962	3.6	2.8
	3	548,852	4.8	2.8
	4	584,472	5.2	2.8
2014	1	532,711	5.0	2.6
	2	521,577	6.2	1.8
	3	579,893	5.7	2.7
	4	611,566	4.6	2.2

* Only quarterly statistics are available.

Table 6 : Services trade (at current market prices)*

Year	Quarter	Exports		Imports	
		HK\$million	Year-on-year % change	HK\$million	Year-on-year % change
2012	1	241,954	9.7	112,571	8.2
	2	231,761	8.4	107,457	3.6
	3	256,773	3.1	115,133	0.5
	4	272,559	5.8	120,221	3.4
2013	1	254,490	5.2	114,239	1.5
	2	246,553	6.4	107,305	-0.1
	3	270,985	5.5	118,066	2.5
	4	286,261	5.0	127,604	6.1
2014	1	265,791	4.4	114,422	0.2
	2	244,736	-0.7	115,549	7.7
	3	278,769	2.9	123,696	4.8
	4	287,606	0.5	127,494	-0.1

* Only quarterly statistics are available.

Table 7 : Per capita GDP (at current market prices)*

Year	HK\$	Year-on-year % change
2012	284,720	4.1
2013	296,599	4.2
2014	310,113	4.6

* Only annual statistics are available.

Table 8 : Statistics on the Four Key Industries (at current market prices)*

	Value added					
	HK\$million ⁽¹⁾		Year-on-year % change		Share to GDP ⁽²⁾	
	2012	2013	2012	2013	2012	2013
1. Financial services	319,300	346,000	4.6	8.3	15.9	16.5
2. Tourism	94,600	105,900	9.7	11.9	4.7	5.0
3. Trading and logistics	495,400	500,500	2.0	1.0	24.6	23.9
4. Professional services and other producer services	257,600	260,200	9.2	1.0	12.8	12.4
Four Key Industries	1,166,800	1,212,500	4.9	3.9	58.0	57.8
GDP at basic prices	2,013,000	2,097,500	5.9	4.2	100.0	100.0

	Employment					
	No ⁽³⁾		Year-on-year % change		Share to total employment	
	2012	2013	2012	2013	2012	2013
1. Financial services	228 800	231 700	1.1	1.3	6.3	6.2
2. Tourism	250 900	269 700	6.3	7.5	6.9	7.2
3. Trading and logistics	764 900	767 200	-1.2	0.3	20.9	20.6
4. Professional services and other producer services	483 000	495 600	2.9	2.6	13.2	13.3
Four Key Industries	1 727 600	1 764 200	1.3	2.1	47.2	47.3
Total employment	3 657 100	3 728 500	2.2	2.0	100.0	100.0

(1) Value added and GDP figures are rounded to the nearest hundred million.

(2) Refers to nominal GDP at basic prices.

(3) Employment figures are rounded to the nearest hundred.

* Only annual statistics are available.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)068

(Question Serial No. 0976)

Head: (31) Customs and Excise Department

Subhead (No. & title): (-) Not Specified

Programme: (1) Control and Enforcement

Controlling Officer: Commissioner of Customs and Excise (Clement CHEUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is shown under "Indicators" that the number of "MSO licences issued or renewed" increased by 299 (106.79%) in 2014 when compared with 2013, and it is estimated that there will be 45 (7.8%) more in 2015 over 2014.

However, as the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance is strictly enforced by the Administration and banks in recent years, some MSOs are unable to maintain trading accounts with banks. In this regard, among the 45 licences estimated to increase this year, how many are expected to be new operators? And how many are expected to close their businesses this year?

Asked by: Hon NG Leung-sing (Member Question No. 12)

Reply:

The estimated number of licences to be issued or renewed this year is projected on the basis of the actual situation in 2014. However, since business structures are unique to each MSO and their financial backgrounds vary, the Customs and Excise Department is unable to estimate the number of new operators or predict whether any current operators would close their businesses.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)069****(Question Serial No. 3290)**

Head: (46) General Expenses of the Civil Service

Subhead (No. & title): (008) Recoverable salaries and allowances (Hong Kong Monetary Authority)

Programme: (-) Not Specified

Controlling Officer: Chief Executive, Hong Kong Monetary Authority (Mr Norman TL Chan)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary mentioned in last year's Budget that government departments and the public sector should conduct expenditure reviews and consider how best to consolidate their services and funding schemes in order to further enhance the efficiency of public services (see paragraph 139 of the 2014-15 Budget). Will the Government inform this Committee of the following:

- (i) in respect of the following listed government departments/public organisations with a greater or smaller change/percentage change in their respective estimated established posts in the coming year as compared to last year, the ranks of the posts to be created/deleted and their respective numbers;
- (ii) for the above creation/deletion of posts, the total amounts of annual salaries and fringe benefits involved;
- (iii) the major reasons for the above creation/deletion of posts.

Head of Expenditure	Total number of established posts according to the revised estimate as at 31.3.2015	Total number of established posts according to the estimate as at 31.3.2016	Number of posts created/deleted (% change)
Hong Kong Monetary Authority	23	18	-5 (-21.7%)

Asked by: Hon LEUNG Kenneth (Member Question No. 2.01)

Reply:

HKMA plans to delete five non-directorate civil service posts within the financial year 2015-16, including one Senior Bank Examiner, three Bank Examiner and one Assistant Bank Examiner posts. The deletion is due to natural wastage, and it is anticipated that a remuneration and benefit saving of \$7.3 million per annum will be achieved.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)070

(Question Serial No. 1882)

Head: (G01) Bond Fund

Subhead (No. & title): (-) Not Specified

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary will launch an iBond issue of up to HK\$10 billion with a maturity of 3 years. Following the existing practice, the issuance will target Hong Kong residents, and interest will be paid to bond holders every 6 months at a rate linked to the inflation rates of the last half-year period.

1. What are the respective numbers of bond holders for the previous 4 iBond issuances (should there be any subsequent changes, please state the original and latest figures)? What are the maximum amount of iBond allotted to a successful applicant in every issue? As at the recent interest payment date, what is the percentage of the bond holders who have their holdings unchanged? How many bond holders have increased or reduced their holdings?
2. The Government has issued iBond since 2011. Please provide in table form the following figures in respect of each issuance of iBond over the past 4 years: the per annum interest rate, a comparison with the inflation rate in the respective years, the total interest payment made, and the yield on maturity (as appropriate).

Asked by: Hon LEE Wai-king, Starry (Member Question No. 43)

Reply:

In relation to the iBond issued in the past 4 years, the number of applicants allocated with iBond were 155 835, 332 467, 520 823 and 488 170 respectively. The maximum number of lots of iBond (\$10,000 per lot) allocated to an applicant was 45, 4, 2 and 3 lots respectively. After issuance, iBonds can be traded without restrictions in the secondary market. The Government therefore does not have any statistics on iBond holders after the issuance.

The interest rate of iBond is set at the higher of the floating rate (i.e. average of the year-on-year rates of change of Composite Consumer Price Index (CCPI) in the most recent 6 months) or the fixed rate (i.e. 1.00%). The floating rate has been used to set the interest rate for distribution in relation to the four series of iBond so far. The interest rates (i.e. the average of year-on-year rates of change of CCPI in the 6 months prior to interest payment) and the total amount of interest payments for the four iBond issuances are listed in the tables below -

iBond 1 (issued in 2011, due in 2014)

	Per annum interest rate (%)	Total interest amount (HK\$ million)
First interest (30 Jan 2012)	6.08%	309.8
Second interest (30 Jul 2012)	5.07%	252.8
Third interest (28 Jan 2013)	3.38%	168.5
Fourth interest (29 Jul 2013)	3.77%	188.0
Fifth interest (28 Jan 2014)	4.78%	239.7
Sixth interest (28 Jul 2014)	4.02%	199.3

Yield of holding iBond 1 to maturity: 13.6% (interest of about \$1,358 per \$10,000).

iBond 2 (issued in 2012, due in 2015)

	Per annum interest rate (%)	Total interest amount (HK\$ million)
First interest (24 Dec 2012)	3.48%	176.4
Second interest (24 Jun 2013)	3.73%	186.0
Third interest (23 Dec 2013)	4.72%	235.4
Fourth interest (23 Jun 2014)	4.12%	205.4
Fifth interest (22 Dec 2014)	4.50%	224.4

iBond 3 (issued in 2013, due in 2016)

	Per annum interest rate (%)	Total interest amount (HK\$ million)
First interest (24 Dec 2013)	4.72%	236.6
Second interest (24 Jun 2014)	4.12%	205.4
Third interest (24 Dec 2014)	4.50%	225.6

iBond 4 (issued in 2014, due in 2017)

	Per annum interest rate (%)	Total interest amount (HK\$ mn)
First interest (11 Feb 2015)	4.95%	249.5

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)071

(Question Serial No. 4371)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

According to the Programme, the estimated non-directorate posts of the Financial Services and the Treasury Bureau (Financial Services Branch) will be increased from 156 as at 31 March 2015 to 159 as at 31 March 2016, representing an addition of 3 posts. What will be the types and job nature of the posts to be created? Moreover, the directorate posts will be increased from 17 as at 31 March 2015 to 18 as at 31 March 2016. Will the Government inform this Committee of the types, salaries, allowances and job nature of the 18 directorate posts, as well as the types, numbers of each type, salaries, allowances and job nature of the 159 permanent non-directorate posts?

Asked by: Hon. CHAN Chi-chuen (Member Question No. 61)

Reply:

Regarding the three non-directorate posts proposed for creation in 2015-16, relevant information is provided as follows:

<u>Rank</u>	<u>Number</u>	<u>Reasons for creation</u>
1. Senior Executive Officer	1	To set up a preparatory team to provide administrative support to the Provisional Insurance Authority in its initial operation, including recruiting key personnel, office rental and the setting up of information technology system, etc..
2. Treasury Accountant	1	
3. Clerical Assistant	1	

Relevant information on the 18 directorate and 159 non-directorate posts in 2015-16 is at Annex.

- End -

Annex

Rank	Establishment	Salary and allowance, if any (\$ million)	Major responsibilities
Directorate			to maintain and enhance Hong Kong's status as a major international financial centre; maintain the integrity and stability of the financial system of Hong Kong; ensure orderly and efficient operation as well as prudent and appropriate regulation of the financial markets; and provide a business environment which is open, fair and conducive to financial market developments.
Administrative Officer Staff Grade A1	1	2.94	
Administrative Officer Staff Grade B1	1	2.36	
Administrative Officer Staff Grade B	2	4.28	
Administrative Officer Staff Grade C	8	14.75	
Commissioner of Insurance	1	2.36	
Assistant Commissioner of Insurance	4	7.37	
Principal Executive Officer	1	1.55	
Non-directorate			
Chief Executive Officer	4	4.89	
Senior Administrative Officer	10	13.06	
Senior Economist	1	1.22	
Senior Insurance Officer	10	12.23	
Superintendent of Police	1	1.23	
Administrative Officer	4	3.28	
Economist	1	0.82	
Insurance Officer	25	21.42	
Senior Executive Officer	9	8.07	
Senior Information Officer	1	0.82	
Treasury Accountant	1	0.86	
Executive Officer I	7	4.56	
Assistant Insurance Officer	18	7.76	
Executive Officer II	1	0.43	
Personal Assistant	1	0.65	
Senior Clerical Officer	1	0.49	
Senior Personal Secretary	2	0.99	
Clerical Officer	4	1.49	
Personal Secretary I	15	5.60	
Confidential Assistant	1	0.28	
Assistant Clerical Officer	26	6.06	
Personal Secretary II	3	0.70	
Clerical Assistant	8	1.45	
Chauffeur	1	0.21	
Workman II	4	0.58	

CONTROLLING OFFICER'S REPLY

FSTB(FS)072

(Question Serial No. 4884)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As indicated in the Policy Address, the Government introduced the Insurance Companies (Amendment) Bill to the Legislative Council last April and proposed the establishment of an independent Insurance Authority. The Government will allocate \$500 million to the Insurance Authority to meet part of its initial operating expenses and for use as contingency reserve. In this regard, what are the government posts expected to be deployed and their payroll costs? What are the manpower and expenditure involved in the initial stage of establishment of the Insurance Authority?

Asked by: Hon CHAN Chi-chuen (Member Question No. 136)

Reply:

The independent Insurance Authority (IIA) will recruit its own staff. According to a consultancy study completed in 2010, the staff size of IIA would be about 240 and the initial operating cost would be around \$240 million per annum. To expedite the establishment of IIA, we plan to create a preparatory team comprising a supernumerary post of Principal Executive Officer (PEO) and three non-directorate posts (including one Senior Executive Officer, one Treasury Account and one Clerical Assistant) for about 18 months in 2015-16 and 2016-17 to assist the Provisional Insurance Authority to start staff recruitment, formulate and implement internal administrative/financial systems and procedures, prepare office accommodation, procure stores and equipment and perform other secretariat and administrative functions. The proposed creation of the supernumerary directorate post of PEO will bring about an additional notional annual salary cost at mid-point of about \$1.55 million and the notional annual salary cost at mid-point for the other three non-directorate posts will be about \$1.93 million.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)073

(Question Serial No. 4957)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding studies conducted by consultancy firms or research institutions commissioned by the Financial Services and the Treasury Bureau (Financial Services Branch) over the past 3 years, will the Bureau set out in the table below their details and estimated provisions?

Period	Study	Objective	Scope of study	Research institution	Manpower involved	Expenditure

Asked by: Hon CHAN Chi-chuen (Member Question No. 85)

Reply:

Details are as follows:

Period	Study	Objective	Scope of study	Research institution	Manpower involved	Expenditure (\$)
March 2010 to October 2012	Consultancy Study on the Proposed Establishment of a Policyholders' Protection Fund (PPF) in Hong Kong.	To prepare proposals on the detailed arrangements for the proposed PPF.	Areas covered coverage, level of compensation, funding mechanism (including target fund size and levy rate), and governance arrangements, etc.	KPMG	Manpower for conducting the study was arranged by the consultant. Manpower for monitoring the progress of the study and following up on recommendations of the consultant was absorbed from within existing	2 million

Period	Study	Objective	Scope of study	Research institution	Manpower involved	Expenditure (\$)
					resources of Financial Services Branch.	
November 2011 to March 2013	Consultancy Study on Investment-Linked Assurance Schemes (ILAS).	To research on the regulatory requirements in relation to ILAS products and the distribution of such products in other jurisdictions.	Areas covered the relevant regulatory requirements on ILAS in various countries, including licensing system and conduct requirements.	Ernst & Young Advisory Services Limited	Ditto	300,000
May to December 2012	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 introduce legislation against forced heirship rules.	Trust law	Professor Ho Kam Shuen	Ditto	165,000
June 2012 to 2015	Consultancy Study on Risk-based Capital Framework for Insurance Business in Hong Kong.(First Phase)	To propose a risk-based capital framework for Hong Kong.	Areas covered quantitative requirements (including assessment of capital adequacy and valuation), qualitative requirements (including corporate governance and Enterprise Risk Management), as well as requirements on public disclosures and transparency of relevant information	KPMG	Ditto	5.6 million

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)074

(Question Serial No. 6036)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The number of loan intermediary companies has been increasing in recent years. Some of them are suspected of using misleading practices to lure the public into seeking loans. At present such companies are not subject to any regulation. In 2015-16, will the Financial Services and the Treasury Bureau include in its action plan a study on devising a mechanism for regulating loan intermediary companies? If so, what are the detailed plans and work schedule? If not, what are the reasons?

Asked by: Hon CHAN Ka-lok, Kenneth (Member Question No. 257)

Reply:

According to section 30(1) of the Money Lenders Ordinance (MLO) (Cap.163), a person shall not, by any false, misleading or deceptive statement, representation or promise, or by any dishonest concealment of material facts, fraudulently induce or attempt to induce any person to borrow money from a money lender. Section 29(10) of the MLO also provides that a money lender (or his partner, employer or employee), his principal, his agent, as well as any person acting for or in collusion with the money lender shall not demand any reward from a borrower (or intending borrower) for procuring, negotiating or obtaining any loan. Contravention of these provisions is an offence.

Moreover, the Trade Descriptions Ordinance (TDO) (Cap.362) also applies to advertising practices of financial intermediaries. Traders supplying services within the scope of application of the TDO commit an offence if they engage in the unfair trade practices of "false trade descriptions" or "misleading omissions".

In light of the above, the Financial Services and the Treasury Bureau does not plan to include the subject mentioned in the question in our 2015-16 work plan.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)075

(Question Serial No. 4283)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the Administration advise this Committee of the following:

- (1) What was the major work of the Financial Services Development Council (FSDC) under the Financial Services and the Treasury Bureau (Financial Services Branch) in the past year?
- (2) What is the major work of the FSDC in 2015-16?
- (3) What are the operational expenses, staff establishment and estimated annual payroll cost of the Secretariat of the FSDC in 2015-16?

Asked by: Hon CHAN Wai-yip, Albert (Member Question No. 90)

Reply:

During the past year, the FSDC released a total of 7 reports which covered a variety of subjects including further enhancing our fund raising and securities investment platform, leveraging Mainland and Renminbi opportunities, and developing human capital in finance. The reports set out both macro and micro level recommendations to the Government, regulators, industry and other stakeholders for their consideration in rolling out relevant measures as appropriate. In addition, the FSDC participated in a number of international, Mainland and local events in close collaboration with stakeholders to promote Hong Kong's position as a leading international financial centre. This included co-organising a financial session at the "Think Asia, Think Hong Kong" campaign held in Paris in October last year, as well as sponsoring and co-organising the breakfast panel under the theme of asset and wealth management at the Asian Financial Forum in January this year. In November last year, the FSDC also held a "Career Day" which attracted over 400 participants and enabled

the participants to better understand various jobs and segments in the industry.

We understand from the FSDC that in 2015-16, it will continue to conduct study on the sustainable development of the local financial services industry (including opportunities associated with the “going-out” of Mainland enterprises, offshore Renminbi and asset management business, etc.), promote Hong Kong’s financial services industry (for example, through participation in overseas road shows conducted by organisations such as the Hong Kong Trade Development Council (HKTDC)), and roll out initiatives related to human capital. It will also consult the industry on the development of the financial services industry and make recommendations to the Government.

The expenditure of the FSDC is budgeted at \$4.7 million in 2015-16. The resources are mainly for enhancing the promotion of Hong Kong’s financial services industry and research activities. As for staffing, the secretariat of the FSDC is currently supported by one Senior Economist, one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer deployed from the FSB and three other staff members seconded respectively from the Hong Kong Monetary Authority, HKTDC and Securities and Futures Commission. The expenditure for the staff deployed from the FSB is absorbed from within the existing resources of the FSB and, for the seconded staff, the seconding organisations.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)076

(Question Serial No. 4740)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Will the Government advise this Committee on:

- (1) the operational expenses, establishment and estimated annual emoluments involved under this Programme in 2015-16;
- (2) the operational expenses, establishment and estimated annual emoluments of Division 1 of the Financial Services Branch (FSB) in 2015-16;
- (3) the operational expenses, establishment and estimated annual emoluments of Division 2 of the FSB in 2015-16; and
- (4) the operational expenses, establishment and estimated annual emoluments of International and Mainland Affairs Division of the FSB in 2015-16.

Asked by: Hon. Albert CHAN Wai-yip (Member Question No. 140)

Reply:

(1), (2), (3) and (4):

Branch/Division	Establishment	Emoluments (including salaries, allowances, job-related allowances and personnel related expenses, if any) (\$ million)	Operational expenses (\$ million)
(1) Financial Services Branch	177	142.7	229.8
(2) Financial Services Branch – Division 1	6	5.7	We do not have a separate breakdown.
(3) Financial Services Branch – Division 2	5	4.5	
(4) Financial Services Branch – International and Mainland Affairs Division	5	4.6	

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)077

(Question Serial No. 4751)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Secretary indicated in the Budget that he will allocate \$100 million to launch a three-year pilot scheme for insurance and asset and wealth management services, nurturing talents for these sectors. Will the Government inform this Committee of the estimated number of beneficiaries of this scheme? What are the operating expenditure, manpower and estimated annual expenditure involved in implementing the pilot scheme in 2015-16?

Asked by: Hon CHAN Wai-yip, Albert (Member Question No. 151)

Reply:

Taking into account the views of the industry, we propose to launch a three-year pilot programme to enhance talent training for the insurance and the asset and wealth management sectors and allocate \$100 million to implement various initiatives underpinning the following three elements: (i) to enable the community, particularly students, to have a better understanding of the nature and career prospects of different jobs in the two sectors; (ii) to provide internship opportunities; and (iii) to enhance the contents of continuing professional development programmes and provide financial support to encourage practitioners to enrol in these programmes.

We are consulting the industry and the relevant stakeholders on the details of the initiatives of the programme to ensure that the programme devised can meet the needs of the industry and achieve its objectives. We will consult the Legislative Council Financial Affairs Panel on the pilot programme before seeking funding approval from the Finance Committee.

The manpower for the preparatory work of the programme is currently absorbed by this Bureau's existing resources. We will consider the need to deploy additional manpower resources for implementing the programme in the light of the actual situation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)078

(Question Serial No. 3569)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding consultancy studies 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) Please provide information on consultancy studies commissioned on public policy and strategic public policy for which funds had been allocated from 2011-12 to 2014-15:

Name of consultant	Mode of award (open auction/ tender/ quotation/ others (please specify))	Title, content and objective of project	Consultancy fee (\$)	Start date	Progress of studies (under planning/ in progress/ completed (completion month and year))	Follow-up actions taken by the Government on the study report and their progress (if any)	For completed projects, 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 2015-2016? If so, please provide the following details:

Name of consultant	Mode of award (open auction/ tender/ quotation/ others (please specify))	Title, content and objective of project	Consultancy fee (\$)	Start date	Progress of studies (under planning/ in progress/ completed (completion month and year))	Follow-up actions taken by the Government on the study report and their progress (if any)	For completed projects, have they been made public? If so, through what channels? If not, why?

Asked by: Hon CHEUNG Kwok-che (Member Question No. 75)

Reply:

(a) Information on consultancy studies commissioned on public policy and strategic public policy for which funds had been allocated from 2011-12 to 2014-15:

Name of consultant	Mode of award (open auction/tender/others (please specify))	Title, content and objective of project	Consultancy fee(\$)	Start date	Progress of studies (under planning/ in progress/ completed (completion month and year))	Follow-up actions taken by the Administration on the study report and their progress (if any)	For completed projects, have they been made public? If yes, through what channels? If no, why?
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>	2 million	19 March 2010	Completed (October 2012)	<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 are preparing the legislation for establishing the PPF.</p>	The consultancy findings have been incorporated in the public consultation document and consultation conclusions issued.
Professor Ho Kam Shuen	Quotation	<p>Beneficiaries' right to information under a trust</p> <p>To research into relevant laws and experience of other jurisdictions on beneficiaries'</p>	90,000	17 June 2011	Completed (March 2012)	Having considered the result of the consultancy study, we concur with its conclusion that there are no imminent or compelling reasons to	The research findings were included in the consultation paper on Detailed Legislative Proposals on Trust Law Reform in March 2012.

Name of consultant	Mode of award (open auction/tender/others (please specify))	Title, content and objective of project	Consultancy fee(\$)	Start date	Progress of studies (under planning/ in progress/ completed (completion month and year))	Follow-up actions taken by the Administration on the study report and their progress (if any)	For completed projects, have they been made public? If yes, through what channels? If no, why?
		right to information under a trust, and study whether Hong Kong should legislate on this issue.				introduce legislation on beneficiaries' right to information in Hong Kong.	
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 Nov 2011	Completed (March 2013)	-	The study findings are for internal reference.
Professor Ho Kam Shuen	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	165,000	31 May 2012	Completed (December 2012)	The study concludes that such a statutory change could help reassure potential settlors that the validity of their Hong Kong lifetime trusts will be protected from forced heirship rules. In light	The recommendations of the consultancy report have been incorporated in the consultation conclusions on Detailed Legislative Proposals on Trust Law Reform issued in November 2012.

Name of consultant	Mode of award (open auction/ tender/ others (please specify))	Title, content and objective of project	Consultancy fee(\$)	Start date	Progress of studies (under planning/ in progress/ completed (completion month and year))	Follow-up actions taken by the Administration on the study report and their progress (if any)	For completed projects, have they been made public? If yes, through what channels? If no, why?
		Kong should introduce legislation against forced heirship rules.				of comments from respondents to the public consultation on Detailed Legislative Proposals on Trust Law Reform and the study findings, we have included a new provision against forced heirship rules with reference to section 90 of Singapore Trustees Act.	We have amended the Trustee Ordinance (Cap.29) through the Trust Law (Amendment) Ordinance 2013 to include a new provision against forced heirship rules. This legislative amendment has come into effect since 1 December 2013.
KPMG	Tendering	<p>Consultancy Study on Risk-based Capital (RBC) Framework for Insurance Business in Hong Kong. (First Phase)</p> <p>The Study aims to propose a RBC framework for Hong Kong.</p>	5.6 million	21 June 2012	In progress	We conducted a consultation exercise on the proposed RBC Framework from September to December 2014. We are analysing the comments received.	Not applicable

(b) Details of projects for which funds have been reserved for conducting consultancy studies in 2015-2016:

Name of consultant	Mode of award (open auction/ tender/ others (please specify))	Title, content and objective of project	Consultancy fee(\$)	Start date	Progress of studies (under planning/ in progress/ completed (completion month and year))	Follow-up actions taken by the Administration on the study report and their progress (if any)	For projects that are expected to be completed this year, is there any plan to make them public? If yes, through what channels? If no, why?
To be determined	Tendering	<p>Consultancy Study on RBC Framework for Insurance Business in Hong Kong. (Second Phase)</p> <p>The Study aims to develop detailed rules and carry out Quantitative Impact Study of the RBC framework as proposed in the first phase of the consultancy study.</p>	To be determined	To be determined	Under planning	-	Not applicable

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)079

(Question Serial No. 4656)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the records management work of your bureau and the departments under its purview over the past year:

1. Please provide information on the number and rank of officers designated to perform such work. If there is no officer designated for such work, please provide information on the number of officers and the hours of work involved in records management duties, and the other duties they have to undertake in addition to records management;
2. Please list in the table below information on programme and administrative records which have been closed pending transfer to the Government Records Service (GRS) for appraisal:

Category of records	Years covered by the records	Number and Linear metres of records	Retention period approved by GRS	Are they confidential documents	Reasons for not having been transferred

3. Please list in the table below information on programme and administrative records which have been transferred to GRS for retention:

Category of records	Years covered by the records	Number and Linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents

4. Please list in the table below information on records which have been approved for destruction by GRS:

Category of records	Names of records	Years covered by the records	Number and Linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents

Asked by: Hon HO Sau-lan, Cyd (Member Question No. 152)

Reply:

1. The day-to-day records management activities and the workload for implementing records management initiatives are absorbed by existing manpower. Among them, Financial Services Branch (FSB) and departments under its purview (i.e. Census and Statistics Department and Official Receiver's Office) have designated Departmental Records Managers and Assistant Departmental Records Managers to coordinate records management matters.
2. Programme and administrative records which have been closed pending transfer to the GRS for appraisal:

Category of records	Years covered by the records	Number and Linear metres of records	Retention period approved by GRS	Are they confidential documents	Reasons for not having been transferred
Administrative Records	1996 – 2014	147 files (about 6.6 lm)	2 – 7 years or retain until superseded/ obsolete	37 files are confidential	Still within the retention period
Programme Records	1977 – 2014	5 909 files (about 263.5 lm)	2 - 30 years	439 files are confidential	Still within the retention period

3. FSB and departments under its purview did not transfer any records to the GRS for retention in the past year.

4. Records which have been approved for destruction by GRS:

Category of records	Names of records	Years covered by the records	Number and linear metres of records	Years that the records were transferred to GRS	Retention period approved by GRS	Are they confidential documents
Administrative Records	Policy	1988 – 2008	9 files (about 1 lm)	Not applicable	4 – 5 years	1 file is confidential
Administrative Records	Routine	1974 – 2011	1 169 files (about 46.8 lm)	Not applicable	2 – 5 years or retain until superseded/ obsolete	257 files are confidential
Administrative Records	Others	1983 – 2010	23 files (about 1.5 lm)	Not applicable	2 – 7 years or retain until superseded / obsolete	2 files are confidential
Programme records	Case files of bankruptcy cases and compulsory winding-up cases	1976 – 2003	4 625 files (about 137.6 lm)	2012	2 years	No

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)080

(Question Serial No. 4657)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. Regarding the expenses on entertainment and gifts of your bureau and the departments under its purview over the 2 years of 2013-14 and 2014-15, please provide details using the table below:

Bureau/ branch/ department and year	Estimated expenses on entertainment and gifts in the year	Actual expenses on entertainment and gifts in the year	Cap on entertainment expenses (including beverages) per head for the year	Cap on gift expenses per guest for the year	Number of receptions held and total number of guests entertained in the year

2. Regarding the expenses on entertainment and gifts of your bureau and the departments under its purview in 2014-15, please provide details using the table below:

Bureau/ branch/ department	Date of reception (day/ month/ year)	Departments/ organisations and titles of the guests entertained (grouped by department/ organisation and indicating the number of guests)	Food expenses incurred in the reception	Beverage expenses incurred in the reception	Gift expenses incurred in the reception	Venue of the reception (department office/ restaurant in government facilities/ private restaurant/ others (please specify))

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3. Please provide the estimated expenses on entertainment and gifts for 2015-16 using the table below:

Bureau/branch/ Department	Estimated provision for expenses on entertainment and gifts	Cap on entertainment expenses per guest	Cap on gift expenses per guest

Asked by: Hon HO Sau-lan, Cyd (Member Question No. 153)

Reply:

As a general rule, all civil servants should observe the same principles in the provision of official meals. They are required to exercise prudent judgement and economy in order to avoid any public perception of extravagance and act in accordance with the relevant regulations and administrative guidelines. According to the existing guidelines, the expenditure limits on entertainment in the form of official meals should not exceed \$450 per person for lunch or \$600 per person for dinner. In 2013-14 and 2014-15 (as at 28.2.2015), the actual expenses on official entertainment incurred by the Financial Services Branch and departments under its purview (i.e. Census and Statistics Department and Official Receiver's Office) are about \$150,000 and \$120,000 respectively. The estimated expenditure for 2015-16 is about \$200,000.

In line with the Government's green policy, public officers should as far as possible refrain from bestowing gifts/souvenirs to others during the conduct of official activities. According to the existing guidelines, where bestowal of gifts/souvenirs is necessary or unavoidable due to operational, protocol or other reasons, the gift/souvenir items should not be lavish or extravagant and the number should be kept to a minimum. Also, the exchange of gifts/souvenirs should only be made from organisation to organisation. As we do not specifically maintain separate accounts for the expenses on the procurement of gifts and souvenirs, relevant statistics are not available.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)081

(Question Serial No. 4658)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the studies, if any, conducted by your bureau and the departments under your purview for the purpose of formulating and assessing policies, please provide information about the studies in the following format.

- (a) Please provide information on the public policy studies and strategic public policy studies commissioned in the past 2 financial years (2013-14 and 2014-15) in the following table:

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

- (b) Are there any projects for which funds have been reserved to conduct internal studies this year (2015-16)? If yes, please provide the following information:

Title, content and objective of the project	Start date	Progress of the study (under planning/in progress/completed)	Follow-up actions taken by the Government on the study report and their progress (if any)	For projects that are expected to be completed this year, is there any plan to make them public? If yes, through what channels? If no, why?

- (c) Are there any projects for which funds have been reserved to conduct consultancy studies this year (2015-16)? If yes, please provide the following information:

Name of consultant	Mode of award (open auction/tender/ others (please specify))	Title, content and objective of the project	Consultancy fee (\$)	Start date	Progress of the study (under planning/in progress/completed)	Follow-up actions taken by the Government on the study report and their progress (if any)	For projects that are expected to be completed this year, is there any plan to make them public? If yes, through what channels? If no, why?
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- (d) What are the criteria for considering the award of consultancy projects to the research institutions concerned?

Asked by: Hon HO Sau-lan, Cyd (Member Question No. 154)

Reply:

- (a) Information on public policy studies and strategic public policy studies commissioned in the past 2 financial years (2013-14 and 2014-15):

Name of consultant	Mode of award (open auction/ tender/ others (please specify))	Title, content and objective of project	Consultancy fee(\$)	Start date	Progress of studies (under planning/ in progress/completed)	Follow-up actions taken by the Administration on the study report and their progress (if any)	For completed projects, have they been made public? If yes, through what channels? If no, why?
KPMG	Tendering	Consultancy Study on Risk-based Capital (RBC) Framework for Insurance Business in Hong Kong.(First Phase) The Study aims to propose a RBC framework for Hong Kong.	5.6 million	21 June 2012	In progress	We conducted a consultation exercise on the proposed RBC Framework from September to December 2014. We are analysing the comments received.	Not applicable

- (b) The cost for conducting internal studies will be absorbed from within existing resources. We do not have a separate breakdown.
- (c) Details of projects for which funds have been reserved for conducting consultancy studies in 2015-2016:

Name of consultant	Mode of award (open auction/ tender/ others (please specify))	Title, content and objective of project	Consultancy fee(\$)	Start date	Progress of studies (under planning/ in progress/ completed)	Follow-up actions taken by the Administration on the study report and their progress (if any)	For projects that are expected to be completed this year, is there any plan to make them public? If yes, through what channels? If no, why?
To be determined	Tendering	<p>Consultancy Study on RBC Framework for Insurance Business in Hong Kong. (Second Phase)</p> <p>The Study aims to develop detailed rules and carry out Quantitative Impact Study of the RBC framework as proposed in the first phase of the consultancy study.</p>	To be determined	To be determined	Under planning	-	Not applicable

- (d) 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.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)082

(Question Serial No. 4659)

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

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

Programme: (1) Financial Services

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

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 your bureau and the departments under your purview have been involved.

(a) For Hong Kong/Mainland cross-boundary projects or programmes, please provide information for 2013-14 and 2014-15 as per following table:

Project / Programme	Details, objective and whether it is related to the Framework Agreement on Hong Kong / Guangdong Co-operation (the Framework Agreement) or the National 13 th Five-year Plan	Expenditure involved	Mainland officials and department/ organisation involved	Has any agreement been signed and whether it has been made public? If not, what are the reasons?	Progress (% completed, commencement date, target completion date)	Have the details, objectives, amount involved or impact on the public, society, culture and ecology been released to the public? If so, through which channels and what were the manpower and expenditure involved? If not, what are the	Has public consultation on the cross-boundary project been conducted in Hong Kong?	Details of the legislative amendments or policy changes involved in the project/ programme

						reasons?		

(b) Has provision been earmarked for Hong Kong/Mainland cross-boundary projects or programmes in this year (2015-16)? If yes, please provide information in respect of Hong Kong/Mainland cross-boundary projects or programmes for 2015-16 as per following table:

Project / Programme	Details, objective and whether it is related to the Framework Agreement on Hong Kong / Guangdong Co-operation (the Framework Agreement) or the National 13 th Five-year Plan	Expenditure involved	Mainland officials and department/ organisation involved	Has any agreement been signed and whether it has been made public? If not, what are the reasons?	Progress (% completed, commencement date, target completion date)	Have the details, objectives, amount involved or impact on the public, society, culture and ecology been released to the public? If so, through which channels and what were the manpower and expenditure involved? If not, what are the reasons?	Will public consultation on the cross-boundary project be conducted in Hong Kong?	Details of the legislative amendments or policy changes involved in the project/ programme

(c) Apart from the projects or programmes listed above, are there any other modes of Hong Kong/Mainland cross-boundary cooperation? If so, in what modes are they taken forward? What were the manpower and expenditure involved over the past 3 years? How much financial and manpower resources have been earmarked in the 2015-16 Estimates?

Asked by: Hon HO Sau-lan, Cyd (Member Question No. 155)

Reply:

Financial co-operation has become increasingly close between Hong Kong and the Mainland at the central and regional levels, especially after the promulgation of the National 12th Five-Year Plan of the Central People's Government (CPG) in March 2011 and the announcement of new measures supporting socio-economic development in Hong Kong in August 2011 and June 2012. 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 set out in the National 12th Five-Year

Plan. At the same time, we act as the bridge between the Mainland and the rest of the world, which facilitates the building of a multi-layer financial market in the Mainland, bringing mutual benefits to both places. The implementation of the relevant financial measures is in progress.

Regarding the financial co-operation between Hong Kong and Guangdong, RMB cross-border trade settlement between the two places continues to grow. In 2014, the amount of RMB trade settlement conducted through banks in Hong Kong totalled RMB 6,258 billion, of which about 20% involved trade settlement between Guangdong and Hong Kong. Furthermore, the cross-border RMB lending scheme, launched in early 2013 in Qianhai, has enabled cross-border RMB business between Hong Kong and Guangdong to expand further. As at end-December 2014, cross-border RMB loans registered under the scheme in Qianhai for record exceeded RMB 80 billion. In addition, Supplement VI to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) allowed branches established by a Hong Kong bank in Guangdong Province to set up cross-location sub-branches within Guangdong. As at the end of 2014, six Hong Kong banks have set up a total of 61 cross-location sub-branches in Guangdong. On securities, Supplement X to CEPA brought about relaxation whereby Hong Kong-funded financial institutions were allowed to establish full-licence securities companies with Mainland companies in the form of equity joint venture in Guangdong Province and Shenzhen Municipality. On insurance, Supplement VIII to CEPA allows eligible Hong Kong insurance brokerage companies to set up wholly-owned insurance agency companies in Guangdong Province on a pilot basis. The CEPA Guangdong Agreement, implemented on 1 March this year, further streamlined the procedures for establishing insurance agency companies in Guangdong Province by Hong Kong insurance brokerage companies. It also encouraged Guangdong insurance companies to place their outward reinsurance with Hong Kong insurance companies with RMB as the settlement currency for better risk management. The Guangdong Agreement also allowed eligible Hong Kong residents who have obtained the Chinese Certified Public Accountants qualification to become partners of partnership accounting firms in Guangdong Province. The 20th Working Meeting of Hong Kong-Guangdong Co-operation Joint Conference was held in Guangzhou on 11 March 2015. The two sides worked together to formulate the 2015 Work Plan, which covered financial services industries including RMB business, banking, insurance and securities. Both sides agreed to capitalise on the opportunities arising from the introduction of Shenzhen-Hong Kong Stock Connect to deepen the co-operation of the securities markets in the coming year. In addition to making continued efforts to lower the entry thresholds for Hong Kong financial institutions, both sides will seek to extend the cross-border RMB lending policy currently applied in Qianhai to cover Nansha and Hengqin, with a view to promoting the circulation and use of RMB funds in the Hong Kong offshore market and facilitating the development of real economy in key regions of Guangdong.

Regarding the financial co-operation between Hong Kong and Shanghai, relevant authorities of the two places conduct regular exchange on matters related to the development of financial markets, encouraging and supporting mutual establishment of financial institutions, as well as training and exchange of financial talents in accordance with the Memorandum of Understanding (MOU) Concerning Advancing Hong Kong-Shanghai Financial Co-operation concluded in 2010. For example, underpinned by the Financial Services and the Treasury Bureau and the Shanghai Municipal Government Financial

Services Office, the Cross-border Study Tour for Post-secondary Financial Talents, launched in 2012, has been successful. We will continue to organise the scheme in 2015. Moreover, the Shanghai-Hong Kong Stock Connect has been operating smoothly since its launch in November last year. For the capital markets of the two places to move towards full mutual access, we will review the experience of the implementation of this project, and discuss with the relevant authorities of the Central Government regarding the enhancement of the Shanghai-Hong Kong Stock Connect and launch of the Shenzhen-Hong Kong Stock Connect. We will also work with the industry to stage roadshows in the Mainland to promote Hong Kong's securities market to Mainland investors.

Regarding the financial cooperation between Fujian and Hong Kong, the first Hong Kong/Fujian Co-operation Conference was conducted in Fuzhou on 22 January 2015 to discuss ways of enhancing co-operation in economic and trade as well as financial fronts between the two places and an agreement was signed on strengthening financial co-operation between Hong Kong and Fujian Province. Under the agreement, both sides agreed to enhance co-operation in the banking, insurance, securities and accounting services industries as well as the financial market, and to establish a liaison mechanism for the implementation of the agreement.

In the financial year 2015-16, we will continue to seek to facilitate further access of our financial services sectors to the Mainland market through CEPA and other regional cooperation platforms, including Hong Kong-Guangdong, Hong Kong-Shanghai and Hong Kong-Fujian. With the deepening of economic and financial reforms in the Mainland and gradual establishment of free trade zones, there will be more cooperation opportunities between Hong Kong and the Mainland. We will continue to maintain close liaison with relevant Mainland authorities to seize and capitalise on the opportunities arising from Mainland's economic and financial development.

The HKSAR Government has submitted its proposals for the National 13th Five-Year Plan to the Central Government. The proposals related to financial services include deepening the policy direction of the National 12th Five-Year Plan, consolidating and enhancing Hong Kong's status as the world's offshore RMB business hub and an international asset management centre; consolidating Hong Kong's role as a platform for Mainland's enterprises "going global" and a leading international investment and financing platform in Asia; and deepening and expanding mutual access between the financial markets of the Mainland and Hong Kong. During the process, Hong Kong will complement our country's policy of implementing further financial reforms in a risk-controlled manner by serving as a testing ground, which facilitates the liberalisation of Mainland China's capital account in a progressive and risk-controlled manner, with a view to realising the free convertibility of RMB. At the same time, it would be conducive to maintaining and consolidating Hong Kong's role as a platform for Mainland's enterprises "going global" and transforming Hong Kong into a comprehensive international financial centre offering a full range of equity, fixed income, foreign exchange and commodity products.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, two Principal Assistant Secretaries and one Assistant Secretary are involved. The related expenses will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 4663)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the details of the meetings, visits or exchanges held between the Department and the relevant Mainland authorities in the past 5 years, and list, by date, the following for each trip:

- (a) objective, venue;
- (b) titles of the Mainland officials met;
- (c) number and titles of the participating officers from Hong Kong;
- (d) duration of trip (days);
- (e) total expenditure incurred;
- (f) whether the trip was promulgated before departure; if not, what are the reasons for the confidentiality;
- (g) whether minutes of the meeting were filed; if not, what are the reasons;
- (h) whether agreement was reached; if so, what are the contents and implementation progress;
- (i) transport (please list flight tickets and local transport at destinations separately);
- (ii) accommodation;
- (iii) meals;
- (iv) banquets or entertainment; and
- (v) expenses on gifts.

Date	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(ii)	(iii)	(iv)	(v)

Asked by: Hon HO Sau-lan, Cyd (Member Question No. 159)

Reply:

Relevant information is set out at Annex.

- End -

Year	Number of duty visit	Place of visit	Number of officers joining the duty visit	Duration of duty visit (days)	Passage (\$)	Hotel accommodation (\$)	Official entertainment expenses (\$)	Other expenses * (\$)	Grand Total (\$)
2010-11	24	Beijing, Shanghai, Fuzhou, Guangzhou and Shenzhen	Varied from 1 to 10 officer(s) per visit.	Varied from 1 to 4 day(s) per visit.	180,000	86,000	6,505	90,000	362,505
2011-12	23	Beijing, Shanghai, Tianjin, Dalian, Nanchang, Guangzhou, Dongguan and Shenzhen	Varied from 1 to 5 officer(s) per visit.	Varied from 1 to 4 day(s) per visit.	157,000	60,000	0	45,000	262,000
2012-13	24	Beijing, Shanghai, Xian, Haikuo, Guangzhou and Shenzhen	Varied from 1 to 4 officer(s) per visit.	Varied from 1 to 4 day(s) per visit.	99,000	42,000	780	36,000	177,780
2013-14	23	Beijing, Shanghai, Chongqing, Ningbo, Boao,	Varied from 1 to 7 officer(s) per visit.	Varied from 1 to 6 day(s) per visit.	186,000	101,000	342	71,000	358,342

Year	Number of duty visit	Place of visit	Number of officers joining the duty visit	Duration of duty visit (days)	Passage (\$)	Hotel accommodation (\$)	Official entertainment expenses (\$)	Other expenses * (\$)	Grand Total (\$)
		Guangzhou and Zhuhai							
2014-15 (up to 28 February 2015)	18	Beijing, Shanghai, Xian, Fuzhou and Boao	Varied from 1 to 5 officer(s) per visit.	Varied from 1 to 6 day(s) per visit.	211,000	93,000	0	60,000	364,000

* Other expenses include overseas subsistence allowance and sundry expenses (if applicable)

The purpose of the above visits was to attend seminars/forum or meet with relevant financial and monetary officials in order to strengthen financial cooperation between Hong Kong and the Mainland and promote Hong Kong as China's global financial centre. Officers ranging from Assistant Secretary to Permanent Secretary (or equivalent) may undertake the duty visits.

The practice of the HKSAR Government is to make public the official visits made by the Secretaries of Department and Directors of Bureau. Government officials may also have to attend working-level meetings on various issues outside Hong Kong on certain occasions. As far as these working-level meetings are concerned, they may be of routine nature or the discussions may not yet have matured. We would decide whether and how such meetings should be made public and the proper record keeping arrangements, depending on the relevant circumstances and needs.

In line with the Government's green policy, public officers should as far as possible refrain from bestowing gifts/souvenirs to others during the conduct of official activities. According to the existing guidelines, where bestowal of gifts/souvenirs is necessary or unavoidable due to operational, protocol or other reasons, the gift/souvenir items should not be lavish or extravagant and the number should be kept to a minimum. Also, the exchange of gifts/souvenirs should only be made from organisation to organisation. As we do not specifically maintain separate accounts for the expenses on the procurement of gifts and souvenirs, relevant statistics are not available.

CONTROLLING OFFICER'S REPLY

FSTB(FS)084

(Question Serial No.3497)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

To reform the Mandatory Provident Fund (MPF) system, the Mandatory Provident Fund Schemes Authority (MPFA) appointed an independent consultancy firm, Ernst & Young Advisory Services Limited (EY), a few years ago to conduct a detailed study on the costs incurred by MPF trustees. A series of strategic proposals and improvement initiatives were proposed. Regarding the reform directions and related initiatives mentioned in the study, will the Government explain the following:

1. MPFA proposed to the Government to cap the fees of MPF funds by legislation. What is the progress of the follow-up on this proposal?
2. Has the proposal of introducing a not-for-profit operator to operate a simple and low-fee MPF scheme been shelved? If so, what are the reasons? If not, what are the future plan and the specific timetable?
3. EY has proposed 5 strategic proposals to reduce the administration costs of the MPF system. What is the latest progress and achievements of these proposals, including facilitating the consolidation of MPF schemes, investment funds, trustees and administration platforms by the industry; and using end-to-end online electronic payments and data processing procedures?
4. Regarding the facilitation of account consolidation, what is the latest progress and achievements since its implementation in 2013?
5. Since the implementation of the "Employee Choice Arrangement", how many employees participating in MPF schemes have applied for transferring their accrued benefits? What is the percentage of these employees out of all employees making

MPF contributions? What is the change in the number of personal account after the implementation of this arrangement?

6. What is the change in the average level of MPF management fees charged since end-2011? What are the specific details of fee reduction, including the largest reduction for individual funds?

Asked by: Hon LEE Wai-king, Starry (Member Question No. 55)

Reply:

- 1-2. We and the Mandatory Provident Fund Schemes Authority (MPFA) consider that the most pragmatic and effective measure in reforming the Mandatory Provident Fund (MPF) system is to improve the investment choice framework by introducing a “Core Fund” with fee control. We propose that the management fees of the “Core Fund” should not exceed 0.75% of the value of assets under management per annum. This covers the management fees charged for administration services provided by trustees, and for investment management and distribution of the relevant constituent funds and underlying investment funds, etc. In order to meet the objective of retirement savings, we propose that the “Core Fund” should be designed according to a standardised investment approach. The investment risks of the “Core Fund” should be adjusted with reference to the age of the scheme member. For instance, when the scheme member reaches the age of 50, the exposure of his or her investments to higher risk assets should be gradually reduced from 60% to 20%, by the time when the scheme member reaches the age of 65.

The Government considers that the “Core Fund”, similar to other constituent funds under MPF schemes, should be operated by the market, and will not consider the operational model of establishing a public trustee. Setting up a public trustee to operate the “Core Fund” requires building a new operating system and replicating the administrative tasks handled by private trustees, and a long period of preparation and development. On the other hand, having the market to operate the “Core Fund” will provide scheme members a low-fee fund that complied with retirement saving objectives in the most timely and effective manner. We and MPFA will closely monitor the market upon the implementation of the “Core Fund”, with a view to achieving the policy objectives of driving down costs and fees.

With reference to the consultation conclusions on “Core Fund” released on 12 March 2015, we are drafting an amendment bill, with a view to introducing it into the Legislative Council this year and launching the “Core Fund” in 2016.

3. With regard to the consolidation of MPF schemes and funds, trustees have responded to MPFA’s request to terminate the less efficient schemes and funds. In the last 2 years, 2 MPF schemes were merged with existing schemes by trustees and 25 funds were terminated as a result of scheme or fund consolidation or merger. 1 MPF trustee has recently announced the acquisition of the MPF / provident fund businesses of another trustee company.

MPFA introduced the E-Payment for MPF Transfer System (E-Payment System) in June 2014. As a payment system designed for use among trustees, the E-Payment System has now been adopted by all trustees for handling the transfer of a scheme member's accrued benefits to another trustee, thus reducing the manual work and time required for mailing, issuing, verifying and cashing cheques. It also enhances the accuracy and efficiency of the transfer process. According to MPFA, the E-Payment System has been operating smoothly, and has shortened the time required by trustees for handling transfers of accrued benefits (reduced from an average of 3 to 4 weeks to 2 to 3 weeks) and out-of-market time (reduced from an average of 2 weeks to 1 week).

4. All along, MPFA has been appealing to scheme members to manage their MPF personal accounts. MPFA has further introduced various measures to encourage and facilitate the consolidation of MPF personal accounts by scheme members since 2013, with a view to creating more room for further fee reduction. Apart from sending letters and account consolidation application forms to scheme members with more than 1 MPF personal account, MPFA distributed promotional flyers to all scheme members and, with the help of trustees, issued account consolidation reminders to scheme members who are leaving their current employment. MPFA has also simplified the relevant application form. For the period from September 2013 to January 2015, trustees have received over 131 000 applications for account consolidation.
5. From the launch of Employee Choice Arrangement (ECA) in November 2012 to January 2015, a total of 197 000 transfer requests, which accounted for 6% of the average number of employee contribution accounts over the period, have been received by MPF trustees. The number of personal accounts increased by 678 000 from 4 214 000 in October 2012 to 4 892 000 in January 2015.
6. From the end of 2011 to February 2015, the average fund expense ratio (FER) of MPF funds has reduced from 1.77% to 1.65%. Furthermore, MPFA has implemented various measures to drive down fees and charges of MPF funds since the end of 2012, including the launch of 'low fee funds'^{Note} by MPF trustees. As of February 2015, 181 MPF funds (which accounted for 40% of all MPF funds) have reduced management fees, with a rate of reduction up to 70%, and there were a total of 173 'low fee funds' (which accounted for around 40% of all MPF funds).

Note: Low fee funds are funds with a Fund Expense Ratio \leq 1.3% or current management fees \leq 1%.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)085

(Question Serial No. 3500)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Renminbi (RMB) conversion limit for Hong Kong of RMB20,000 per person per day was removed in November 2014.

1. Since the removal of the RMB conversion limit of RMB20,000 per person per day, what changes have been found in the local pool of RMB liquidity (including total RMB deposits and total outstanding RMB certificates of deposits in Hong Kong)?
2. What are the specific changes in the number and types of RMB investment products on the market?
3. Since the removal of the RMB conversion limit of RMB20,000 per person per day, what changes have been found in the interaction and co-operation between Hong Kong and other offshore RMB centres? Does the Government have any plan to further strengthen Hong Kong's leading status among various international offshore RMB centres? If no, what are the reasons?

Asked by: Hon LEE Wai-king, Starry (Member Question No. 58)

Reply:

Removal of the RMB conversion limit of RMB20,000 per day for Hong Kong residents in November 2014 has not only made it more convenient for Hong Kong residents to participate in Shanghai-Hong Kong Stock Connect and other RMB financial transactions, but it has also facilitated the launch of more diversified RMB investment products by financial institutions in Hong Kong. The pool of RMB deposits in Hong Kong (including customer deposits and outstanding certificates of deposit issued by banks) grew from RMB1,117 billion at end-October 2014 to RMB1,131 billion at end-January 2015. As the

offshore RMB activities in Hong Kong gains further momentum, there will be more interaction and co-operation between Hong Kong and other offshore RMB centres.

In the financial year 2015-16, we will continue to engage relevant Mainland authorities on the policy front to tap first mover advantage, with a view to facilitating the cross-border use and circulation of RMB funds in a risk controlled manner; strengthen our market infrastructure and financial platforms to enhance their market friendliness to users; facilitate and promote offshore RMB business and product innovation and diversification to cater for the needs of different investors and corporates; strengthen our RMB business links with overseas markets in order to provide RMB services to international financial institutions and overseas corporates especially at the wholesale level; and promote our offshore RMB platform through seminars and roadshows overseas.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)086****(Question Serial No. 3501)**

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the investment returns of the Mandatory Provident Fund (MPF) schemes, please provide the following information:

Please set out in table form the highest, lowest and average annual rates of investment return of contributors since the establishment of the MPF schemes in December 2000.

Asked by: Hon LEE Wai-king, Starry (Member Question No. 59)

Reply:

The Mandatory Provident Fund Schemes Authority does not have information on the investment returns of individual members. According to the information provided by MPF trustees, the annualised internal rates of return^{Note 1,2} of the MPF System for the past 5 years are tabulated below:

Annualised internal rates of return of the MPF System for the past 5 years

Year	Annualised Internal Rate of Return
2010	7.8%
2011	-11.3%
2012	12.4%
2013	7.4%
2014	1.5%

Note 1: The return of the MPF System was calculated by way of the internal rate of return (IRR), a method commonly known as "Dollar-weighted Return". The IRR method, which takes into account the

amount and timing of contributions into and benefits withdrawn from the MPF System, was used as it better reflects the features of cash inflow and outflow of the MPF System. The annualised IRR was calculated by raising the monthly IRR to the power of 12.

Note 2: Return figures are net of fees and charges.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)087****(Question Serial No. 3502)**

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the investment returns of the Mandatory Provident Fund (MPF) schemes, please provide the following information:

Taking into account the total amount of contributions made by the MPF scheme members so far, what were the highest and lowest rates of investment return by comparing the accrued benefits of the scheme members with their accumulated contributions as at the end of 2014? How about the average rates of return?

Asked by:

Reply: Hon LEE Wai-king, Starry (Member Question No. (59))

The Mandatory Provident Fund Schemes Authority does not have information on the investment returns of individual members. According to information provided by MPF trustees, the net investment returns and annualised internal rates of return^{Note 1} of the MPF System as a whole for the past 5 years are tabulated below:

Net investment returns and annualised internal rate of return
for the MPF System of the past 5 years

Year	<i>(HK\$ million)</i>				Annualised Internal Rate of Return ^{Note 3}
	Net Asset Values		Total Net Contributions in the Year ^{Note 2} (c)	Net Investment Return in the Year ^{Note 3} (b)-(a)-(c)	
	Beginning of the Year (a)	End of the Year (b)			
2010	308,870	365,442	31,215	25,356	7.8%

2011	365,442	356,035	34,028	-43,435	-11.3%
2012	356,035	439,839	37,350	46,455	12.4%
2013	439,839	514,065	40,192	34,033	7.4%
2014	514,065	565,083	42,951	8,067	1.5%

Note 1: The return of the MPF System was calculated by way of the internal rate of return (IRR), a method commonly known as “Dollar-weighted Return”. The IRR method, which takes into account the amount and timing of contributions into and benefits withdrawn from the MPF System, was used as it better reflects the features of cash inflow and outflow of the MPF System. The annualised IRR was calculated by raising the monthly IRR to the power of 12.

Note 2: “Total Net Contributions in the Year” refers to the net contribution inflow after deducting the amount of benefits paid in the year.

Note 3: Return figures are net of fees and charges.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)088

(Question Serial No. 3503)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Over the years, employers have applied to the Mandatory Provident Fund Schemes Authority for withdrawal of accrued benefits from the Mandatory Provident Fund accounts to offset severance payments or long service payments payable to employees. Please provide the number of these applications and the total amount of accrued benefits withdrawn in each of these years.

Asked by: Hon LEE Wai-king, Starry (Member Question No. 60)

Reply:

According to information from the Mandatory Provident Fund Schemes Authority (MPFA), the amounts of accrued benefits generated from employers' contributions and paid in respect of offsetting Severance Payments (SP) or Long Service Payments (LSP) in the past 5 years are set out below:

Year	Offsetting SP or LSP (\$million) (Note)
2010	2,103
2011	2,332
2012	2,270
2013	2,678
2014	3,006

Note: MPFA only keeps the number of cases of accrued benefits paid in respect of offsetting SP and LSP in 2014, which is 45 400 cases. Since a case may involve more than 1 claimant (e.g. both the employer and the employee can make claims with trustee(s) for the same case), the number of cases refers to the number of claims made by the claimants, but not the number of cases.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)089

(Question Serial No. 3504)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please tabulate the companies listed through initial public offerings in Hong Kong over the past 3 years by region, business type, the amount of funds raised and the percentage of total amount of funds raised such funds account for.

Asked by: Hon LEE Wai-king, Starry (Member Question No. 61)

Reply:

The relevant information on initial public offerings is set out at Annex.

- End -

**Information on listed companies which raised funds through initial public offering (IPO)
on the Hong Kong Exchanges and Clearing Limited from 2012-13 to 2014-15**

Breakdown by Country / Region	04/2012 – 03/2013		04/2013 – 03/2014		04/2014 – 02/2015	
	IPO Funds Raised (\$ million)	% of Total IPO Funds Raised	IPO Funds Raised (\$ million)	% of Total IPO Funds Raised	IPO Funds Raised (\$ million)	% of Total IPO Funds Raised
Hong Kong	1,524.43	1.72%	33,381.36	16.15%	7,551.74	3.99%
Japan	1,568.00	1.77%	516.06	0.25%	-	-
Macau	-	-	2,196.84	1.06%	-	-
Malaysia	-	-	487.50	0.24%	2,024.10	1.07%
Mainland China	85,104.84	96.26%	170,068.32	82.27%	179,435.40	94.87%
Singapore	216.13	0.24%	80.00	0.04%	122.50	0.06%
Total⁽¹⁾	88,413.40	100.00%	206,730.09	100.00%	189,133.73	100.00%

(1) Figures may not add up to the total due to rounding.

Source: The Hong Kong Exchanges and Clearing Limited

**Information on listed companies which raised funds through initial public offering (IPO)
on the Hong Kong Exchanges and Clearing Limited from 2012-13 to 2014-15**

Breakdown by Industry	04/2012 – 03/2013		04/2013 – 03/2014		04/2014 – 02/2015	
	IPO Funds Raised (\$ million)	% of Total IPO Funds Raised	IPO Funds Raised (\$ million)	% of Total IPO Funds Raised	IPO Funds Raised (\$ million)	% of Total IPO Funds Raised
Consumer Goods	8,889.33	10.05%	35,482.27	17.16%	50,894.39	26.91%
Consumer Services	3,499.90	3.96%	15,213.02	7.36%	15,443.75	8.17%
Energy	9,806.45	11.09%	13,944.00	6.75%	-	-
Financials	42,323.63	47.87%	80,614.89	39.00%	15,801.08	8.35%
Industrials	3,159.79	3.57%	12,052.98	5.83%	14,411.32	7.62%
Information Technology	241.80	0.27%	6,570.28	3.18%	12,919.86	6.83%
Materials	8,529.82	9.65%	3,621.84	1.75%	6,775.65	3.58%
Properties & Construction	9,210.36	10.42%	14,568.32	7.05%	38,440.04	20.32%
Telecommunications	-	-	-	-	146.58	0.08%
Utilities	2,752.32	3.11%	24,662.49	11.93%	34,301.05	18.14%
Total⁽²⁾	88,413.40	100.00%	206,730.09	100.00%	189,133.73	100.00%

(2) Figures may not add up to the total due to rounding.

Source: The Hong Kong Exchanges and Clearing Limited

CONTROLLING OFFICER'S REPLY

FSTB(FS)090

(Question Serial No. 3506)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in the Budget Speech that the Government has taken forward the measure of waiving the stamp duty for the transfer of all exchange traded funds (ETF) with effect from 13 February 2015. Please provide the market value and transaction value of listed ETF products in all major Asia-Pacific markets, including Hong Kong. At the same time, could the Government estimate the extent of growth in the future market value and transaction value of ETF products in Hong Kong after the introduction of the stamp duty waiver?

Asked by: Hon LEE Wai-king, Starry (Member Question No. 63)

Reply:

The market value (i.e. assets under management) and transaction value of listed exchange traded fund (ETF) products in Asia-Pacific markets are as follows -

Market	2014 assets under management (US\$ million)
Japan	88,832
Hong Kong	41,854
Mainland China	35,636
Korea	17,883
Australia	7,773
Taiwan	4,801
India	2,371
Singapore	1,738
Malaysia	290

Market	2014 assets under management (US\$ million)
Thailand	160
Indonesia	91

Source: Deutsche Bank, Bloomberg and Reuters, data as of 31 December 2014

Market	Exchange	2014 turnover (US\$ million)
Japan	Japan Exchange Group - Tokyo	306,644
Mainland China	Shanghai Stock Exchange	164,199
Hong Kong	Hong Kong Exchanges and Clearing Limited	150,557
Korea	Korea Exchange	146,949
Mainland China	Shenzhen Stock Exchange	50,313
Taiwan	Taiwan Stock Exchange	14,115
Australia	Australian Stock Exchange	9,375
India	National Stock Exchange India	1,957
Singapore	Singapore Exchange	1,854
India	BSE India	220
Thailand	The Stock Exchange of Thailand	137
Malaysia	Bursa Malaysia	17
Indonesia	Indonesia Stock Exchange	1

Source: World Federation of Exchanges, data as of 31 December 2014

Since the Administration extended the stamp duty concession to cover ETFs that track indices comprising not more than 40% of Hong Kong stocks in 2010, the number of ETFs listed in Hong Kong has increased substantially from 69 at end-2010 to 122 at end-2014, and the average daily turnover has increased from \$2.4 billion in 2010 to \$4.7 billion in 2014.

To promote the development, management and trading of ETFs in Hong Kong, the Administration has waived the stamp duty for the transfer of shares or units of all ETFs since 13 February 2015, so that the transaction cost of ETFs with more than 40% of Hong Kong stocks in their portfolios can be reduced as well. We expect that this waiver will enhance the overall competitiveness of the Hong Kong ETF market and strengthen Hong Kong's position as an asset management centre and regional hub for ETFs. This will be conducive to fostering the development of our financial services sector as a whole, and attract new businesses for market practitioners and a greater range of products for investors. Also, waiving the stamp duty for all ETFs will level the playing field for ETFs irrespective of their portfolios.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)091

(Question Serial No. 3507)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Financial Services Branch will continue “reinforcing the offshore Renminbi business platform”. Please provide:

1. the estimated expenditure involved in 2015-16 and a comparison with last year;
2. the number and rank of officials responsible for the work;
3. the specific details of the work plan;
4. an outline of the work progress over the past 10 years.

Asked by: Hon LEE Wai-king, Starry (Member Question No. 64)

Reply:

Together with relevant financial regulators and the markets, the Government has been promoting the development of offshore Renminbi (RMB) business in Hong Kong since 2004. The scope of business has been expanding over the years. The more notable milestones include the first issue of RMB bonds in Hong Kong in 2007, the launch of RMB trade settlement pilot scheme in 2009 (the pilot scheme was extended to cover the whole country in 2011), promulgation of administrative arrangements for foreign direct investments in RMB by the Mainland authorities and the launch of the RMB Qualified Foreign Institutional Investors (RQFII) Scheme in 2011, as well as the implementation of Shanghai-Hong Kong Stock Connect in 2014. With the expanding use of RMB in cross-border transactions, the offshore RMB business in Hong Kong has been growing rapidly in recent years. Hong Kong is now the world's largest offshore RMB business hub, and financing and asset management centre.

In the financial year 2014-15, there was enhancement in the depth and breadth of the offshore RMB market in Hong Kong. RMB trade settlement handled by banks in Hong

Kong amounted to RMB6,258 billion in 2014, with a year-on-year increase of 63 per cent. As at the end of January 2015, RMB customer deposits and outstanding RMB certificates of deposit totalled RMB1,131 billion, with a year-on-year increase of 4 per cent.

Besides, Hong Kong's role as a platform to support global RMB payments has been deepening. Since 1 October 2014, the RMB Clearing Bank in Hong Kong has extended its service hours from 15 hours (HKT 8:30am - 11:30pm) to 20.5 hours (HKT 8:30am - 5:00am of the next day), giving financial institutions in the European and American time zone an extended window to settle offshore RMB payments through the Hong Kong platform. In the fourth quarter of 2014, the average daily turnover on Hong Kong's RMB Real Time Gross Settlement (RTGS) system amounted to RMB 850 billion, representing an 80 per cent increase over the same period a year earlier. As at the end of January 2015, there were a total of 223 banks participating in the RMB clearing platform in Hong Kong, of which 198 were branches and subsidiaries of foreign banks and overseas presence of Mainland banks, forming a global RMB payment network covering over 40 countries and regions. According to the Society for Worldwide Interbank Financial Telecommunication (SWIFT), banks in Hong Kong handled some 70% of the RMB payments conducted with the Mainland and among the offshore markets globally.

Hong Kong is also the world's largest offshore RMB investment products market. A wide range of RMB products (including investment funds (both listed and unlisted), insurance products, currency futures, real estate investment trusts, shares and derivative products) are available in the market. The RMB conversion limit for Hong Kong residents of RMB20,000 per day was removed in November 2014, making it more convenient for Hong Kong residents to participate in Shanghai-Hong Kong Stock Connect and other RMB financial transactions and facilitating the launch of more diversified RMB investment products by financial institutions in Hong Kong.

Meanwhile, RMB financing activities continued to expand. There was a significant growth in RMB bank lending, with the outstanding amount of RMB loans increasing to RMB188 billion at the end of 2014, from RMB116 billion at the end of 2013. RMB bond issuance in Hong Kong totalled RMB197 billion in 2014, with a year-on-year increase of 69 per cent. As at the end of February 2015, the outstanding RMB bonds amounted to RMB374 billion. Besides, the Central Government issued sovereign bonds twice in Hong Kong in 2014 with a total size of RMB28 billion.

In the financial year 2015-16, we will continue to engage relevant Mainland authorities on the policy front to tap first mover advantage, with a view to facilitating the cross-border use and circulation of RMB funds in a risk controlled manner; strengthen our market infrastructure and financial platforms to enhance their market friendliness to users; facilitate and promote offshore RMB business and product innovation and diversification to cater for the needs of different investors and corporates; strengthen our RMB business links with overseas markets in order to provide RMB services to international financial institutions and overseas corporates especially at the wholesale level; and promote our offshore RMB platform through seminars and roadshows overseas.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The related expenses will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)092

(Question Serial No. 3511)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Shanghai-Hong Kong Stock Connect has been launched officially last November. Please provide the following information and figures:

1. What are the average daily turnover and number of transactions in respect of the Shanghai-Hong Kong Stock Connect? What are the average daily turnovers of the Northbound Trading Link and the Southbound Trading Link respectively? What are the respective percentages of the aggregate quota of \$300 billion for the Northbound Trading Link and \$250 billion for the Southbound Trading Link such average daily turnovers account for? What are the highest and lowest daily turnover records? What percentages of the aggregate quota they respectively account for?
2. What is the latest progress in the discussion of the arrangement for the launch of the Shenzhen-Hong Kong Stock Connect and enhancement of the Shanghai-Hong Kong Stock Connect? When will further development be expected?
3. Regarding the market regulation of and mutual access in the operation between the 2 markets, what measures and future plans do the Exchanges and regulatory authorities of Shanghai and Hong Kong have?
4. To promote the Shanghai-Hong Kong Stock Connect, the Government will work with the industry to stage roadshows in the Mainland. What are the specific details, plans and schedules, as well as the resources involved?

Asked by: Hon LEE Wai-king, Starry (Member Question No. 71)

Reply:

1. Statistics on Shanghai-Hong Kong Stock Connect are set out in the table below. Regarding quota utilisation, it should be noted that the quota is designed to control cross-boundary fund flows which only reflect market activities on a net buy basis and thus is not an appropriate indicator for assessing usage of the programme.

	November 2014	December 2014	January 2015	February 2015
Northbound Trading				
Average daily buy and sell trade value (RMB, 100 million)	46.6	60.5	49.9	45.0
Average daily number of buy and sell transactions	106,144	127,468	132,665	132,484
Highest daily buy and sell trade value (RMB, 100 million)	120.8	102.4	77.3	72.8
Lowest daily buy and sell trade value (RMB, 100 million)	24.8	35.1	31.1	26.7
Aggregate quota usage as % of aggregate quota ^(Note)	13.5%	24.9%	30.3%	35.8%
Southbound Trading				
Average daily buy and sell trade value (HKD, 100 million)	7.6	10.2	15.4	7.9
Average daily number of buy and sell transactions	15,431	17,460	24,290	15,943
Highest daily buy and sell trade value (HKD, 100 million)	23.4	25.3	32.6	13.0
Lowest daily buy and sell trade value (HKD, 100 million)	3.8	4.6	10.4	5.1
Aggregate quota usage as % of aggregate quota ^(Note)	1.5%	4.2%	9.3%	10.0%

Source of information: The Hong Kong Exchanges and Clearing Limited (HKEx)

Note: Quota usage is calculated on a net buy basis.

2. Relevant authorities and organisations in Hong Kong are discussing with the relevant authorities of the Central Government the launch of Shenzhen-Hong Kong Stock Connect and the enhancement of Shanghai-Hong Kong Stock Connect. Details including operational arrangements and implementation timetable will be available at a later stage when the discussion progresses further. We shall make an announcement at an appropriate time.
3. To strengthen the existing cooperation framework for the purposes of Shanghai-Hong Kong Stock Connect, the Securities and Futures Commission (SFC) and the China Securities Regulatory Commission (CSRC) on 17 October 2014 entered into a Memorandum of Understanding (MOU) on strengthening cross-boundary regulatory and enforcement co-operation. The MOU provides that the SFC and the CSRC will:
 - provide for the sharing of information and data of risks and alerts about potential or suspected wrongdoing in either the Hong Kong or Shanghai stock market under Stock Connect;
 - establish a commitment and a process for joint investigations;
 - ensure complementary enforcement action can be taken where there is wrongdoing in both jurisdictions; and
 - make sure enforcement actions in both jurisdictions operate to protect the investing public of both the Mainland and Hong Kong, including actions that may be necessary to provide financial redress to affected investors.
4. In order to deepen Mainland investors' understanding about, among others, the varieties of stocks, the trading operation and rules and regulations of Hong Kong's securities market, we plan to join hands with the HKEx to work with the industry to stage roadshows in the Mainland to promote Hong Kong's securities market to Mainland investors. We are now working out the arrangements with the HKEx. We shall liaise with the industry when there are further details. The related expenses involved in the roadshows will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)093

(Question Serial No. 3631)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

With the completion of the disbursement of the committed funding for the Financial Dispute Resolution Centre (FDRC) on 31 December 2014, there is no additional funding committed this year. Despite the financial support from the Bureau, the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC), the FDRC faced a budget deficit for the past three years. Last year, I had asked the Under Secretary for Financial Services and the Treasury, Mr James LAU, and the FDRC's Board for their vision of FDRC's future, yet the Bureau replied that an independent consultant would be commissioned for a study in such regard. A year has passed and please advise me of the following issues:

1. What will be the prospect and source of financial support / funding arrangement of the FDRC in the future?
2. Is the Under Secretary, Mr James LAU, still a member of the FDRC's Board?
3. According to the past establishment, the Bureau is supported by 1 Principal Assistant Secretary and 1 Assistant Secretary in addition to the Under Secretary. Is there any change in the establishment?

The Bureau, with a commitment of \$92 million made for the FDRC in the past, should be responsible for monitoring the use of public funds.

Asked by: Hon LEUNG Kwok-hung (Member Question No. 101)

Reply:

1. We issued in December 2014 an information note to the Finance Committee (FC) of the Legislative Council, informing Members of the Administration's plan to use the outstanding balance of the \$92 million non-recurrent commitment approved by FC in June 2011 to continue funding the operation of the Financial Dispute Resolution Centre (FDRC) until around 2017. Although the original plan was for financial institutions to shoulder all the operating costs of FDRC from 1 January 2015, taking into account the interests of the financial services industry in the funding arrangement and the complexity of the technical issues involved, the FDRC considered it necessary to conduct an in-depth study on the future funding arrangement, including a mechanism for the collection of contributions from the financial services industry. The consultancy firm engaged by FDRC is conducting the relevant study, with a view to finalising the future funding arrangement in the first half of 2016.
2. The Under Secretary represents the Financial Services and the Treasury Bureau (FSTB) to serve on FDRC's Board of Directors.
3. There is no change in the establishment within FSTB. The Under Secretary is a Director on the FDRC Board and is supported by one Principal Assistant Secretary and one Assistant Secretary.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)094

(Question Serial No. 3632)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the additional directorate post created this year, please advise me of its work nature, salary point as well as the estimated expenditure of salary and allowances involved.

Asked by: Hon LEUNG Kwok-hung (Member Question No. 102)

Reply:

The relevant information is as follows –

Rank	Reasons for creation	Pay Point	Provisions involved (including salaries & allowances) (\$ million)
Principal Executive Officer	To set up a preparatory team to provide administrative support to the Provisional Insurance Authority in its initial operation, including recruiting key personnel, office rental and the setting up of information technology system, etc..	Directorate Pay Scale Point 1	1.55

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)095

(Question Serial No. 3633)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The departmental expenses on "Hire of services and professional fees" has risen from \$12,000,000 to \$14,619,000 this year, representing an increase of 21.8% as compared with last year. What are the reasons for such a double-digit increase?

Asked by: Hon. LEUNG Kwok-hung (Member Question No. 104)

Reply:

The expenditure for "Hire of Services and Professional Fees" in the 2015-16 draft estimate is 21.8% above that in the 2014-15 revised estimate. This is mainly because the projected expenditure for the Financial Services Development Council in the 2015-16 draft estimate is higher than that in the 2014-15 revised estimate. The resources are mainly for enhancing the promotion of Hong Kong's financial services industry and research activities.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)096

(Question Serial No. 3634)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The "General departmental expenses" has risen from \$67,648,000 to \$72,479,000 this year, representing an increase of 7.1% as compared with 2014-15. What are the reasons? From 2012-13 onwards, this expenditure has been increasing at an average annual rate of 13% for the past four years.

Asked by: Hon. LEUNG Kwok-hung (Member Question No. 107)

Reply:

The general departmental expenses for 2015-16 is 7.1% above 2014-15. This is mainly due to the projected increase in expenditure on salaries for non-civil service contract staff arising from filling of vacancies and salary increase.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)097

(Question Serial No. 3635)

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

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

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

I inquire about the operating cost and manpower of the Financial Services Development Council (FSDC). Five officials from the Government and three from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission assist in the work of FSDC. I request that the Government should provide the estimated revenue and expenditure of FSDC for last year and this year, as well as a breakdown of the financial provision and expenditure of the Financial Services and the Treasury Bureau and the three above-mentioned organisations involved in support of FSDC.

Asked by: Hon LEUNG Kwok-hung (Member Question No. 108)

Reply:

The expenditure of the FSDC was around \$1.8 million in 2014-15, and is budgeted at \$4.7 million in 2015-16. It is met from within the existing resources of the Financial Services Branch (FSB). The resources are mainly for enhancing the promotion of Hong Kong's financial services industry and research activities.

As for staffing, the secretariat of the FSDC is currently supported by one Senior Economist, one Chief Executive Officer, two Senior Executive Officers and one Assistant Clerical Officer deployed from the FSB and three other staff members seconded respectively from the Hong Kong Monetary Authority, Hong Kong Trade Development Council and Securities and Futures Commission. The expenditure for the staff deployed from the FSB is absorbed from within the existing resources of the FSB and, for the seconded staff, the seconding organisations.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)098

(Question Serial No. 4353)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In paragraph 46 of the Budget Speech, it is mentioned that from this year onwards, free online Government information will be released in digital formats.

(1) Please provide in the table below details about the free online Government information released in digital formats by your bureau/department for download by the public:

						Format of information available for download (please choose)			
Bureau/ Department	Free information/ data released to the public	Description of the information	Period of the information	Is it currently listed in Data.One	Date of release and the updating frequency	JSON, XML, or CSV	XLS, DOC	TIF, JPG, PDF, PNG	RSS

(2) In 2015-16, what are the manpower and expenditure involved in releasing online Government information by your bureau/department?

(3) Did your bureau/department review all non-classified information that your bureau/department own or possess, draw up priorities for their release, and compile them into digital data formats to facilitate retrieval/inspection, research or application development, and the creation of more industries through innovative reuse of data? If so, what are the details? If not, what are the reasons?

Asked by: Hon MOK Charles Peter (Member Question No. 82)

Reply:

- (1) We have been providing the public with information through our websites. Such information includes organisation charts and responsibilities, consultation papers and conclusions, speeches and press releases, statistics and reports, and other topical issues, etc. The information concerned is prepared in digital formats (e.g. JPG, GIF, MS Word, MS Excel, PDF etc.). We have also uploaded information to the public sector information (PSI) portal “Data.Gov.HK” launched by the Office of the Government Chief Information Officer (OGCIO) on 18 March 2015. The categories and quantity of government information open to the public are enormous, which cannot be tabulated in detail.
- (2) The manpower and expenses involved in the relevant work will be absorbed from within existing resources. We do not have a separate breakdown.
- (3) The Government will release all free online government information in digital formats from this year onwards, with a view to tapping the creativity and ingenuity of the community to develop innovative applications using PSI. This helps bring convenience to the public and open up new business opportunities.

We have been providing the public with information prepared in digital formats through our websites and the PSI portal launched by OGCIO.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)099

(Question Serial No. 4354)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

In connection with the provision of public information and gathering of public opinions by means of the Internet, please advise on the following:

The information regarding the social media platforms set up and operated by your bureau/departments/public bodies or their agents (such as out-sourced contractors or consultants) for the past year in tabulated form (see Annex 1).

Commencement of operation (Month/Year)	Status (keep updating / ceased updating) (as at 28 February 2015)	Government agencies (including policy bureaux/ departments / public bodies/ government consultations)	Name	Social media (Facebook/ Flickr/ Google+ / LinkedIn / Sina Weibo/ Twitter/ YouTube)	Purpose of establishment and no. of updates (as at 28 February 2015)	No. of "Likes"/ No. of subscribers/ Average monthly visits (as at 28 February 2015)	Compiling summary of comments and following up on a regular basis (Yes/ No)	Rank and No. of officers responsible for the operation (as at 28 February 2015)	Financial resources involved in the establishment and daily operation (as at 28 February 2015)
			(1)...	(1)...					
			(2)...	(2)...					
			(3)...	(3)...					

Asked by: Hon MOK Charles Peter (Member Question No. 83)

Reply:

Financial Services Branch had not set up nor operated any social media platform in the past year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)100

(Question Serial No. 4832)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the Branch's expenditure on the procurement of computer software and hardware, will the Government advise this Committee of the following issues:

- (a) Does the Government have any standard internal procurement guidelines which set out the criteria for the purchase or upgrade of computer software and hardware by departments? If so, what are the details? Do the guidelines require that departments should upgrade its computer software and hardware in a timely manner?
- (b) Microsoft, the computer software and hardware supplier, will terminate its support service for its operating platform Windows XP. Please provide, in light of this, the respective numbers of mainframe computers in the departments which are using (1) the operating platform of Microsoft Windows XP; (2) the operating platforms released by Microsoft before 2001; and (3) other operating platforms (please specify the version), as well as the respective percentages of the departments' total numbers of mainframe computers these 3 types of operating systems account for. Do the departments have any plan to upgrade these operating platform versions which are now obsolete?
- (c) What are the expenditure on and criteria for the procurement of tablet computers by the Branch? What are the model numbers and uses of the tablet computers? Is there any classified information saved on the tablet computers? If so, what are the details? Is there any information security software installed in the tablet computers used by the departments? What is the expenditure involved?
- (d) How many mainframe computers of department are operating offline and what are the versions of their operating platforms? Are there any uniform standards for the use of

information security or anti-virus software by departments? If so, what is the type of software used? If not, what are the respective types of software used?

Asked by: Hon MOK Charles Peter (Member Question No. 127)

Reply:

- (a) According to the prevailing guidelines, bureaux/departments (b/ds) are required each year to formulate information technology (IT) project portfolio for the next 3 years and plan for the related IT projects so as to ensure these IT projects can practically and effectively meet the business needs and operational arrangements of the related b/ds. With regard to the planning for IT replacement projects, b/ds are required to examine and assess various potential risks and devise associated mitigation measures. From the technology perspective, the potential risks that should be taken into consideration include product compatibility, maintenance and support, replacement products for ensuring continuity and availability of market supply. In procuring or replacing computer hardware and software, b/ds must follow the government procurement guidelines to make the most cost-effective purchase through open and fair competition, and take into account the importance and priority of the IT projects.
- (b) We have upgraded the operating platform of all our computers to Windows 7 and do not have any plan to upgrade the operating platform for the time being. We will upgrade obsolete operating platform having regard to business needs and operational arrangement.
- (c) In 2014-15 (as at 18 March 2015), the expense on purchase of tablet computers was \$4,888. Our tablet computers are mainly used to support and improve our internal operations. They are used for emails, SMS, calendar management and Internet browsing. We will make new or enhancement purchases of the tablet computers according to the government's procurement guidelines. We do not store classified information in our tablet computers. Although we have not installed any information security software on our tablet computers, we have taken security measures as appropriate, such as power-on passwords for mobile devices and device wipe after specified number of failed login attempts.
- (d) We have been following the prevailing information security policies, guidelines and procedures to protect government information systems and data. Multiple layers of protective measures, including deploying updated information security and anti-virus software, are implemented. Through the standing offer agreements administered by Office of the Government Chief Information Officer (OGCIO), a number of information security software commonly used in the industry is available for the procurement and use of various departments.

For security reasons, we will not disclose the details on information security or anti-virus software being adopted by us. Our Branch does not have any computers for offline operation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)101

(Question Serial No. 4043)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As said by the Government in the Budget Speech: "I have asked the Secretary for Financial Services and the Treasury to set up a steering group to study how to develop Hong Kong into a financial technology hub together with industries, research and development institutions as well as regulatory authorities." In this regard, will the Government inform this Committee of the following:

- (a) What are the action plan and specific research project that the Government will carry out in respect of the above matter in 2015-16? What is the estimated expenditure involved?
- (b) What are the number and rank of the government officials to be tasked with the related research work?

Asked by: Hon SIN Chung-kai (Member Question No. 60)

Reply:

The Financial Services and the Treasury Bureau will set up the Steering Group on Financial Technologies (Fintech) soon, and would map out its detailed work and scope of research with the Steering Group. Pending deliberations of the Steering Group, we will assess the financial implications of any eventual proposals. The Financial Services Branch will provide secretariat support to the Steering Group. The expenditure involved for the secretariat, comprising 1 Principal Assistant Secretary, 1 Senior Economist and 1 Economist, will be absorbed by existing resources.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)102

(Question Serial No. 4048)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government has mentioned in the Budget Speech that the “Government, together with relevant regulators, will strive to keep our regulatory regime up to international standards.” In this regard, will the Government advise this Committee of:

- (a) the estimated expenditure on the work for 2015-16;
- (b) the number and rank of officials responsible for the work;
- (c) the detailed work plans of those officials; and
- (d) the progress or schedule for the work for 2015-16?

Asked by: Hon SIN Chung-kai (Member Question No. 65)

Reply:

It has been one of the key responsibilities of the Financial Services Branch to ensure that Hong Kong's regulatory regime is on par with international standards, by implementing the requirements in accordance with the international financial reform agenda. This involves initiatives across various areas of the Branch. We do not have a separate breakdown on the relevant expenditure of the work.

On banking regulation, Hong Kong will continue to implement the second phase of Basel III requirements in accordance with the timetable recommended by the Basel Committee on Banking Supervision. The new liquidity standards and capital buffers requirements, together with the corresponding disclosure requirements, have come into operation this year. We are preparing some technical amendments to the Banking (Capital) Rules, with a view to introducing the subsidiary legislation into the Legislative Council (LegCo) within this year.

We also pursue measures to combat money laundering and terrorist financing, improve risk assessment, and participate actively in the Financial Action Task Force.

The Securities and Futures (Amendment) Ordinance 2014, enacted by LegCo in March last year, provides the legal framework for Hong Kong to meet the G20 commitments in relation to the regulation of the over-the-counter (OTC) derivative market. The framework enables the mandatory reporting, clearing and trading of OTC derivative transactions, and introduces a record keeping obligation to supplement the implementation of the relevant obligations. We aim to table the first batch of subsidiary legislation before LegCo for negative vetting later this year for the phased implementation of the regime.

On regulation of the insurance industry, we introduced the Insurance Companies (Amendment) Bill 2014 into LegCo in April 2014 for establishing the independent Insurance Authority (IIA). The policy objectives of setting up the IIA are to modernise the insurance industry regulatory infrastructure to facilitate the stable development of the industry, provide better protection for policy holders, and comply with international practices that insurance regulators should be financially and operationally independent of the government. Our target is to immediately commence the preparatory work for establishing the Provisional Insurance Authority after the passage of the Bill. Also, to meet the international requirements and enhance the prudential regulation of insurers, we are working on the introduction of a risk-based capital framework for the insurance industry, making capital requirements on insurers more sensitive to the level of risk that they are bearing. The consultation on the proposed framework ended in December 2014. The next phase will involve developing the detailed rules and carrying out quantitative impact study.

To establish a resolution regime for different types of financial institutions in Hong Kong, following the first stage of public consultation last year, the Financial Services Branch, together with relevant regulators, launched the second stage of public consultation in January 2015. We plan to roll out the third stage of public consultation in the first half of 2015 concerning some issues which are still being developed and deliberated at the international level, such as measures to implement an effective cross-border resolution mechanism across the Financial Stability Board's member economies.

In addition, we propose reforming Hong Kong's regulatory framework so that the oversight of auditors of listed entities is to be kept independent of the profession itself, in order to benchmark the regulatory framework against international standards. We completed a three-month public consultation last year. We are studying the submissions carefully as we prepare the consultation conclusions for publication in mid-2015.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)103

(Question Serial No. 4050)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government has mentioned in the Budget Speech that it will “review the experience of the implementation of this project, and discuss with the relevant authorities of the Central Government the launch of the Shenzhen-Hong Kong Stock Connect and enhancement of the Shanghai-Hong Kong Stock Connect.” In this regard, will the Government advise this Committee of:

- (a) the estimated expenditure on the work for 2015-16;
- (b) the number and rank of officials responsible for the work;
- (c) the detailed work plans of those officials; and
- (d) the progress or schedule for the work for 2015-16?

Asked by: Hon SIN Chung-kai (Member Question No. 67)

Reply:

Relevant authorities and organisations in Hong Kong are discussing with the relevant authorities of the Central Government the launch of Shenzhen-Hong Kong Stock Connect and the enhancement of Shanghai-Hong Kong Stock Connect. Details including operational arrangements and implementation timetable will be available at a later stage when the discussion progresses further. We shall make an announcement at an appropriate time.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The related expenses will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)104

(Question Serial No. 4051)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government has mentioned in the Budget Speech that it will “also work with the industry to stage roadshows in the Mainland to promote Hong Kong’s securities market to Mainland investors.” In this regard, will the Government advise this Committee of:

- (a) the estimated expenditure on the work for 2015-16;
- (b) the number and rank of officials responsible for the work;
- (c) the detailed work plans of those officials; and
- (d) the progress or schedule for the work for 2015-16?

Asked by: Hon SIN Chung-kai (Member Question No. 68)

Reply:

In order to deepen Mainland investors’ understanding about, among others, the varieties of stocks, the trading operation and rules and regulations of Hong Kong’s securities market, we plan to join hands with the Hong Kong Exchanges and Clearing Limited (HKEx) to work with the industry to stage roadshows in the Mainland to promote Hong Kong’s securities market to Mainland investors. We are now working out the arrangements with HKEx. We shall liaise with the industry when there are further details.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved. The related expenses involved in the roadshows will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)105

(Question Serial No. 4052)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government has mentioned in the Budget Speech that it will “continue to actively develop Hong Kong’s capacity to serve as a global hub for offshore RMB business, providing new opportunities for the financial sectors both in the Mainland and Hong Kong. To this end, we shall work with the Mainland authorities to further increase our investment quota for the RMB Qualified Foreign Institutional Investors (RQFII) Scheme and strive for early implementation of the arrangement for mutual recognition of funds.” In this regard, will the Government advise this Committee of:

- (a) the estimated expenditure on the work for 2015-16;
- (b) the number and rank of officials responsible for the work;
- (c) the detailed work plans of those officials; and
- (d) the progress or schedule for the work for 2015-16?

Asked by: Hon SIN Chung-kai (Member Question No. 69)

Reply:

Together with relevant financial regulators and the markets, the Government has been promoting the development of offshore Renminbi (RMB) business in Hong Kong since 2004. With the expanding use of RMB in cross-border transactions, the offshore RMB business in Hong Kong has been growing rapidly in recent years. Hong Kong is now the world’s largest offshore RMB business hub, and financing and asset management centre.

In the financial year 2015-16, we will continue to engage relevant Mainland authorities on the policy front to tap first mover advantage, with a view to facilitating the cross-border use and circulation of RMB funds in a risk controlled manner; strengthen our market infrastructure and financial platforms to enhance their market friendliness to users; facilitate

and promote offshore RMB business and product innovation and diversification to cater for the needs of different investors and corporates; strengthen our RMB business links with overseas markets in order to provide RMB services to international financial institutions and overseas corporates especially at the wholesale level; and promote our offshore RMB platform through seminars and roadshows overseas.

As regards increasing the investment quota for the Renminbi Qualified Foreign Institutional Investors (RQFII) Scheme, we will continue to maintain close liaison with relevant Mainland authorities with a view to seeking an increase as soon as possible in order to meet market demands.

The Securities and Futures Commission and relevant Mainland authorities have already reached consensus on the framework of the arrangement for mutual recognition of funds between the Mainland and Hong Kong. We look forward to an early implementation of the arrangement.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, two Principal Assistant Secretaries and two Assistant Secretaries are involved. The related expenses will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)106

(Question Serial No. 4053)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government has mentioned in the Budget Speech that it has a “plan to table a bill in LegCo later to allow private equity funds to enjoy profits tax exemption available to offshore funds.” In this regard, will the Government advise this Committee of:

- (a) the estimated expenditure on the work for 2015-16;
- (b) the number and rank of officials responsible for the work;
- (c) the detailed work plans of those officials; and
- (d) the progress or schedule for the work for 2015-16?

Asked by: Hon SIN Chung-kai (Member Question No. 70)

Reply:

Regarding the proposal to amend the Inland Revenue Ordinance to extend the profits tax exemption for offshore funds to private equity funds, one Administrative Officer Staff Grade B1 oversees the relevant functions and is supported by one Administrative Officer Staff Grade C and one Senior Administrative Officer within the Financial Services and the Treasury Bureau. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown. We will introduce the bill into the Legislative Council shortly. Responsible officers will assist the Legislative Council in scrutinising the bill, with a view to facilitating early implementation of the proposal.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)107

(Question Serial No. 4054)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government has mentioned in the Budget Speech that it will “consider actively a further sukuk issuance when market conditions are favourable, in a bid to attract more issuers and investors into the local market.” In this regard, will the Government advise this Committee of:

- (a) the estimated expenditure on the work for 2015-16;
- (b) the number and rank of officials responsible for the work;
- (c) the detailed work plans of those officials; and
- (d) the progress or schedule for the work for 2015-16?

Asked by: Hon SIN Chung-kai (Member Question No. 71)

Reply:

The Financial Services Branch is responsible for policies relating to the Government Bond Programme and the promotion of the development of the bond market. In 2015-16, we, together with the Hong Kong Monetary Authority and other relevant departments, will consider actively a further sukuk issuance under the Government Bond Programme. We will, subject to market conditions and demand, determine the issuance parameters, with a view to attracting more issuers and investors to the local market.

Within the Financial Services Branch, one Deputy Secretary, one Principal Assistant Secretary and one Assistant Secretary are involved in this exercise. The expenses involved will be absorbed from within the existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)108

(Question Serial No. 4055)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government has mentioned in the Budget Speech that “while we strengthen our connection with the Mainland market, we are also expanding our RMB business links with the rest of the world.” In this regard, will the Government advise this Committee of:

- (a) the estimated expenditure on the work for 2015-16;
- (b) the number and rank of officials responsible for the work;
- (c) the detailed work plans of those officials; and
- (d) the progress or schedule for the work for 2015-16?

Asked by: Hon SIN Chung-kai (Member Question No. 72)

Reply:

In the financial year 2015-16, we will deepen the mutual access between financial markets in Hong Kong and the Mainland. Relevant authorities and organisations in Hong Kong are discussing with the relevant authorities of the Central Government the launch of Shenzhen-Hong Kong Stock Connect and the enhancement of Shanghai-Hong Kong Stock Connect. Details including operational arrangements and implementation timetable will be available at a later stage when the discussion progresses further. We will make an announcement at an appropriate time. In order to deepen Mainland investors' understanding about, among others, the varieties of stocks, the trading operation and rules and regulations of Hong Kong's securities market, we plan to join hands with the Hong Kong Exchanges and Clearing Limited (HKEx) to work with the industry to stage roadshows in the Mainland to promote Hong Kong's securities market to Mainland investors. We are now working out the arrangements with HKEx and will liaise with the industry when there are further details.

Besides, we will also strengthen our RMB business links with overseas markets in order to provide RMB services to international financial institutions and overseas corporates especially at the wholesale level, and promote our offshore RMB platform through seminars and roadshows overseas.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, two Principal Assistant Secretaries and one Assistant Secretary are involved. The related expenses will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)109

(Question Serial No. 4056)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The Government has mentioned in the Budget Speech that it will “endeavour to leverage our strength in financing and asset management to support its establishment and operation, and pursue actively the possibility of our joining AIIB (Asian Infrastructure Investment Bank).” In this regard, will the Government advise this Committee of:

- (a) the estimated expenditure on the work for 2015-16;
- (b) the number and rank of officials responsible for the work;
- (c) the detailed work plans of those officials; and
- (d) the progress or schedule for the work for 2015-16?

Asked by: Hon SIN Chung-kai (Member Question No. 73)

Reply:

At present, more than 20 countries (including China) are preparing for the establishment of the Asia Infrastructure Investment Bank (AIIB) and drafting the articles of agreement for establishing the AIIB with a view to completing the discussion by end June 2015 and commencing its operation by end 2015. The Financial Services Branch will deploy existing resources and manpower (including 1 Principal Assistant Secretary and 1 Assistant Secretary) to take forward work related to our participation in the AIIB.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)110

(Question Serial No. 4154)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is stated under this Programme that the Branch will “prepare legislation for introducing a core fund which will be subject to fee control and based on a long-term investment strategy, as the default fund of each MPF (Mandatory Provident Fund) scheme”. In this regard, please provide this Committee with the following information:

- 1) There are currently a number of schemes registered as MPF schemes, each with its default fund. What are the details of the default funds?
- 2) What were the asset values, annualised returns and fund expense ratios of the default funds in each of the past 3 years?
- 3) What requirements are laid down by the Administration concerning the proposed fee control and long-term investment strategy for the core fund? What is the timetable for launching the “Core Fund”? And
- 4) What are the manpower and expenditure involved in the above work?

Asked by: Hon TANG Ka-piu (Member Question No. 59)

Reply:

- 1) At present, among the default funds used in the 38 Mandatory Provident Fund (MPF) schemes, 12 are mixed-assets funds, 12 are MPF conservative funds, 6 are guaranteed funds, 4 are target-date or life-cycle funds, and 2 are funds investing in short-term debt securities and deposits. 2 schemes distribute contributions into different constituent funds in the same scheme.

- 2) According to information published by the Mandatory Provident Fund Schemes Authority (MPFA) on the “Fee Comparative Platform” of its website in December 2014, the maximum and minimum values of the 5-year annualised return of default funds (net of fees and charges) are 11.94% and -0.15% respectively. The net asset value and Fund Expense Ratio (FER) of these funds for the past 3 years are set out below:

Year	Net Asset Value (Net of fees and charges)	FER (Note)
2012	\$100,000 - \$7.8 billion	0.17% - 3.86%
2013	\$1.2 million - \$8.9 billion	0.23% - 3.83%
2014	\$2.1 million - \$9.7 billion	0.13% - 3.92%

- 3) We propose that the management fees of the “Core Fund” should not exceed 0.75% of assets under management per annum. This covers the management fees charged for administration services provided by trustees, and for investment management and distribution of the relevant constituent funds and underlying investment funds, etc. In order to meet the objective of retirement savings, we propose that the “Core Fund” should be designed according to a standardised investment approach. The investment risks of the “Core Fund” should be adjusted with reference to the age of the scheme member. For instance, when the scheme member reaches the age of 50, the target exposure of his or her investments to higher risk assets should be gradually reduced from 60% to 20%, by the time when the scheme member reaches the age of 65. With reference to the consultation conclusions on “Core Fund” released on 12 March 2015, we are drafting an amendment bill, with a view to introducing it into the Legislative Council this year and launching the “Core Fund” in 2016.
- 4) Within the Financial Services Branch, 1 Administrative Officer Grade B, 1 Administrative Officer Staff Grade C and 1 Senior Administrative Officer assist in handling the relevant initiative. The expenses involved will be absorbed from within existing resources. We do not have a separate breakdown.

Note : Based on the information published by MPFA on the Fee Comparative Platform of its website in December of the relevant year and data from the most recent financial statements provided by trustees to MPFA at the end of the relevant year. The information is historical figure.

End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)111

(Question Serial No. 4155)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned under the Programme that the Financial Services Branch will introduce an automatic mechanism for adjusting the minimum and maximum levels of relevant income for Mandatory Provident Fund (MPF) mandatory contributions. In this connection, please advise this Committee of:

1. the work schedule for preparing legislation;
2. the amount of annual MPF contributions and the total accrued benefits paid in the past 3 years; and
3. the number of cases of withdrawal of MPF accrued benefits for different reasons and the total amount withdrawn in the past 3 years.

Year	Retirement/ early retirement	Permanent departure from Hong Kong	Total incapacity	Death	To offset severance payments or long service payments	Total
2012						
2013						
2014						

Asked by: Hon TANG Ka-piu (Member Question No. 60)

Reply:

1. The public consultation on “Introducing an Automatic Mechanism for Adjustment of Minimum and Maximum Levels of Relevant Income” in respect of mandatory

contributions for the Mandatory Provident Fund (MPF) ended on 5 March 2015. The Mandatory Provident Fund Schemes Authority (MPFA) is still studying the views received as the consultation has just ended. At this stage, we do not have a specific timetable for the related legislative work.

2. According to information from MPFA, the amounts of contributions received and benefits paid in the past 3 years are set out below :

(\$million)

Year	Contributions Received	Benefits Paid
2012	47,694	11,516
2013	53,641	14,937
2014	59,676	18,527

3. According to information from MPFA, the amounts of accrued benefits withdrawn on the following grounds in the past 3 years are set out below:

(\$million)

Year	Retirement / early retirement (Notes 1 and 2)	Permanent departure from Hong Kong (Number of cases)	Total incapacity (Note 2)	Small balance account (Note 2)	Death (Note 2)	Offsetting severance payments (SP) or long service payments (LSP) (Note 3)	Total (Note 4)
2012	2,926	1,971 (25 100)	134	1	338	2,270	7,640
2013	3,976	2,646 (28 000)	155	1	377	2,678	9,834
2014	4,782	3,102 (29 300)	202	1	410	3,006	11,503

Note 1: MPFA does not have the breakdown of the accrued benefits paid in respect of retirement and early retirement.

Note 2: MPFA does not have the number of cases for accrued benefits paid in respect of the relevant grounds.

Note 3: MPFA only keeps the number of cases and breakdown of the accrued benefits paid in respect of offsetting SP and LSP in 2014, which are 45 400 cases, \$1,656 million and \$1,341 million respectively. Since a case may involve more than 1 claimant (e.g. both the employer and the employee can make claims with trustee(s) for the same case), the number of cases refers to the number of claims made by the claimants, but not the number of cases.

Note 4: The figures may not add up to the total due to rounding. The figures do not include accrued benefits that are withdrawn on account of grounds not set out in the table. Thus, the figure is lower than the total accrued benefits paid in the same year.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)112

(Question Serial No. 4309)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

During 2015-16, the Financial Services Branch will continue to advance financial co-operation with the Mainland by: 1) reinforcing the offshore Renminbi business platform; and 2) deepening the mutual access between financial markets in Hong Kong and the Mainland and pursuing initiatives under the Mainland and Hong Kong Closer Economic Partnership Arrangement and other co-operation frameworks. In this regard, will the Government inform this Committee of the following:

1. What were the achievements of the above initiatives in 2014-15? What was the expenditure involved?
2. What is the specific work plan for 2015-16? What is the estimated expenditure involved?

Asked by: Hon TIEN Pei-chun, James (Member Question No. 80)

Reply:

On advancing financial co-operation with the Mainland, our achievements in 2014-15 and the work plan for 2015-16 are as follows:

Offshore Renminbi (RMB) business

In the financial year 2014-15, there was enhancement in the depth and breadth of the offshore RMB market in Hong Kong. RMB trade settlement handled by banks in Hong Kong amounted to RMB6,258 billion in 2014, with a year-on-year increase of 63 per cent. As at the end of January 2015, RMB customer deposits and outstanding RMB certificates of deposit totalled RMB1,131 billion, with a year-on-year increase of 4 per cent. In the

fourth quarter of 2014, the average daily turnover on Hong Kong's RMB Real Time Gross Settlement (RTGS) system amounted to RMB 850 billion, representing an 80 per cent increase over the same period a year earlier.

Hong Kong is also the world's largest offshore RMB investment products market. A wide range of RMB products (including investment funds (both listed and unlisted), insurance products, currency futures, real estate investment trusts, shares and derivative products) are available in the market. The RMB conversion limit for Hong Kong residents of RMB20,000 per day was removed in November 2014, making it more convenient for Hong Kong residents to participate in Shanghai-Hong Kong Stock Connect and other RMB financial transactions and facilitating the launch of more diversified RMB investment products by financial institutions in Hong Kong. Meanwhile, RMB financing activities continued to expand. There was a significant growth in RMB bank lending, with the outstanding amount of RMB loans increasing to RMB188 billion at the end of 2014, from RMB116 billion at the end of 2013. RMB bond issuance in Hong Kong totalled RMB197 billion in 2014, with a year-on-year increase of 69 per cent. As at the end of February 2015, the outstanding RMB bonds amounted to RMB374 billion. Besides, the Central Government issued sovereign bonds twice in Hong Kong in 2014 with a total size of RMB28 billion.

In the financial year 2015-16, we will continue to engage relevant Mainland authorities on the policy front to tap first mover advantage, with a view to facilitating the cross-border use and circulation of RMB funds in a risk controlled manner; strengthen our market infrastructure and financial platforms to enhance their market friendliness to users; facilitate and promote offshore RMB business and product innovation and diversification to cater for the needs of different investors and corporates; strengthen our RMB business links with overseas markets in order to provide RMB services to international financial institutions and overseas corporates especially at the wholesale level; and promote our offshore RMB platform through seminars and roadshows overseas.

Mutual access between financial markets in Hong Kong and the Mainland

Shanghai-Hong Kong Stock Connect has been in operation since November last year, and its operation (including order routing and matching, trade confirmation and reconciliation, clearing and settlement as well as risk management) has been smooth. Shanghai-Hong Kong Stock Connect represents a historic milestone in the establishment of mutual access between the two capital markets. It has opened up a new channel for cross-border use and circulation of RMB funds, and will help further develop Hong Kong's offshore RMB business. Moreover, the unique connectivity with the Mainland stock market offered by the scheme is beneficial to the financial intermediary businesses in Hong Kong as it provides services ranging from investment management, market research to custodian and brokerage services to Hong Kong and international investors going into the A-share market. All in all, Shanghai-Hong Kong Stock Connect and other cross-border investment schemes will help reinforce and enhance Hong Kong's position as the premier international financial centre and offshore RMB business centre.

Relevant authorities and organisations in Hong Kong are discussing with the relevant authorities of the Central Government the launch of Shenzhen-Hong Kong Stock Connect

and the enhancement of Shanghai-Hong Kong Stock Connect. Details including operational arrangements and implementation timetable will be available at a later stage when the discussion progresses further. We will make an announcement at an appropriate time.

In order to deepen Mainland investors' understanding about, among others, the varieties of stocks, the trading operation and rules and regulations of Hong Kong's securities market, we plan to join hands with the Hong Kong Exchanges and Clearing Limited (HKEx) to work with the industry to stage roadshows in the Mainland to promote Hong Kong's securities market to Mainland investors. We are now working out the arrangements with HKEx. We will liaise with the industry when there are further details.

Pursuing financial co-operation with the Mainland under various frameworks

The Guangdong Agreement signed under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) in December 2014 was implemented on 1 March this year. It has further deepened the financial co-operation between the two places, including streamlining the procedures for establishing insurance agency companies in Guangdong Province by Hong Kong insurance brokerage companies as well as encouraging Guangdong insurance companies to place their outward reinsurance with Hong Kong insurance companies with RMB as the settlement currency for better risk management. The CEPA Guangdong Agreement also allowed eligible Hong Kong residents who have obtained the Chinese Certified Public Accountants qualification to become partners of partnership accounting firms in Guangdong Province.

In addition to the liberalisation measures under the CEPA Guangdong Agreement, RMB cross-border trade settlement between Hong Kong and Guangdong continues to grow. In 2014, the amount of RMB trade settlement conducted through banks in Hong Kong totalled RMB 6,258 billion, of which about 20% involved trade settlement between Guangdong and Hong Kong. The 20th Working Meeting of Hong Kong-Guangdong Co-operation Joint Conference was held in Guangzhou on 11 March 2015. The two sides worked together to formulate the 2015 Work Plan, which covered financial services industries including RMB business, banking, insurance and securities. Both sides agreed to capitalise on the opportunities arising from the introduction of Shenzhen-Hong Kong Stock Connect to deepen the co-operation of the securities markets in the coming year. In addition to making continued efforts to lower the entry thresholds for Hong Kong financial institutions, both sides will seek to extend the cross-border RMB lending policy currently applied in Qianhai to cover Nansha and Hengqin, with a view to promoting the circulation and use of RMB funds in the Hong Kong offshore market and facilitating the development of real economy in key regions of Guangdong.

Regarding the financial co-operation between Hong Kong and Shanghai, relevant authorities of the two places conduct regular exchange on matters related to the development of financial markets, encouraging and supporting mutual establishment of financial institutions, as well as training and exchange of financial talents in accordance with the Memorandum of Understanding (MOU) Concerning Advancing Hong Kong-Shanghai Financial Co-operation concluded in 2010. For example, underpinned by the Financial Services and the Treasury Bureau and the Shanghai Municipal Government Financial

Services Office, the Cross-border Study Tour for Post-secondary Financial Talents, launched in 2012, has been successful. We will continue to organise the scheme in 2015. Moreover, the Shanghai-Hong Kong Stock Connect has been operating smoothly since its launch in November last year. As mentioned above, for the capital markets of the two places to move towards full mutual access, we will review the experience of the implementation of this project, and discuss with the relevant authorities of the Central Government regarding the enhancement of the Shanghai-Hong Kong Stock Connect and launch of the Shenzhen-Hong Kong Stock Connect.

Regarding the financial cooperation between Fujian and Hong Kong, the first Hong Kong/Fujian Co-operation Conference was conducted in Fuzhou on 22 January 2015 to discuss ways of enhancing co-operation in economic and trade as well as financial fronts between the two places and an agreement was signed on strengthening financial co-operation between Hong Kong and Fujian Province. Under the agreement, both sides agreed to enhance co-operation in the banking, insurance, securities and accounting services industries as well as the financial market, and to establish a liaison mechanism for the implementation of the agreement.

In the financial year 2015-16, we will continue to seek to facilitate further access of our financial services sectors to the Mainland market through CEPA and other regional cooperation platforms, including Hong Kong-Guangdong, Hong Kong-Shanghai and Hong Kong-Fujian. With the deepening of economic and financial reforms in the Mainland and gradual establishment of free trade zones, there will be more cooperation opportunities between Hong Kong and the Mainland. We will continue to maintain close liaison with relevant Mainland authorities to seize and capitalize on the opportunities arising from Mainland's economic and financial development.

The above work will be pursued jointly by the Government and relevant financial regulators. Within the Financial Services Branch, one Deputy Secretary, two Principal Assistant Secretaries and two Assistant Secretaries are involved. The related expenses will be absorbed from within existing resources. We do not have a separate breakdown.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)113

(Question Serial No. 4310)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

During 2015-16, the Financial Services Branch will continue to promote the development of asset management industry, including to: 1) legislate for a new open-ended fund company structure; and 2) legislate for profits tax exemption for offshore private equity funds. In this regard, will the Government inform this Committee of the following:

1. What were the achievements of the above initiatives in 2014-15? What was the expenditure involved?
2. What is the specific work plan for 2015-16? What is the estimated expenditure involved?

Asked by: Hon TIEN Pei-chun, James (Member Question No. 81)

Reply:

Regarding the proposal to introduce a new open-ended fund company structure, we launched in March 2014 a three-month public consultation. After the close of the public consultation in June 2014, we have considered the comments received and are formulating the detailed legislative proposals.

Regarding the proposal to extend the profits tax exemption regime for offshore funds to private equity funds, we consulted the industry and the Panel on Financial Affairs of the Legislative Council on the legislative proposal in late 2014 and January 2015 respectively. We will introduce the relevant bill into the Legislative Council shortly.

The expenses involved will be absorbed from within the existing resources.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)114

(Question Serial No. 3321)

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

Subhead (No. & title): (-) Not Specified

Programme: (1) Financial Services

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding collective investment scheme (CIS), recent years have seen the use of complex selling practices to sell various investment products, including property-related products, to potential buyers or investors. Due to the grey areas in our legislation, these investment products may not be subject to the regulation and approval of regulators, thus denying the investors the necessary protection. In this regard, please advise on the following:

1. How many complaints involving or suspected to be involving CIS were received in the past 5 years? How many of them involved property (including local and non-local property) as the investment asset?
2. How does the authorities handle the complaints? What are the criteria for prosecution and the percentage of successful prosecution?
3. What are the manpower details and the estimated expenditure involved in the investigation of these complaints in 2015-16?
4. Is there any plan in 2015-16 to enhance the regulation of selling CIS-related investment products, in particular those involving property as the subject matter of investment; if yes, what are the establishment and estimated expenditure involved?

Asked by: Hon TO Kun-sun, James (Member Question No. 89)

Reply:

1. In the past five years, the Securities and Futures Commission (SFC) received about 50 complaints involving alleged collective investment scheme (CIS), of

which over 30 involved real estate projects. The SFC does not have a breakdown for complaint figures relating to local and non-local real estates.

2. Upon receiving the complaints, the SFC will assess each complaint according to its normal procedures and conduct investigation where there is a basis to suspect a contravention. The relevant contravention may arise if a person has issued advertisement or marketing of the CIS to the public without being authorised beforehand. The SFC will take into account all relevant factors and circumstances, including whether there is evidence of detriment to the investing public, when deciding whether to take action. Two cases involving or suspected to involve CIS are undergoing judicial proceedings.
3. & 4. The SFC will continue to monitor the selling of CIS-related investment products and conduct investigation where there is a basis to suspect a contravention. Regarding the manpower resources and estimated expenditure involved, they have already been included in the SFC Budget for the Financial Year 2015-16. The SFC does not have a breakdown of the expenses.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)115****(Question Serial No. 4876)**Head: (26) Census and Statistics DepartmentSubhead (No. & title): (000) Operational ExpensesProgramme: (2) Social StatisticsControlling Officer: Commissioner for Census and Statistics (Leslie TANG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

The Census and Statistics Department (C&SD) will continue with the planning for the 2016 Population By-census (16BC). A pilot survey will be conducted in mid-2015 to test various aspects of the operation and evaluate the design of 16BC. In respect of this, please advise:

1. The titles, numbers, annual salaries and job nature of the posts that have been created for 16BC.
2. The parties, manpower and expenditure involved in the pilot survey.

Asked by: Hon CHAN Chi-chuen (Member Question No. 128)Reply:

1. C&SD has created 54 time-limited posts for 16BC to handle, inter alia, the planning and management of the fieldwork operation of the by-census, development of computer systems for processing of data and compilation of statistical results. The title, number and annual salary of the above-mentioned posts are listed below:

Post title	No. of posts	Annual salary per post (\$) (in 2014-15)	Total salary (\$) (in 2014-15)
Senior Statistician	2	1,222,560	2,445,120
Senior Statistical Officer	5	651,180	3,255,900
Statistical Officer I	8	494,400	3,955,200
Chief Census and Survey Officer	1	819,000	819,000
Senior Census and Survey Officer	5	651,180	3,255,900
Census and Survey Officer	21	451,440	9,480,240
Senior Executive Officer	1	896,280	896,280

Post title	No. of posts	Annual salary per post (\$) (in 2014-15)	Total salary (\$) (in 2014-15)
Executive Officer I	3	651,180	1,953,540
Supplies Officer	1	621,900	621,900
Clerical Officer	3	373,440	1,120,320
Assistant Clerical Officer	3	232,920	698,760
Senior Systems Manager	1	1,222,560	1,222,560
Total	54		29,724,720

2. The pilot survey does not involve other parties. C&SD does not have breakdowns of the manpower and expenditure for the pilot survey.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)116****(Question Serial No. 6204)**Head: (26) Census and Statistics DepartmentSubhead (No. & title): ()Programme: ()Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please provide for the past 5 years the number of non-Comprehensive Social Security Assistance (non-CSSA) households with monthly household income less than the CSSA level in Hong Kong and the total number of persons therein.

Asked by: Hon CHEUNG Chiu-hung, Fernando (Member Question No. 293)Reply:

Based on the data obtained from the General Household Survey conducted by the Census and Statistics Department, the number of non-CSSA domestic households (excluding foreign domestic helpers) with monthly household income less than the average CSSA payment for households of the corresponding sizes (excluding foreign domestic helpers) for 2010 to 2013 and the total number of persons therein are tabulated below. The corresponding figures for 2014 will be available in end-2015.

Year	Number of domestic households ('000)	Number of persons ('000)
2010	232.8	575.0
2011	237.9	554.9
2012	246.4	564.6
2013	241.0	515.8

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)117****(Question Serial No. 6212)**Head: (26) Census and Statistics DepartmentSubhead (No. & title): ()Programme: ()Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please provide the respective numbers of households and residential units by 18 Districts each year for the past 5 years.

Asked by: Hon CHEUNG Chiu-hung, Fernando (Member Question No. 505)Reply:

According to the results of the 2011 Population Census, the statistics on domestic households and occupied quarters by District Council district are tabulated below. The Census and Statistics Department does not have the corresponding statistics for the other years.

District Council District	Domestic Households	Occupied Quarters
Central and Western	89 529	90 752
Wan Chai	54 887	55 041
Eastern	194 249	194 791
Southern	85 837	86 599
Yau Tsim Mong	112 986	112 756
Sham Shui Po	134 795	134 942
Kowloon City	124 218	125 450
Wong Tai Sin	140 315	140 742
Kwun Tong	214 300	215 033
Kwai Tsing	168 553	169 204
Tsuen Wan	102 570	102 659
Tuen Mun	168 990	169 925
Yuen Long	190 285	191 066
North	99 453	100 380

District Council District	Domestic Households	Occupied Quarters
Tai Po	94 481	94 904
Sha Tin	207 094	208 813
Sai Kung	138 209	139 506
Islands	47 611	48 123
Total	2 368 362	2 380 686

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)118

(Question Serial No. 6215)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: ()

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide by 18 Districts each year for the past 5 years the respective numbers of small houses and their households, village houses and their households, and rooftop houses and their households.

Asked by: Hon CHEUNG Chiu-hung, Fernando (Member Question No. 508)

Reply:

The Census and Statistics Department does not have the statistical information.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)119****(Question Serial No. 6220)**Head: (26) Census and Statistics DepartmentSubhead (No. & title): ()Programme: ()Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please provide by district the rentals for tenants of private housing flats in Hong Kong (the lowest, the 25th, median, the 75th and the highest percentiles) for the past 5 years (including the latest information).

Asked by: Hon CHEUNG Chiu-hung, Fernando (Member Question No. 551)Reply:

According to the results of the 2011 Population Census, the statistics on monthly domestic household rent for households living in rental accommodation in private permanent housing by geographical region are tabulated below. The Census and Statistics Department does not have the corresponding statistics for other years.

Geographical region	Monthly domestic household rent ⁽¹⁾ for households living in rental accommodation in private permanent housing (HK\$)				
	5 th percentile	25 th percentile	Median	75 th percentile	95 th percentile
Hong Kong Island	2,100	7,000	11,000	20,000	55,500
Kowloon	1,250	2,700	5,000	9,350	25,000
New Territories	1,500	3,800	6,300	9,000	17,500
Overall	1,500	3,600	6,800	11,500	30,000

Note: (1) This is the amount paid by a domestic household renting the accommodation it occupies for the rental of the accommodation in June 2011. It includes rates, government rent and management fee for that month but excludes payments for water and electricity. Households with zero rent are excluded in the calculation.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)120****(Question Serial No. 6221)**Head: (26) Census and Statistics DepartmentSubhead (No. & title): ()Programme: ()Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please provide by number of family members the rental-to-income ratios for tenants of private housing flats in Hong Kong (the lowest, the 25th, median, the 75th and the highest percentiles) for the past 5 years (including the latest information).

Asked by: Hon CHEUNG Chiu-hung, Fernando (Member Question No. 552)Reply:

According to the results of the 2011 Population Census, the statistics on the monthly domestic household rent to income ratio for households living in rental accommodation in private permanent housing by household size are tabulated below. The Census and Statistics Department does not have the corresponding statistics for other years.

Household size	Monthly domestic household rent to income ratio ⁽¹⁾ for households living in rental accommodation in private permanent housing (%)				
	5 th percentile	25 th percentile	Median	75 th percentile	95 th percentile
1	10.0	18.9	28.0	41.2	68.8
2	5.5	14.8	22.4	33.6	58.8
3	4.4	15.6	24.5	36.0	56.9
4	3.7	13.5	21.9	33.6	52.8
5	3.2	13.6	21.4	31.2	52.2
≥ 6	4.1	13.7	20.5	31.2	54.5
Overall	4.7	15.6	24.0	35.7	59.1

Note: (1) The percentage of household income paid on household rent in June 2011 of a domestic household renting the accommodation it occupies. Households with zero income and/or zero rent are excluded in the calculation.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)121****(Question Serial No. 6223)**Head: (26) Census and Statistics DepartmentSubhead (No. & title): ()Programme: ()Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

Please provide by district the rental-to-income ratios for tenants of private housing flats in Hong Kong (the lowest, the 25th, median, the 75th and the highest percentiles) for the past 5 years (including the latest information).

Asked by: Hon CHEUNG Chiu-hung, Fernando (Member Question No. 555)Reply:

According to the results of the 2011 Population Census, the statistics on the monthly domestic household rent to income ratio for households living in rental accommodation in private permanent housing by geographical region are tabulated below. The Census and Statistics Department does not have the corresponding statistics for other years.

Geographical region	Monthly domestic household rent to income ratio ⁽¹⁾ for households living in rental accommodation in private permanent housing (%)				
	5 th percentile	25 th percentile	Median	75 th percentile	95 th percentile
Hong Kong Island	5.0	17.1	25.6	37.0	60.0
Kowloon	4.3	15.7	24.8	36.9	60.2
New Territories	5.0	14.8	22.5	33.9	57.6
Overall	4.7	15.6	24.0	35.7	59.1

Note: (1) The percentage of household income paid on household rent in June 2011 of a domestic household renting the accommodation it occupies. Households with zero income and/or zero rent are excluded in the calculation.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)122

(Question Serial No. 6224)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: ()

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide by number of family members the rentals per square metre paid by tenants of private housing flats in Hong Kong (the lowest, the 25th, median, the 75th and the highest percentiles) for the past 5 years (including the latest information).

Asked by: Hon CHEUNG Chiu-hung, Fernando (Member Question No. 556)

Reply:

The Census and Statistics Department does not have the statistical information.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)123

(Question Serial No. 6226)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: ()

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide by district the rentals per square metre paid by tenants of private housing flats in Hong Kong (the lowest, the 25th, median, the 75th and the highest percentiles) for the past 5 years (including the latest information).

Asked by: Hon CHEUNG Chiu-hung, Fernando (Member Question No. 558)

Reply:

The Census and Statistics Department does not have the statistical information.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)124

(Question Serial No. 4548)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

1. Will the Census and Statistics Department (C&SD) recruit more staff and increase the provision in 2015-16 to enhance the accuracy concerning verification of the data collected during the General Household Survey? What are the details, estimated expenditure and manpower involved?
2. Will C&SD recruit more staff and increase the provision in respect of the establishment of the 2016 Population By-census (16BC) Office? What are the details, estimated expenditure and manpower involved?

Asked by: Hon KWOK Ka-ki (Member Question No. 98)

Reply:

1. Since 2013-14, C&SD has deployed additional manpower from existing resources to strengthen the data verification of the General Household Survey and will continue to implement the same verification system in 2015-16 to ensure accuracy of the data.
2. The manpower requirement for 16BC varies at different stages of the survey. Apart from the creation of 54 time-limited posts and employment of 47 Non-Civil Service Contract (NCSC) staff in 2014-15, C&SD will employ an additional 34 NCSC staff in 2015-16 to facilitate the preparatory work of 16BC. In addition, about 100 temporary field workers will be employed during June to August 2015 to undertake the data collection work of the Pilot Survey of 16BC.

In 2015-16, the estimated expenditure is \$58 million, of which around \$38.2 million is the estimated staff cost.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)125

(Question Serial No. 3832)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

The statistical departments of many developed countries release raw data free of charge after conducting statistical surveys (e.g. the Current Population Survey in the USA) for use by the public (not just the academia) as such surveys were funded by public money. Does the Census and Statistics Department (C&SD) have any similar practice and mechanism for releasing the raw data for use by the public after conducting the General Household Surveys and the Thematic Household Survey series? If so, are there any relevant publicity and promotional activities? What are the channels for obtaining the data? If not, please explain and state whether there is any related plan in the future.

Asked by: Hon MA Fung-kwok (Member Question No. 29)

Reply:

In disseminating information to the public, C&SD has to balance the needs of data users against the concerns of survey respondents over data confidentiality. To safeguard the confidentiality of the information provided by survey respondents, C&SD has no plan to release raw data to the public. This is in line with the practice adopted by other jurisdictions such as Canada and Australia.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 3836)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: (4) General Statistical Services

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- (1) “*Matters Requiring Special Attention in 2015-16*” under Programme (4) mentioned that the Census and Statistics Department (C&SD) is implementing 2 strategic information technology (IT) projects. What are the progress, details, timetable and costs involved in the projects for developing the department-wide data capturing systems, namely “Computer-aided Telephone Interviewing System” and “Data Collection System Using Imaging Technology”?
- (2) When will C&SD carry out an interim review on its IT strategy? What are its details, timetable, costs and manpower requirements?
- (3) Is there any plan to release as downloadable datasets the statistical data currently available on C&SD’s website in tabulated or downloadable PDF format? If so, what are the details, timetable and costs?
- (4) At present, how many of C&SD’s statistical datasets can be downloaded free of charge from the Data.One portal? What is the percentage of such data sets out of all existing types of statistical data C&SD possesses?
- (5) Does C&SD have any plan in 2015-16 to release all of its online statistical information in such machine-readable formats as JSON, XML or CSV so as to facilitate the development of applications? Please advise the target, plan, timetable and costs for releasing statistics in the aforementioned formats in 2015-16.

Asked by: Hon MOK Charles Peter (Member Question No. 51)

Reply:

- (1) Regarding the 2 department-wide data collection systems of C&SD:

- a. Computer-assisted Telephone Interviewing System: C&SD issued the contract for this project, worth \$9.499 million, on 10 June 2014. System development started on 30 June 2014 and is expected to be completed in 2015-16.
 - b. Data Collection System Using Imaging Technology: The project on Online Questionnaire System (OQS) to replace the imaging project started on 10 June 2014. The procurement of services to design and implement the OQS is in progress. System development will start in the latter half of 2015 and is expected to be completed in 2016-17. The estimated cost of the project is \$8.36 million.
- (2) C&SD plans to undertake an interim review on Information Systems Strategy upon the completion of the 2 department-wide data collection systems as detailed in (1). It is estimating the cost and manpower for the project and will submit funding application in mid-2016. The interim review will start in the latter half of 2017.
 - (3) Currently, all statistical datasets on the C&SD website are in downloadable format. For the statistics presented in statistical publications in PDF format, C&SD is reviewing the situation and estimating the costs and manpower requirements, with an aim to providing most of these statistics as downloadable datasets from 2015-16.
 - (4) Currently, around 1 450 statistical datasets, or 71% of all C&SD statistical datasets on the C&SD website, are available for downloading free of charge from the Data.One portal.
 - (5) Currently, all statistical datasets in the C&SD website are in machine-readable format. For the statistics presented in statistical publications in PDF format, C&SD is reviewing the situation and estimating the costs and manpower requirements, with an aim to providing most of these statistics in machine-readable format from 2015-16.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)127****(Question Serial No. 3749)**Head: (26) Census and Statistics DepartmentSubhead (No. & title): ()Programme: ()Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

As regards the facilitation of the development of the retail industry in Hong Kong, please advise:

- (a) The total sales value of the retail industry for the past 2 years (2013 and 2014);
- (b) The percentage of the value of the retail industry to the Gross Domestic Product for the past 2 years;
- (c) The total shop area and average retail shop rents for the past 2 years (by the 18 Districts and overall area); and
- (d) The number of employees and employment vacancy rate of the retail industry for the past 2 years.

Asked by: Hon TIEN Puk-sun, Michael (Member Question No. 70)Reply:

- (a) The statistics on the value of total retail sales for the past 2 years are provided in Table 1:

Table 1: Value of total retail sales

Year	Value of total retail sales (HK \$million)
2013	494,451
2014	493,236

- (b) The percentage contribution of retail trade to the Gross Domestic Product at basic prices for 2013 was 4.3%. The Census and Statistics Department does not have the corresponding figure for 2014 at the moment.

- (c) The stock of private retail premises by 18 districts in the past 2 years as provided by the Rating and Valuation Department (RVD) is listed in Table 2. RVD does not have the statistics on the average rent of private retail premises by 18 districts, while the corresponding statistics for the regions of Hong Kong, Kowloon and the New Territories are provided in Table 3.

Table 2: Private retail premises – Stock at year-end

District	Floor Area # ('000 m ²)	
	2013	2014*
Central & Western	982	986
Wan Chai	900	900
Eastern	658	659
Southern	202	203
<i>Hong Kong</i>	<i>2 742</i>	<i>2 748</i>
Yau Tsim Mong	1 728	1 733
Sham Shui Po	594	602
Kowloon City	615	614
Wong Tai Sin	312	312
Kwun Tong	592	595
<i>Kowloon</i>	<i>3 841</i>	<i>3 856</i>
Kwai Tsing	314	315
Tsuen Wan	455	462
Tuen Mun	397	395
Yuen Long	429	427
North	215	228
Tai Po	213	212
Sha Tin	451	451
Sai Kung	285	290
Islands	295	295
<i>New Territories</i>	<i>3 054</i>	<i>3 075</i>
<i>Overall</i>	<i>9 637</i>	<i>9 679</i>

Measured on the basis of “internal floor area” which is defined as the area of all enclosed space of the unit measured to the internal face of enclosing external and/or party walls.

* Provisional figures.

Source: RVD

Table 3: Private retail premises – Average rent

Year	Rent (\$ / m ² per month)		
	Hong Kong	Kowloon	New Territories
2013	1,549	1,482	1,176
2014*	1,621	1,527	1,239

* Provisional figures.

Notes: Changes in average rent between different periods may be due to variations in the characteristics of the different properties being analysed, and should not be taken as indicating a general change in value over the period.

Source: RVD

- (d) The statistics on the employment and vacancy rate in retail trade in the past 2 years are provided in Table 4.

Table 4: Employment and vacancy rate in retail trade

Year	Employment in retail trade	Vacancy rate in retail trade (%)
2013	324 200	3.2
2014*	329 500	3.3

* Provisional figures.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)128

(Question Serial No. 4326)

Head: (26) Census and Statistics Department

Subhead (No. & title): ()

Programme: (2) Social Statistics

Controlling Officer: Commissioner for Census and Statistics (Leslie TANG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please advise:

1. Has the Census and Statistics Department (C&SD) for the past 3 years reviewed the definition of "permanent living quarters" in the statistical figures so that such figures can reflect the current vacancy rate of residential units in the territory?
2. Will C&SD conduct any survey or research regarding the vacancy rate of residential units in 2015-16 and in the Population By-census? If so, what are the details and estimated expenditure?

Asked by: Hon WU Chi-wai (Member Question No. 79)

Reply:

"Permanent living quarters", is used by C&SD to describe a certain type of quarters and analyse the numbers of households and persons by type of quarters, but not for deriving vacancy rate of residential units. The statistics on the vacancy situation of residential units in Hong Kong are compiled by the Rating and Valuation Department. C&SD has no plan to compile such statistics during the 2016 Population By-census.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)129

(Question Serial No. 7085)

Head: (31) Customs and Excise Department

Subhead (No. & title): (-) Not Specified

Programme: (2) Anti-narcotics Investigation

Controlling Officer: Commissioner of Customs and Excise (Clement CHEUNG)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Please provide the number of money laundering cases detected by the Customs and Excise Department and the number of persons involved in the past 5 years.

Asked by: Hon KWOK Ka-ki (Member Question No. 120)

Reply:

The number of money laundering cases detected by the Customs and Excise Department and the number of persons involved in the past 5 years were as follows:

	2010	2011	2012	2013	2014
No. of cases	8	2	2	1	2
No. of persons involved	23	1	25	6	5

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)130****(Question Serial No. 3505)**Head: (116) Official Receiver's OfficeSubhead (No. & title): ()Programme: (1) Official Receiver's OfficeControlling Officer: Official Receiver (Ms Teresa S W Wong)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

How many complaints against practitioners in the private sector ("PIPs") did the Official Receiver's Office ("ORO") receive in each of the past five years? What were the final results of these complaints handled? Please provide a breakdown by type of complainants (i.e. creditor or bankrupt) and reasons of complaints.

Asked by: Hon LEE Wai-king, Starry (Member Question No. 62)Reply:

The ORO received a total of 78 complaints against PIPs during the period from 2010-11 to 2014-15 (up to February 2015). A breakdown by year and by type of complainants is as follows:

Nature of cases	Type of Complainants	Nature of Complaints	2010-11	2011-12	2012-13	2013-14	2014-15 (up to Feb. 2015)
Liquidation	Creditors	<ul style="list-style-type: none"> • Conflict of interest • Delay in proceedings • Disputes with PIPs • Excessive fees • Failure to comply with statutory requirements • Failure to respond to inquiries • Misconduct 	7	3	1	2	3
	Others	<ul style="list-style-type: none"> • Conflict of interest • Delay in proceedings • Disputes with PIPs • Failure to comply with statutory requirements • Failure to comply with tender requirements • Failure to respond to inquiries • Misconduct • Manner in communicating with director 	7	4	1	6	1
Bankruptcy	Creditors	<ul style="list-style-type: none"> • Delay in proceedings • Disputes with PIPs 	1	1	1	1	0
	Bankrupts	<ul style="list-style-type: none"> • Delay in proceedings • Disputes with PIPs 	6	9	2	8	7

Nature of cases	Type of Complainants	Nature of Complaints	2010-11	2011-12	2012-13	2013-14	2014-15 (up to Feb. 2015)
		<ul style="list-style-type: none"> • Failure to comply with statutory requirements • Failure to respond to inquiries • Manner in communicating with bankrupt 					
	Others	<ul style="list-style-type: none"> • Disputes with PIPs • Failure to respond to inquiries • Misconduct 	1	2	1	1	2
Total			22	19	6	18	13

The ORO has completed investigations on 46 complaints, of which one complaint was substantiated and one complaint was partially substantiated. The substantiated case involved the substandard performance of the PIPs concerned, who have been removed from acting as liquidators for the cases concerned by the court on ORO's applications. For the partially substantiated case, it involved failure of the PIPs concerned to respond to inquiries and was resolved after ORO's liaison.

As regards the remaining complaint cases, one complaint received was subsequently withdrawn by the complainant and the investigations on the remaining 31 complaints are underway.

- End -

CONTROLLING OFFICER'S REPLY**FSTB(FS)131****(Question Serial No. 4171)**Head: (116) Official Receiver's OfficeSubhead (No. & title): ()Programme: (1) Official Receiver's OfficeControlling Officer: Official Receiver (Ms Teresa S W Wong)Director of Bureau: Secretary for Financial Services and the TreasuryQuestion:

It is stated that the Official Receiver's Office ("ORO") will "encourage greater use of individual voluntary arrangements by debtors as an alternative to bankruptcy". In this regard, will the Administration inform this Committee of the following:

- 1) For the past three years, how many individual voluntary arrangement cases were handled by the ORO as an alternative to bankruptcy?
- 2) In 2013, the ORO reduced the deposit payable for debtor-petition bankruptcy cases from \$8,650 to \$8,000 but there were still some debtors saying that they could not afford to pay the fees for applying for bankruptcy because of financial hardship, making them unable to solve the debt problems through bankruptcy. What was the number of requests for assistance received by the ORO in 2014? How many cases in which debtors could not afford the fees and use individual voluntary arrangement instead?
- 3) It is mentioned in paragraph 150 of the Budget that government departments will be asked to review over a thousand fees and charges in accordance with the "cost-recovery" and "user pays" principles. Please inform us on the costs of administering bankruptcy.
- 4) Will the Administration consider charging the above fees on a "cost-recovery" basis?

Asked by: Hon TANG Ka-piu (Member Question No. 70)Reply:

- 1) Since September 2002, individual voluntary arrangements (IVA) cases have been dealt with by outside nominees. From 2012 to 2014, the numbers of approved IVA cases reported by the outside nominees to the ORO are as follows –

Year	No. of approved IVA cases reported to ORO
2012	799
2013	810
2014	782

- 2) The ORO does not have the statistics.
- 3) & 4) It is the Government's policy that the fees charged should in general be set at levels adequate to recover the full costs of providing the services, so as to ensure that the costs of providing the services do not fall on the general tax-payers. The levels of ORO's statutory fees, charges and deposits are set in accordance with this policy, and the levels of these statutory fees, charges and deposits have reflected the costs incurred by the ORO in providing the services.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 4172)

Head: (116) Official Receiver's Office

Subhead (No. & title): ()

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver (Ms Teresa S W Wong)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Over the past few years, the numbers of new bankruptcy cases have continued to rise, with an increase from 9 645 cases in 2013 to the estimated 11 017 cases in 2015. In this regard, will the Administration inform this Committee of the following:

- 1) the age distribution, residence types, marital status, levels of education, employment status, occupation types and income levels of the bankruptcy petitioners or the bankrupts in 2014;
- 2) the amount of indebtedness (table 1) and causes of bankruptcy (table 2) of the bankruptcy cases in 2014.

Table 1

Amount of Indebtedness	Numbers and Percentage
below \$30,000	
above \$30,000 - \$50,000	
above \$50,000 - \$100,000	
above \$100,000 - \$200,000	
above \$200,000 - \$400,000	
above \$400,000 - \$600,000	
above \$600,000	

Table 2

Causes of Bankruptcy	Percentage
Excessive Use of Credit Facilities	
Gambling	
Unemployment	
Loss in Business	
Loss in Investment	
Overspending	
Personal Guarantee Liabilities	
Speculation in Shares	
Others	
Total	

Asked by: Hon TANG Ka-piu (Member Question No. 73)

Reply:

- 1) Based on the information collected by the Official Receiver's Office (ORO) as provided by the bankrupts or relevant parties (such as creditors) in bankruptcy cases with bankruptcy orders made in 2014, the distributions of age, residence types, employment status and monthly income of the bankrupts are as follows:-

Age of Bankrupts	Percentage
30 or below	18.11%
above 30 – 40	24.50%
above 40 – 50	27.34%
above 50	30.05%
Total	100.00%

Residence type of Bankrupts	Percentage
Public Housing	56.18%
Private Apartment (owned by the bankrupts [*])	0.68%
Private Apartment (not owned by the bankrupts)	43.14%
Total	100.00%

^{*}The properties are under mortgage / charge.

Employment status of Bankrupts	Percentage
Employed	65.99%
Unemployed	34.01%
Total	100.00%

Monthly income of Bankrupts	Percentage
No income	34.29%
\$10,000 or below	26.81%
above \$10,000 - \$15,000	25.12%
above \$15,000 - \$20,000	9.53%
above \$20,000 - \$25,000	2.66%
above \$25,000	1.59%
Total	100.00%

The ORO does not keep separate statistics on marital status, levels of education and occupation types.

- 2) Based on the information collected by the ORO as provided by the bankrupts or relevant parties (such as creditors) in bankruptcy cases with bankruptcy orders made in 2014, the distributions of indebtedness of the bankrupts and causes of bankruptcy are as follows:-

Indebtedness of Bankrupts	Percentage
\$30,000 or below	0.40%
above \$30,000 - \$50,000	0.20%
above \$50,000 - \$100,000	3.63%
above \$100,000 - \$200,000	22.25%
above \$200,000 - \$400,000	41.45%
above \$400,000 - \$600,000	16.42%
above \$600,000	15.65%
Total	100.00%

Causes of Bankruptcy	Percentage
Excessive Use of Credit Facilities	14.29%
Gambling	4.69%
Lack of Gainful Employment	34.62%
Loss in Business	4.87%
Loss in Investment	1.43%
Overspending	35.81%
Personal Guarantee Liabilities	1.01%
Speculation in Shares etc.	0.18%
Others	3.10%
Total	100.00%

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)133

(Question Serial No. 3593)

Head: (116) Official Receiver's Office

Subhead (No. & title): ()

Programme: (1) Official Receiver's Office

Controlling Officer: Official Receiver (Ms Teresa S W Wong)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

- 1) In 2014-2015, how many debtor-petition bankruptcy cases are there in total?
- 2) In Matters Requiring Special Attention by the Official Receiver's Office ("ORO") in 2015-16, it is stated that the ORO will "continue to review the operational procedures in the ORO with a view to improving efficiency and productivity". What policy and measures does the ORO have to streamline the work procedures and reduce manpower with a view to lowering operating costs, so that the bankruptcy petition fees can be adjusted downward on the premise of recovery of costs?
- 3) Since the reduction of deposits for bankruptcy petitions from \$8,650 to \$8,000 (-7.5%) on 1 November 2013, did the ORO continue to study ways to further lower the fees so as to reduce the number of "no-money-no-bankruptcy" cases? If yes, what are the details? If not, can a study be conducted immediately?

Asked by: Hon TSE Wai-chun, Paul (Member Question No. 58)

Reply:

- 1) In 2014-15 (up to February 2015), the total number of debtor-petition bankruptcy cases with bankruptcy orders made is 8 803.
- 2) The ORO reviews its operational procedures from time to time, and will introduce measures such as procedural enhancement, use of information technology or redeployment of resources with a view to improving efficiency.
- 3) The Government's established policy is that the fees charged should in general be set at levels adequate to recover the full costs of providing the services, so as to ensure that the costs for providing the services do not fall on general tax-payers. If there is a change in ORO's costs of providing services in the future, the Government will consider whether the ORO's statutory fees, charges and deposits should be adjusted when these items are reviewed in accordance with the established policy.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)134

(Question Serial No. 5932)

Head: (122) Hong Kong Police Force

Subhead (No. & title): (-) Not Specified

Programme: (2) Prevention and Detection of Crime

Controlling Officer: Commissioner of Police (TSANG Wai-hung)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding money laundering crime, please inform this Committee of the following:

In each of the past 5 years, of the money laundering crime cases recorded by the Police, what were the respective numbers by Region?

In each of the past 5 years, of the money laundering crime cases recorded by the Police, what were the respective numbers of cases detected by Region?

In each of the past 5 years, what were the respective figures of money laundering crime by Region and by category of crime?

What are the respective measures of the Police to prevent and detect the above crime in the future?

Asked by: Hon CHEUNG Kwok-che (Member Question No. 354)

Reply:

The Police Force does not maintain the numbers of money laundering crime cases recorded by Region, the numbers of cases detected by Region, a breakdown of money laundering crime cases by Region and by category of crime.

The Police will continue to adopt the following measures in the future to enhance the capability in financial investigation:

- (1) Enhancing the awareness and investigation skills of officers and the relevant industries in financial investigation

The Police will strengthen the training in financial investigation, including providing financial investigation courses for frontline investigators through a diversified studying mode, organising quarterly training and internship programmes for frontline investigation detectives, organising workshops for frontline crime supervisors from time to time, and sharing knowledge and best practices through websites, knowledge sharing, peer advisor network, etc.

The Joint Financial Intelligence Unit (JFIU) will liaise closely with the relevant industries, organise training and seminars regularly for experience exchange, and impart knowledge about anti-money laundering and counter-terrorist financing to raise the industries' awareness of suspicious transaction reports so that the quality of these reports will be improved, thereby enhancing the effectiveness in combating money laundering and terrorist financing crimes.

- (2) Optimising the co-operation mechanism with law enforcement agencies to combat money-laundering crime

The JFIU of the Police, together with the relevant agencies, will attend meetings of the relevant international organisations, participate actively in the work of international organisations and devise policies and standards of global anti-money laundering and counter-terrorist financing, with a view to combating money laundering and terrorist financing more effectively.

The Police will continue to exchange intelligence with the Mainland and overseas law enforcement agencies to conduct intelligence-led combat actions.

- End -

CONTROLLING OFFICER'S REPLY

FSTB(FS)135

(Question Serial No. 3376)

Head: (G01) Bond Fund

Subhead (No. & title): (-) Not Specified

Programme: (-) Not Specified

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

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

As stated in paragraph 101 of the Budget Speech, “the inflation-linked retail bonds (iBond) introduced in 2011 have been well received by the public and helped promote the retail bond market. I shall launch an iBond issue of up to \$10 billion with a maturity of three years. Following the existing practice, the issuance will target Hong Kong residents, and interest will be paid to bond holders every six months at a rate linked to the inflation rates of the last half-year period. The Hong Kong Monetary Authority (HKMA) will announce the details in due course.” Will the Government inform this Committee of whether an overall review has been conducted on the past 4 iBond issuances? If so, what are the results? Will consideration be given to expanding the size of the next issuance to over \$10 billion in response to the enthusiastic public demand? If not, what are the reasons?

Asked by: Hon. FUNG Kin-kee, Frederick (Member Question No. 53)

Reply:

The size of the coming issuance of iBond will be up to \$10 billion. The bond issuance size seeks to strike a reasonable balance between satisfying the demand of Hong Kong residents for retail bonds and ensuring that the Government Bond Programme has a capacity to support the development of other segments of the bond market. When considering the size and other parameters of bonds to be issued, we shall take into account relevant factors including the prevailing market conditions (such as interest rate, inflation and potential impact on prospective bond issuers in Hong Kong), as well as the sustainability of the Bond Fund. In the long run, we should allow adequate room for the market to develop different types of bonds for a more diversified bond market in Hong Kong.

- End -